

MARIN AGRICULTURAL LAND TRUST

JUNE 30, 2019

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Marin Agricultural Land Trust

Independent Auditors' Report and Financial Statements

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A Century Strong

Independent Auditors' Report

THE BOARD OF DIRECTORS
MARIN AGRICULTURAL LAND TRUST
Point Reyes Station, California

Report on the Financial Statements

We have audited the accompanying financial statements of **MARIN AGRICULTURAL LAND TRUST (MALT)**, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MALT'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 MALT'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marin Agricultural Land Trust as of June 30, 2019, 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.

Effect of Adopting New Accounting Standard

As described in Note 2(m), MALT adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, the accounting change has been applied retrospectively to prior periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to that matter.

Other Matter

Report on Summarized Comparative Information

We have previously audited MALT's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our audit report dated December 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
January 31, 2020

Marin Agricultural Land Trust

Statement of Financial Position

June 30, 2019 (with comparative totals for 2018)

	Operating	Land		2019 Total	2018 Total
		Preservation	Stewardship		
Assets					
Cash and cash equivalents	\$ 488,135	\$ 479,215	\$ 148,771	\$ 1,116,121	\$ 741,582
Investments	1,547,745	6,956,669	11,732,962	20,237,376	19,406,066
Contributions receivable, net	231,130	2,786,860	429,241	3,447,231	4,405,501
Prepaid expenses and other assets	130,520	14,903		145,423	295,391
Land held in fee				-	5,300,000
Charitable trust assets			596,252	596,252	535,587
Property and equipment, net	1,603,288	48,582	2,738	1,654,608	1,473,001
Conservation easements		86		86	84
Total assets	\$ 4,000,818	\$ 10,286,315	\$ 12,909,964	\$ 27,197,097	\$ 32,157,212
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	\$ 191,230			\$ 191,230	\$ 414,934
Deposits on land payable				-	702,500
Deferred revenue	46,825			46,825	30,053
Obligation to fiscal sponsor	5,892			5,892	36,922
Note payable				-	3,895,000
Total liabilities	243,947	-	-	243,947	5,079,409
Net Assets:					
Without donor restrictions	3,526,832	\$ 7,004,580	\$ 3,082,664	13,614,076	13,294,513
With donor restrictions:					
Time and purpose	230,039	3,281,735	4,858,947	8,370,721	8,814,937
Perpetual restrictions			4,968,353	4,968,353	4,968,353
Total net assets with donor restrictions	230,039	3,281,735	9,827,300	13,339,074	13,783,290
Total net assets	3,756,871	10,286,315	12,909,964	26,953,150	27,077,803
Total liabilities and net assets	\$ 4,000,818	\$ 10,286,315	\$ 12,909,964	\$ 27,197,097	\$ 32,157,212

See accompanying notes to financial statements.

Marin Agricultural Land Trust

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2019 (with comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support:				
Public agency grants	\$ 3,235,479		\$ 3,235,479	\$ 6,665,173
Grants and contributions	3,136,122	\$ 1,576,347	4,712,469	6,051,385
Program revenue	20,099		20,099	22,682
Special event, net of expenses of \$78,914	60,611		60,611	(484)
In-kind contributions	37,568		37,568	52,340
Investment income, net	506,923	432,999	939,922	809,661
Change in value of beneficial interest in charitable gifts		60,665	60,665	34,351
Other income	9,118		9,118	9,107
Net assets released from restriction	2,514,227	(2,514,227)	-	-
Total revenue and support	9,520,147	(444,216)	9,075,931	13,644,215
Expenses:				
Program services	8,571,518		8,571,518	14,201,192
General and administrative	876,179		876,179	851,917
Fundraising	1,228,887		1,228,887	1,817,051
Total expenses	10,676,584		10,676,584	16,870,160
Change in Net Assets before Other Change	(1,156,437)	(444,216)	(1,600,653)	(3,225,945)
Other Change in Net Assets:				
Gain on sale of land held in fee	1,476,000		1,476,000	-
Change in Net Assets	319,563	(444,216)	(124,653)	(3,225,945)
Net Assets, Beginning of year	13,294,513	13,783,290	27,077,803	30,303,748
Net Assets, End of year	\$ 13,614,076	\$ 13,339,074	\$ 26,953,150	\$ 27,077,803

See accompanying notes to financial statements.

Marin Agricultural Land Trust

Statement of Functional Expenses

Year Ended June 30, 2019 (with comparative totals for 2018)

	2019									2018 Total
	Program Services				Supporting Services				Total	
	Easement Acquisition	Stewardship	Outreach	Total Programs	General and Administrative	Fundraising	Total Supporting Services			
Salaries and benefits	\$ 111,158	\$ 609,311	\$ 98,450	\$ 818,919	\$ 525,041	\$ 836,145	\$ 1,361,186	\$ 2,180,105	\$ 2,028,920	
Professional services	64,826	61,777	2,901	129,504	201,106	132,929	334,035	463,539	510,328	
Office expenses	5,703	20,695	23,965	50,363	49,197	221,520	270,717	321,080	267,767	
Repairs, maintenance, and utilities		11,574	11,750	23,324	23,682	13,098	36,780	60,104	65,422	
Travel, conferences, and events	302	23,975	29,864	54,141	27,531	35,537	63,068	117,209	199,005	
Depreciation		16,802	5,447	22,249	45,911	17,643	63,554	85,803	69,990	
Grants - stewardship assistance		155,491		155,491				155,491	150,470	
Easement acquisition	7,317,221	306		7,317,527				7,317,527	12,981,460	
Bad debt expense (recovery)				-	3,711	(27,985)	(24,274)	(24,274)	596,798	
Expenses as shown on the Statement of Activities and Changes in Net Assets	7,499,210	899,931	172,377	8,571,518	876,179	1,228,887	2,105,066	10,676,584	16,870,160	
Other expenses:										
Special event expenses				-		78,914	78,914	78,914	41,375	
Total expenses	\$ 7,499,210	\$ 899,931	\$ 172,377	\$ 8,571,518	\$ 876,179	\$ 1,307,801	\$ 2,183,980	\$ 10,755,498	\$ 16,911,535	

See accompanying notes to financial statements.

Marin Agricultural Land Trust

Statement of Cash Flows

<i>Year Ended June 30, 2019 (with comparative totals for 2018)</i>	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ (124,653)	\$ (3,225,945)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	85,803	69,990
Change in allowance for doubtful accounts	(27,985)	89,908
Change in discount related to present value of receivables	(78,168)	(123,555)
Net realized and unrealized gains on investments	(433,041)	(372,938)
Change in value of charitable gifts	(60,665)	(34,351)
Gain on sale of land held in fee	(1,476,000)	
Changes in assets and liabilities:		
Contributions receivable	1,064,423	2,951,553
Prepaid expenses and other assets	149,968	(103,014)
Conservation easements	(2)	(5)
Accounts payable and accrued expenses	(223,704)	258,712
Deposits on land held in fee	(702,500)	
Deferred revenue	16,772	(4,712)
Obligation to fiscal sponsor	(31,030)	5,468
Net cash used in operating activities	(1,840,782)	(488,889)
Cash Flows from Investing Activities:		
Purchases of investments	(745,518)	(3,788,852)
Proceeds from sales and maturities of investments	347,249	4,919,917
Acquisition of property and equipment	(267,410)	(226,081)
Net cash (used) provided by investing activities	(665,679)	904,984
Cash Flows from Financing Activities:		
Repayment of note payable	(3,895,000)	
Proceeds from sale of land held in fee	6,776,000	
Net cash provided by financing activities	2,881,000	-
Change in Cash and Cash Equivalents	374,539	416,095
Cash and Cash Equivalents, beginning of year	741,582	325,487
Cash and Cash Equivalents, end of year	\$ 1,116,121	\$ 741,582
Supplemental Cash Flow Information:		
Interest paid	\$ 12,983	\$ 38,950

See accompanying notes to financial statements.

Marin Agricultural Land Trust

Notes to Financial Statements

Note 1 - Nature of 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. After the easements are recorded, landowners are bound by its terms in perpetuity. MALT stewardship staff monitor and enforce each easement annually. 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 over 54,000 acres on 86 family farms and ranches. Additionally, MALT encourages public policies in support of agriculture, and conducts hikes, tours, and lectures relating to agriculture.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation

MALT prepares its financial statements using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, MALT presents information regarding its net assets and activities according to two classes of net assets:

Net Assets Without Donor Restrictions

The portion of net assets that is not subject to time or donor-imposed restrictions and available at the discretion of MALT. The Board of Directors has designated \$3,082,664 as a quasi-endowment to support the Stewardship Fund (see Note 10).

Net Assets With Donor Restrictions

The portion of net assets that is restricted due to either a time restriction on when the asset will be spent, a purpose restriction imposed by a donor that is not yet completed, or donor endowed funds to be maintained in perpetuity.

b. Cash and Cash Equivalents

MALT considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except for money market accounts held within investment accounts which are held for investment purposes.

c. Investments

Investments are carried at estimated fair value on the accompanying Statement of Financial Position. Investments include money market funds, certificates of deposit, and mutual funds. Investments received through gifts are recorded at estimated fair value at the date of contribution. Gains and losses that result from market fluctuations are recognized in the Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned.

Marin Agricultural Land Trust

Notes to Financial Statements

d. Fair Value Measurements

MALT carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement standards also require MALT to classify these financial instruments into a three-level hierarchy. MALT classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 – Quoted market prices (unadjusted) in active markets for identical assets or liabilities that MALT has the ability to access at the measurement date.

Level 2 – Observable inputs other than quoted market prices included within Level 1 such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in inactive markets.

Level 3 – Unobservable inputs for assets or liabilities that are uncorroborated by market data.

e. Revenue Recognition

Grants and contributions are recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair value on the date the donation is made. Public agency grants are recognized when MALT incurs expenditures related to the required easement transaction or services are rendered.

Contributions expected to be collected in future years, including future interests in charitable lead trusts, are recorded at the present value of estimated future cash flows. Discounts on the future interests are calculated using a rate equal to the approximate investment return applicable to the year in which the unconditional promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met.

MALT estimates the allowance for uncollectible contributions on an annual basis based on past collection experience and current economic conditions.

MALT classifies gifts of cash and other assets as support with restrictions if received with donor stipulations that limit the use of the contributions. When such donor restrictions expire, that is, when stipulated or implied time restrictions end or purpose restrictions are accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Marin Agricultural Land Trust

Notes to Financial Statements

f. Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair market value on the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Useful lives range from five to thirty-nine years.

g. 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 MALT's intention to hold such easements in perpetuity. During the year of acquisition, public agency grants and contributions received for the acquisition of conservation easements are recorded as revenue while the related expenditures are recorded as expenses in the accompanying Statement of Activities and Changes in Net Assets.

Mandatory Agricultural Use (MAU) Amendments are legally enforceable agreements to amend conservation easements acquired prior to August 2011. MALT's MAU provision states that land must remain in commercial agricultural use in perpetuity regardless of ownership. This provision is added to the easement in exchange for a price which is recorded as a conservation easement expense. Conservation easements acquired in August 2011 and after include the MAU provision as part of the easement transaction, and the value is included in the price of the easement.

MALT purchased conservation easements totaling \$7,317,527 and \$12,981,460 during the years ended June 30, 2019 and 2018, respectively, which have been reflected on the Statement of Functional Expenses.

h. Beneficial Interest in Charitable Trusts

Beneficial interest in charitable trusts include the estimated fair value of various irrevocable charitable trusts. Charitable trust assets are maintained by third parties and invested in a diversified portfolio of mutual funds, stocks, and bonds. MALT records charitable trust assets at the projected future fair value of MALT's vested interest in the underlying assets which is discounted to net present value using an interest rate of 1.94% per annum. On an annual basis, MALT revalues its beneficial interest in each instrument based on the applicable life expectancy tables published by the Internal Revenue Service (IRS).

Marin Agricultural Land Trust

Notes to Financial Statements

i. Endowments

Endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. MALT follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205 “Endowments of Not-for-Profit Organizations – Net Assets Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds.” The State of California adopted a version of the UPMIFA as its State Prudent Management of Institutional Funds Act (SPMIFA).

Interpretation of Relevant Law

The Board of Directors have determined that MALT holds net assets that meet the definition of endowment funds under SPMIFA.

MALT has interpreted 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 net assets with perpetual donor restrictions (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 as net assets with perpetual donor restrictions is classified as net assets with time and purpose donor restrictions until those amounts are appropriated for expenditure by MALT in a manner consistent with the standard of prudence prescribed by UPMIFA and SPMIFA.

In accordance with SPMIFA, MALT considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of MALT and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of MALT, and (7) the investment policies of MALT.

From time to time, the fair value of the assets associated with individual donor restricted endowment funds may fall below historical gift value. There are no underwater endowment funds as of June 30, 2019.

Marin Agricultural Land Trust

Notes to Financial Statements

Investment and Spending Policies

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 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 (3) maintain sufficient liquidity to meet planned expenditures. 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. MALT has a policy of appropriating for distribution an amount equal to or less than 3.5% of the average value of the total fund investments for the most recent twelve calendar quarters. Funds without donor restrictions may be transferred for expenditure monthly; amounts from funds with perpetual donor restrictions in excess of their historical gift value may be transferred for expenditure semi-annually or as otherwise directed by the donor. The Board may direct the transfer of funds without donor restrictions in excess of a target balance to other MALT purposes.

j. Functional Expense Allocations

The costs of providing MALT's various programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Accordingly, salaries and benefits are allocated among program services, general and administrative, and fundraising based on an allocation of employee time. Expenses incurred directly by a department are coded directly to that department. Shared facility costs such as utilities and repair and maintenance among others are allocated based on square footage. Shared operating costs such as office supplies and postage are allocated based on staffing levels.

k. Use of Estimates

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

l. Tax Exempt Status

MALT has received notification from the IRS and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Contributions to MALT are deductible as allowed under the applicable tax code.

Marin Agricultural Land Trust

Notes to Financial Statements

As of June 30, 2019, management evaluated MALT's tax positions and concluded that MALT had maintained its tax-exempt status and had not taken uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

m. Recent Accounting Pronouncements

Pronouncement Adopted

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update are designed to improve net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows.

The adoption of this accounting standard changed the terminology used in describing MALT's net assets and added a new disclosure (Note 3) that discusses MALT's availability of financial assets and liquidity. Accordingly, the accounting change has been retrospectively applied to all periods presented with the exception of the omission of prior year availability of resource information as permitted by the ASU.

Net assets have been reclassified as of June 30, 2018 due to the adoption of ASU 2016-14 are as follows:

Net Asset Classification June 30, 2018	Without Donor Restrictions	With Donor Restrictions	Net Assets
Unrestricted	\$ 13,294,513		\$ 13,294,513
Temporarily restricted		\$ 8,814,937	8,814,937
Permanently restricted		4,968,353	4,968,353
Net assets as reported after adoption of ASU 2016-14	\$ 13,294,513	\$ 13,783,290	\$ 27,077,803

Marin Agricultural Land Trust

Notes to Financial Statements

Pronouncements Effective in the Future

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU does not apply to transfers of assets from governments to businesses. The amendments in the update are effective for MALT for its fiscal year ending June 30, 2020. MALT is currently evaluating the impact of this pronouncement on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for MALT for its fiscal year ending June 30, 2020. MALT has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In January 2018, the FASB issued ASU 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*. The amendments in the update provide an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 840. An entity that elects this practical expedient should evaluate new or modified land easements under Topic 842 beginning at the date that the entity adopts Topic 842, which will be effective for MALT for its fiscal year ending June 30, 2022. An entity that does not elect this practical expedient should evaluate all existing or expired land easements in connection with the adoption of the new lease requirement in Topic 842 to assess whether they meet the definition of a lease. MALT is currently evaluating the impact of this pronouncement on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*. The ASU removes the requirements for transfers between Levels 1 and 2 as well as the valuation processes for Level 3 fair value measurements. In lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 as well as purchases and issues of Level 3 assets and liabilities. It clarifies that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. The amendments in the update are effective for MALT for its fiscal year ending June 30, 2021. MALT is currently evaluating the impact of this pronouncement on its financial statements.

Marin Agricultural Land Trust

Notes to Financial Statements

n. Subsequent Events

MALT evaluated subsequent events with respect to the financial statements for the year ended June 30, 2019 through January 31, 2020, the date these financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

Note 3 - **Availability of Financial Assets and Liquidity:**

MALT's financial assets available within one year for general expenditures are as follows:

Financial assets at June 30, 2019:	
Cash and cash equivalents	\$ 1,116,121
Investments	20,237,376
Contributions receivable, net	3,447,231
Beneficial interest in charitable gifts	596,252
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Total financial assets	25,396,980
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Less amounts not available to be used within one year:	
Cash for fiscal sponsor	(5,892)
Contributions receivables collectible beyond one year	(890,700)
Beneficial interest in charitable gifts	(596,252)
Endowment corpus	(4,418,353)
Endowment earnings	(3,166,574)
Net assets with donor restrictions, net of estimated releases \$2,696,820 for fiscal year 2020	(1,570,375)
Board designated quasi-endowment funds	(3,082,664)
	<hr/>
	(13,730,810)
	<hr/>
Financial assets available to meet general expenditures within one year	\$ 11,666,170
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MALT maintains an operating reserve of approximately 90 days of operating expenses (approximately \$1,300,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. Board-designated funds could be drawn upon if the board approved the action.

Marin Agricultural Land Trust

Notes to Financial Statements

Note 4 - Contributions Receivable, Net:

Contributions receivable are expected to be collected as follows at June 30:

	2019	2018
Less than one year	\$ 2,705,739	\$ 2,361,106
One to five years	890,700	2,289,756
Greater than five years		10,000
	<hr/>	<hr/>
	3,596,439	4,660,862
Less: unamortized discount	(87,284)	(165,452)
Less: allowance for uncollectible amounts	(61,924)	(89,909)
	<hr/>	<hr/>
	\$ 3,447,231	\$ 4,405,501

Note 5 - Investments and Fair Value Measurements:

Investments:

Investments consist of the following at June 30:

	2019	2018
Money market accounts	\$ 2,932,028	\$ 2,813,156
Mutual funds – bonds	8,475,241	8,075,252
Mutual funds – equities	8,830,107	8,517,658
	<hr/>	<hr/>
	\$ 20,237,376	\$ 19,406,066

Investment income, net consists of the following for the year ended June 30:

	2019	2018
Net realized and unrealized gains	\$ 433,041	\$ 372,938
Interest and dividends	506,881	436,723
	<hr/>	<hr/>
	\$ 939,922	\$ 809,661

Marin Agricultural Land Trust

Notes to Financial Statements

Fair Value Measurement:

Investments held at year end include money market funds and mutual funds that are held at fair value and are classified as Level 1. MALT also holds charitable trust assets of \$596,252 that are classified as Level 2.

Note 6 - Property and Equipment:

Property and equipment consist of the following at June 30:

	2019	2018
Land	\$ 462,582	\$ 462,582
Office building and improvements	1,239,606	1,226,781
Furnishings and equipment	250,534	204,875
Website and software	224,283	142,595
Vehicles	106,336	83,687
	<hr/>	<hr/>
	2,283,341	2,120,520
Less: accumulated depreciation	(628,733)	(647,519)
	<hr/>	<hr/>
	\$ 1,654,608	\$ 1,473,001

Depreciation expense was \$85,803 and \$69,990 for the years ended June 30, 2019 and 2018, respectively.

Note 7 - Charitable Trust Assets:

Charitable trust assets include MALT's beneficial interest in irrevocable charitable remainder unitrusts and charitable gift annuities.

Charitable trust assets consist of the following as of June 30:

	2019	2018
Charitable remainder unitrusts	\$ 397,723	\$ 372,008
Charitable gift annuities	198,529	163,579
	<hr/>	<hr/>
	\$ 596,252	\$ 535,587

Marin Agricultural Land Trust

Notes to Financial Statements

Each charitable trust requires periodic distributions to designated primary beneficiaries over a period of time. These distributions are based on the value of the gift instruments' underlying assets and its earnings. Following the passing of the specified individuals, a percentage of the remaining principal will be distributed to MALT.

Assets associated with charitable trusts consist primarily of cash equivalents, equities and fixed income securities. The change in the estimated value of MALT's beneficial interest in charitable trust assets is reflected on the Statement of Activities and Changes in Net Assets.

Note 8 - Land Held in Fee and Note Payable:

On October 30, 2015, MALT acquired fee title to Millerton Creek Ranch for a price of \$5,300,000. The financing of the purchase was accomplished by (1) utilizing proceeds from a loan in the amount of \$3,895,000 from The David and Lucile Packard Foundation (the Loan), (2) utilizing a down payment deposit in the amount of \$702,500 made by the tenant, Millerton Creek Ranch LLC (MCR), and (3) utilizing MALT's financial resources, including certain investments and cash reserves. The Loan in the amount of \$3,895,000 from The David and Lucile Packard Foundation bore interest at a fixed rate of 1.0% per annum, was secured by the Millerton Creek Ranch property, and was due and payable on or before October 22, 2018, or earlier if the property was transferred to a conservation buyer.

In connection with the transaction, MCR entered into a four-year lease requiring them to remit monthly rental payments to MALT. All of the operating costs such as property taxes, insurance, and other assessments levied against the property were the responsibility of the tenants in accordance with the terms of the lease. At the conclusion of the lease, the tenants intended to purchase the property from MALT.

In October 2018, the property was sold to MCR for \$6,776,000 and the Loan was repaid in full. As part of the transaction, MCR received credit for the down payment deposit of \$702,500. MALT recognized a gain on the sale of \$1,476,000 and is reflected on the Statement of Activities and Changes in Net Assets.

Marin Agricultural Land Trust

Notes to Financial Statements

Note 9 - Net Assets with Donor Restrictions:

Net assets with donor restrictions as of June 30 were as follows:

	2019	2018
Time and purpose restrictions:		
Stewardship endowment	\$ 3,166,574	\$ 2,794,698
Red-legged frog mitigation	663,554	623,339
Easement acquisition	501,750	312,175
Other purposes	156,731	471,585
Charitable trust assets	596,252	535,587
With time restrictions	3,285,860	4,077,553
Total time and purpose restrictions	8,370,721	8,814,937
Perpetual restrictions:		
Stewardship endowment	4,418,353	4,418,353
Red-legged frog mitigation	550,000	550,000
Total perpetual restrictions	4,968,353	4,968,353
	\$ 13,339,074	\$ 13,783,290

Net assets released from restrictions during the year ended June 30 were as follows:

	2019	2018
Easement acquisition	\$ 312,175	\$ 17,824
Red-legged frog mitigation	20,908	1,030
Other purposes	319,605	172,853
With time restrictions	1,861,539	5,007,997
	\$ 2,514,227	\$ 5,199,704

In a prior year, MALT received a contribution of \$810,000 for the 204-acre red-legged frog mitigation area of the Barboni Home Ranch easement. The donor required MALT to maintain in perpetuity \$550,000 and utilize the related income and corpus as necessary for the red-legged frog mitigation. The remainder of \$260,000 held in net assets with time and purpose donor restrictions will be used for other operating expenses of the mitigation. MALT allocates related expenses as expenses are incurred but does not apply a spending policy to the funds.

Marin Agricultural Land Trust

Notes to Financial Statements

Note 10 - Endowment:

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are summarized as follows:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		Total
		Time or Purpose	Perpetuity	
Endowment net assets, June 30, 2017	\$ 2,102,812	\$ 2,249,901	\$ 4,418,353	\$ 8,771,066
Contributions	912,445			912,445
Interest and dividends	56,154	179,214		235,368
Net realized and unrealized gains	86,230	365,583		451,813
Appropriation to operating fund	(276,938)			(276,938)
Endowment net assets, June 30, 2018	2,880,703	2,794,698	4,418,353	10,093,754
Contributions	366,300			366,300
Interest and dividends	74,213	197,328		271,541
Net realized and unrealized gains	71,715	174,548		246,263
Appropriation to operating fund	(310,267)			(310,267)
Endowment net assets, June 30, 2019	\$ 3,082,664	\$ 3,166,574	\$ 4,418,353	\$ 10,667,591

Marin Agricultural Land Trust

Notes to Financial Statements

Note 11 - Retirement Plans:

MALT offered eligible employees the opportunity to participate in a Simplified Employee Retirement Plan (“SEP IRA”) which is qualified under the IRC. Employees of MALT, regardless of earnings, were eligible to participate in the SEP IRA 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. MALT ceased contributing to the SEP IRA as of August 31, 2018.

MALT established a new 403(b)(7) Retirement Plan effective September 1, 2018 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. Employees are eligible for employer contributions, which are discretionary, after two years of service. Neither the SEP IRA nor 403(b)(7) plan noted above will be funded after September 1, 2018. Employer contributions to employee retirement plans amounted to \$64,027 and \$100,534 for the years ended June 30, 2019 and 2018, respectively.

Note 12 - Concentrations of Risk:

MALT has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of cash, investments, and receivables.

MALT maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits.

Receivables consist primarily of unsecured amounts due from individuals. The credit risk associated with the receivables from individuals is substantially mitigated by the large number of individuals comprising the receivable balance.

Investments in general are exposed to various risks, such as interest rate, credit and overall market volatility. To address the risk of investments, MALT maintains a formal investment policy that sets out performance criteria, investment and asset allocation guidelines and requires review of the investment managers’ performance.

Note 13 - Related Party Transactions:

Collectively, certain MALT board members made monetary contributions of approximately \$392,000 and \$420,000 during the years ended June 30, 2019 and 2018. Pledges receivable due from certain board members amounted to approximately \$155,000 and \$395,000 at June 30, 2019 and 2018.

Marin Agricultural Land Trust

Notes to Financial Statements

No easements were purchased from board members during the year ended June 30, 2019. During the year ended June 30, 2018, MALT purchased a conservation easement from a certain board member and incurred easement acquisition expense of \$3,594,000. As with all easement projects, the price was set by independent appraisal and approved by the Stewardship Committee and the full Board of Directors. Pursuant to the MALT conflict of interest policy, the board member did not participate in any board discussions of the transaction and was recused from all voting.

Note 14 - Fiscal Sponsor:

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 \$5,892 and \$36,922 in funds which are reflected as a liability on the Statement of Financial Position at June 30, 2019 and 2018, respectively.