

# MARIN AGRICULTURAL LAND TRUST

JUNE 30, 2020



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, 2020, 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.

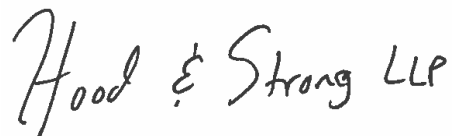
### **Opinion**

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, 2020, 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.

### **Other Matter**

#### *Report on Summarized Comparative Information*

We have previously audited MALT's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our audit report dated January 31, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California  
December 10, 2020

# Marin Agricultural Land Trust

## Statement of Financial Position

June 30, 2020 (with comparative totals for 2019)

	Operating	Land		2020 Total	2019 Total
		Preservation	Stewardship		
<b>Assets</b>					
Cash and cash equivalents	\$ 523,629	\$ 112,787	\$ 103,958	\$ 740,374	\$ 1,116,121
Investments	3,014,007	8,686,153	12,194,657	23,894,817	20,237,376
Contributions receivable, net	140,894	1,758,094	261,659	2,160,647	3,447,231
Prepaid expenses and other assets	92,228	2,679		94,907	145,423
Charitable trust assets			497,229	497,229	596,252
Property and equipment, net	1,507,903	103,156	839	1,611,898	1,654,608
Conservation easements		86		86	86
<b>Total assets</b>	<b>\$ 5,278,661</b>	<b>\$ 10,662,955</b>	<b>\$ 13,058,342</b>	<b>\$ 28,999,958</b>	<b>\$ 27,197,097</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 270,987		\$ 7,250	\$ 278,237	\$ 191,230
Paycheck protection program loan payable	369,880			369,880	
Deferred revenue					46,825
Obligation to fiscal sponsor					5,892
<b>Total liabilities</b>	<b>640,867</b>	<b>-</b>	<b>7,250</b>	<b>648,117</b>	<b>243,947</b>
<b>Net Assets:</b>					
Without donor restrictions	3,468,429	\$ 8,361,089	3,488,977	15,318,495	13,614,076
With donor restrictions:					
Time and purpose	1,169,365	2,301,866	4,593,762	8,064,993	8,370,721
Perpetual restrictions			4,968,353	4,968,353	4,968,353
<b>Total net assets with donor restrictions</b>	<b>1,169,365</b>	<b>2,301,866</b>	<b>9,562,115</b>	<b>13,033,346</b>	<b>13,339,074</b>
<b>Total net assets</b>	<b>4,637,794</b>	<b>10,662,955</b>	<b>13,051,092</b>	<b>28,351,841</b>	<b>26,953,150</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,278,661</b>	<b>\$ 10,662,955</b>	<b>\$ 13,058,342</b>	<b>\$ 28,999,958</b>	<b>\$ 27,197,097</b>

See accompanying notes to financial statements.

# Marin Agricultural Land Trust

## Statement of Activities and Changes in Net Assets

*Year Ended June 30, 2020 (with comparative totals for 2019)*

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenue and Support:</b>				
Public agency grants				\$ 3,235,479
Grants and contributions	\$ 4,500,568	\$ 1,120,692	\$ 5,621,260	4,712,469
Program revenue	1,528		1,528	20,099
Special event, net of expenses of \$41,697	13,003		13,003	60,611
In-kind contributions	18,555		18,555	37,568
Investment income, net	471,185	(3,222)	467,963	939,922
Change in value of beneficial interest in charitable gifts		43,464	43,464	60,665
Other income	2,120		2,120	9,118
Net assets released from restriction	1,466,662	(1,466,662)	-	-
<b>Total revenue and support</b>	<b>6,473,621</b>	<b>(305,728)</b>	<b>6,167,893</b>	<b>9,075,931</b>
<b>Expenses:</b>				
Program services	1,358,154		1,358,154	8,571,518
General and administrative	1,122,459		1,122,459	876,179
Fundraising	1,455,339		1,455,339	1,228,887
<b>Total expenses</b>	<b>3,935,952</b>		<b>3,935,952</b>	<b>10,676,584</b>
<b>Change in Net Assets before Other Change</b>	<b>2,537,669</b>	<b>(305,728)</b>	<b>2,231,941</b>	<b>(1,600,653)</b>
<b>Other Change in Net Assets:</b>				
Farmland preservation program refund (Note 2g)	(833,250)		(833,250)	
Gain on sale of land held in fee				1,476,000
<b>Change in Net Assets</b>	<b>1,704,419</b>	<b>(305,728)</b>	<b>1,398,691</b>	<b>(124,653)</b>
<b>Net Assets, Beginning of year</b>	<b>13,614,076</b>	<b>13,339,074</b>	<b>26,953,150</b>	<b>27,077,803</b>
<b>Net Assets, End of year</b>	<b>\$ 15,318,495</b>	<b>\$ 13,033,346</b>	<b>\$ 28,351,841</b>	<b>\$ 26,953,150</b>

See accompanying notes to financial statements.

# Marin Agricultural Land Trust

## Statement of Functional Expenses

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020									
	Program Services				Supporting Services				Total	2019 Total
	Easement Acquisition	Stewardship	Outreach	Total Programs	General and Administrative	Fundraising	Total Supporting Services			
Salaries and benefits	\$ 88,960	\$ 604,767	\$ 159,524	\$ 853,251	\$ 689,019	\$ 973,649	\$ 1,662,668	\$ 2,515,919	\$ 2,180,105	
Professional services	50,301	69,254	17,267	136,822	278,917	201,461	480,378	617,200	463,539	
Office expenses	17	24,712	21,879	46,608	51,286	235,564	286,850	333,458	321,080	
Repairs, maintenance, and utilities		6,801	24,461	31,262	18,730	14,988	33,718	64,980	60,104	
Travel, conferences, and events	276	22,618	42,260	65,154	17,063	17,449	34,512	99,666	117,209	
Depreciation		16,759	8,002	24,761	67,444	30,058	97,502	122,263	85,803	
Grants - stewardship assistance		200,296		200,296				200,296	155,491	
Easement acquisition				-				-	7,317,527	
Bad debt expense (recovery)				-		(17,830)	(17,830)	(17,830)	(24,274)	
Expenses as shown on the Statement of Activities and Changes in Net Assets	139,554	945,207	273,393	1,358,154	1,122,459	1,455,339	2,577,798	3,935,952	10,676,584	
Other expenses:										
Farmland preservation program refund (Note 2g)	833,250			833,250				833,250		
Special event expenses				-		41,697	41,697	41,697	78,914	
Total expenses	\$ 972,804	\$ 945,207	\$ 273,393	\$ 2,191,404	\$ 1,122,459	\$ 1,497,036	\$ 2,619,495	\$ 4,810,899	\$ 10,755,498	

See accompanying notes to financial statements.

# Marin Agricultural Land Trust

## Statement of Cash Flows

<i>Year Ended June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 1,398,691	\$ (124,653)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	122,263	85,803
Change in allowance for doubtful accounts	(17,830)	(27,985)
Change in discount related to present value of receivables	(85,070)	(78,168)
Net realized and unrealized losses (gains) on investments	34,677	(433,041)
Cash received from maturities of charitable gifts	142,487	
Change in value of charitable gifts	(43,464)	(60,665)
Gain on sale of land held in fee		(1,476,000)
Changes in assets and liabilities:		
Contributions receivable	1,389,484	1,064,423
Prepaid expenses and other assets	50,516	149,968
Conservation easements		(2)
Accounts payable and accrued expenses	87,007	(223,704)
Deposits on land held in fee		(702,500)
Deferred revenue	(46,825)	16,772
Obligation to fiscal sponsor	(5,892)	(31,030)
<b>Net cash provided (used) by operating activities</b>	<b>3,026,044</b>	<b>(1,840,782)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(3,822,606)	(745,518)
Proceeds from sales and maturities of investments	130,488	347,249
Acquisition of property and equipment	(79,553)	(267,410)
<b>Net cash used by investing activities</b>	<b>(3,771,671)</b>	<b>(665,679)</b>
<b>Cash Flows from Financing Activities:</b>		
Paycheck protection program loan proceeds	369,880	
Repayment of note payable		(3,895,000)
Proceeds from sale of land held in fee		6,776,000
<b>Net cash provided by financing activities</b>	<b>369,880</b>	<b>2,881,000</b>
<b>Change in Cash and Cash Equivalents</b>	<b>(375,747)</b>	<b>374,539</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>1,116,121</b>	<b>741,582</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 740,374</b>	<b>\$ 1,116,121</b>
<b>Supplemental Cash Flow Information:</b>		
Interest paid	\$ -	\$ 12,983

See accompanying notes to financial statements.



# Marin Agricultural Land Trust

## Notes to Financial Statements

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### 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 \$3,488,977 as a quasi-endowment to support the Stewardship Fund (see Note 9).

##### *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

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### 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 - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been 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

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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.

There were no conservation easements purchased during the year ended June 30, 2020.

On May 29, 2020, MALT returned \$833,250 to the Marin County Farmland Preservation Program that had been awarded for the purchase of an easement in December 2016. This expense appears as another change in net assets on the Statement of Activities and Changes in Net Assets.

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 0.16% 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

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### 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, 2020.

# Marin Agricultural Land Trust

## Notes to Financial Statements

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### *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 suspended its prior 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 in order to increase total endowment assets. However, 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

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As of June 30, 2020, 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 June 2018, the FASB issued Accounting Standards Update (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 was adopted as of July 1, 2019. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the financial statement disclosures.

#### *Pronouncements Effective in the Future*

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. The updated standard will be effective for MALT for its fiscal year ending June 30, 2021. 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, 2023. 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.

# Marin Agricultural Land Trust

## Notes to 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 disclosing 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, 2022. MALT is currently evaluating the impact of this pronouncement on its financial statements.

n. Subsequent Events

MALT evaluated subsequent events with respect to the financial statements for the year ended June 30, 2020 through December 10, 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 - Contributions Receivable, Net:**

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

	2020	2019
Less than one year	\$ 1,833,255	\$ 2,705,739
One to five years	373,700	890,700
	<hr/>	<hr/>
	2,206,955	3,596,439
Less: unamortized discount	(2,214)	(87,284)
Less: allowance for uncollectible amounts	(44,094)	(61,924)
	<hr/>	<hr/>
	\$ 2,160,647	\$ 3,447,231
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# Marin Agricultural Land Trust

## Notes to Financial Statements

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### Note 4 - Investments and Fair Value Measurements:

#### *Investments:*

Investments consist of the following at June 30:

	2020	2019
Money market accounts	\$ 3,603,868	\$ 2,932,028
Mutual funds – bonds	11,316,821	8,475,241
Mutual funds – equities	8,974,128	8,830,107
	<hr/>	<hr/>
	\$ 23,894,817	\$ 20,237,376

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

	2020	2019
Net realized and unrealized (losses) gains	\$ (34,677)	\$ 433,041
Interest and dividends	502,640	506,881
	<hr/>	<hr/>
	\$ 467,963	\$ 939,922

#### *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 \$497,229 that are classified as Level 2.



# Marin Agricultural Land Trust

## Notes to Financial Statements

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### Note 5 - Property and Equipment:

Property and equipment consist of the following at June 30:

	2020	2019
Land	\$ 462,582	\$ 462,582
Office building and improvements	1,309,924	1,239,606
Furnishings and equipment	258,514	250,534
Website and software	224,283	224,283
Vehicles	106,336	106,336
	<hr/>	<hr/>
	2,361,639	2,283,341
Less: accumulated depreciation	(749,741)	(628,733)
	<hr/>	<hr/>
	\$ 1,611,898	\$ 1,654,608

Depreciation expense was \$122,263 and \$85,803 for the years ended June 30, 2020 and 2019, respectively.

### Note 6 - 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:

	2020	2019
Charitable remainder unitrusts	\$ 357,691	\$ 397,723
Charitable gift annuities	139,538	198,529
	<hr/>	<hr/>
	\$ 497,229	\$ 596,252

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.

# Marin Agricultural Land Trust

## Notes to Financial Statements

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### Note 7 - Loan Payable:

MALT received loan proceeds in the amount of \$369,880 with a maturity date of May 15, 2022 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying business. The loans and accrued interest may be forgivable as long as MALT uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll and other personnel related levels. The amount of loan forgiveness will be reduced if certain requirements are not met. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. MALT intends to use the proceeds for purposes consistent with the PPP. While MALT currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, MALT cannot assure that it will not take actions that could cause MALT to be ineligible for forgiveness of the loan, in whole or in part.

### Note 8 - Net Assets with Donor Restrictions:

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

	2020	2019
Time and purpose restrictions:		
Stewardship endowment	\$ 3,163,411	\$ 3,166,574
Red-legged frog mitigation	660,462	663,554
Easement acquisition	505,450	501,750
Strategic plan initiatives	1,000,000	
Other purposes	182,194	156,731
Charitable trust assets	497,229	596,252
With time restrictions	2,056,247	3,285,860
<hr/>		
Total time and purpose restrictions	8,064,993	8,370,721
Perpetual restrictions:		
Stewardship endowment	4,418,353	4,418,353
Red-legged frog mitigation	550,000	550,000
<hr/>		
Total perpetual restrictions	4,968,353	4,968,353
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	\$ 13,033,346	\$ 13,339,074
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# Marin Agricultural Land Trust

## Notes to Financial Statements

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

	2020	2019
Easement acquisition		\$ 312,175
Red-legged frog mitigation	\$ 3,032	20,908
Other purposes	6,459	319,605
Maturities of charitable trusts	142,487	
With time restrictions	1,314,684	1,861,539
	<hr/>	<hr/>
	\$ 1,466,662	\$ 2,514,227

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 is 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 9 - Endowment:**

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are summarized as follows:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		Total
		Time or Purpose	Perpetuity	
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
Contributions	394,480			394,480
Interest and dividends	80,057	194,459		274,516
Net realized and unrealized losses	(41,452)	(197,622)		(239,074)
Appropriation to operating fund	(26,772)			(26,772)
Endowment net assets, June 30, 2020	\$ 3,488,977	\$ 3,163,411	\$ 4,418,353	\$ 11,070,741

# Marin Agricultural Land Trust

## Notes to Financial Statements

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### Note 10 - 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, 2020	
Cash and cash equivalents	\$ 740,374
Investments	23,894,817
Contributions receivable, net	2,160,647
Beneficial interest in charitable gifts	497,229
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Total financial assets	27,293,067
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Less amounts not available to be used within one year:	
Contributions receivables collectible beyond one year	(373,700)
Beneficial interest in charitable gifts	(497,229)
Perpetual restrictions	(4,968,353)
Endowment earnings	(3,163,411)
Net assets with donor restrictions, net of estimated releases \$2,618,966	(1,411,687)
Board designated quasi-endowment funds	(3,488,977)
<hr/>	
	(13,903,357)
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Financial assets available to meet general expenditures within one year	\$ 13,389,710
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MALT maintains an operating reserve of approximately 90 days of operating expenses (approximately \$1,200,000). 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.

### Note 11 - Retirement Plans:

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. Employer contributions to employee retirement plans amounted to \$68,654 and \$64,027 for the years ended June 30, 2020 and 2019, respectively.

# Marin Agricultural Land Trust

## Notes to Financial Statements

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### **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 \$1,213,000 and \$392,000 during the years ended June 30, 2020 and 2019. Pledges receivable due from certain board members amounted to approximately \$83,000 and \$155,000 at June 30, 2020 and 2019.

No easements were purchased from board members during the years ended June 30, 2020 and 2019.

### **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 \$0 and \$5,892 in funds which are reflected as a liability on the Statement of Financial Position at June 30, 2020 and 2019, respectively.

# Marin Agricultural Land Trust

## Notes to Financial Statements

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### **Note 15 - Pandemic and Market Volatility:**

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. States of emergency have been declared in many federal, state and local jurisdictions and shelter in place orders have been instituted in many cities and states, including Marin County, California, which impacts general business operations in most industries and sectors. MALT closed its office on March 13, 2020 and staff have been working remotely since that date with only essential personnel conducting necessary work at the facility.

In addition, financial markets volatility has significantly increased with general decrease in the value of major market equity indices through late March 2020 and general increase in value from late March 2020 into late May 2020. Since June 30, 2020, the volatility in market valuations is not expected to materially impact the MALT's financial investments considering MALT's investment policy and allocation. MALT's Finance and Investment Committee is closely monitoring the performance of the investment portfolio to ensure MALT's ability to meet its operating needs.

With the lasting impact of the pandemic on donors' personal finances and the cancellation of several in-person fundraising events, MALT has forecast a 14% decrease in individual donations in fiscal year ending 2021 and has budgeted accordingly.