

**THE LAND TRUST FOR
SANTA BARBARA COUNTY**

FINANCIAL STATEMENTS

June 30, 2009

THE LAND TRUST FOR SANTA BARBARA COUNTY

June 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 21

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The Land Trust for Santa Barbara County
Santa Barbara, California

We have audited the accompanying statement of financial position of The Land Trust for Santa Barbara County (a non-profit organization) as of June 30, 2009, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2008, is presented for comparative purposes only and was extracted from the financial statements for that year, on which an unqualified opinion dated November 4, 2008, was expressed.

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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Land Trust for Santa Barbara County as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGowan Guntermann

October 30, 2009

THE LAND TRUST FOR SANTA BARBARA COUNTY

STATEMENT OF FINANCIAL POSITION
 June 30, 2009
 (With Comparative Totals as of June 30, 2008)

	ASSETS				(Memo)
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
Current Assets					
Cash and cash equivalents	\$ 47,972	\$ 2,062,370	\$ 10,050	\$ 2,120,392	\$ 1,286,607
Grants receivable	486,214	-	-	486,214	264,604
Pledges receivable	-	15,000	-	15,000	15,000
Accounts receivable	4,056	-	-	4,056	5,749
Prepaid expenses	9,674	-	-	9,674	8,924
Total Current Assets	<u>547,916</u>	<u>2,077,370</u>	<u>10,050</u>	<u>2,635,336</u>	<u>1,580,884</u>
Other Assets					
Investments	722,818	1,793,648	1,065,579	3,582,045	4,097,961
Pledges receivable	-	444,000	-	444,000	502,000
Net property and equipment	3,193	11,423	30	14,646	16,900
Total Other Assets	<u>726,011</u>	<u>2,249,071</u>	<u>1,065,609</u>	<u>4,040,691</u>	<u>4,616,861</u>
Total Assets	<u>\$ 1,273,927</u>	<u>\$ 4,326,441</u>	<u>\$ 1,075,659</u>	<u>\$ 6,676,027</u>	<u>\$ 6,197,745</u>
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$ 175,199	\$ -	\$ -	\$ 175,199	\$ 79,587
Accrued expenses	9,569	-	-	9,569	7,384
Total Current Liabilities	<u>184,768</u>	<u>-</u>	<u>-</u>	<u>184,768</u>	<u>86,971</u>
Other Liabilities					
Deferred revenue	-	504,627	-	504,627	566,538
Total Other Liabilities	<u>-</u>	<u>504,627</u>	<u>-</u>	<u>504,627</u>	<u>566,538</u>
Total Liabilities	<u>184,768</u>	<u>504,627</u>	<u>-</u>	<u>689,395</u>	<u>653,509</u>
Net Assets					
Unrestricted	1,089,159	-	-	1,089,159	1,570,742
Temporarily restricted	-	3,821,814	-	3,821,814	2,867,785
Permanently restricted	-	-	1,075,659	1,075,659	1,105,709
Total Net Assets	<u>1,089,159</u>	<u>3,821,814</u>	<u>1,075,659</u>	<u>5,986,632</u>	<u>5,544,236</u>
Total Liabilities and Net Assets	<u>\$ 1,273,927</u>	<u>\$ 4,326,441</u>	<u>\$ 1,075,659</u>	<u>\$ 6,676,027</u>	<u>\$ 6,197,745</u>

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

THE LAND TRUST FOR SANTA BARBARA COUNTY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2009

(With Comparative Totals for the Year Ended June 30, 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>(Memo) 2008 Total</u>
Public Support and Revenue					
Public Support					
Individual gifts and membership	\$ 34,933	\$ 9,738	\$ 100	\$ 44,771	\$ 51,953
Major gifts	97,481	1,296,004	14,500	1,407,985	1,601,368
Governmental grants	-	5,102,560	-	5,102,560	1,643,602
Foundation, corporate, and other grants	43,000	123,000	-	166,000	133,375
Gifts of interest in land	-	-	-	-	500,000
In-kind contributions	11,017	19,021	-	30,038	33,338
Total Public Support	<u>186,431</u>	<u>6,550,323</u>	<u>14,600</u>	<u>6,751,354</u>	<u>3,963,636</u>
Revenue					
Merchandise sales (net of expenses of \$253 and \$32,151)	134	135	-	269	17,902
Special events (net of expenses of \$11,806 and \$15,598)	(2,918)	9,807	-	6,889	8,986
Dividends and interest	101,847	72,873	-	174,720	140,016
Realized and unrealized loss on investments	(334,639)	(325,679)	-	(660,318)	(276,579)
Net assets released from restrictions	5,398,080	(5,398,080)	-	-	-
Total Revenue	<u>5,162,504</u>	<u>(5,640,944)</u>	<u>-</u>	<u>(478,440)</u>	<u>(109,675)</u>
Total Support and Revenue	<u>5,348,935</u>	<u>909,379</u>	<u>14,600</u>	<u>6,272,914</u>	<u>3,853,961</u>
Expenses					
Projects					
Arroyo Hondo	317,583	-	-	317,583	848,791
Carpinteria Bluffs	3,232	-	-	3,232	18,780
Carpinteria Marsh	26,806	-	-	26,806	307,617
Coronado Preserve	3,326	-	-	3,326	12,892
Careaga Canyon	101,110	-	-	101,110	9,095
Gaviota Coast	17,225	-	-	17,225	10,463
Modoc Preserve	13,931	-	-	13,931	6,846
Rancho La Vina	10,058	-	-	10,058	299,767
Wetland Mitigation	304,451	-	-	304,451	204,493
Refugio Creek	87,508	-	-	87,508	253,195
Conservation easement stewardship	50,934	-	-	50,934	33,176
Other land projects	4,663,720	-	-	4,663,720	536,017
Total Projects	<u>5,599,884</u>	<u>-</u>	<u>-</u>	<u>5,599,884</u>	<u>2,541,132</u>
Supporting Services					
General	68,699	-	-	68,699	58,110
Fundraising	148,029	-	-	148,029	150,889
Land project development	13,906	-	-	13,906	17,373
Total Supporting Services	<u>230,634</u>	<u>-</u>	<u>-</u>	<u>230,634</u>	<u>226,372</u>
Total Expenses	<u>5,830,518</u>	<u>-</u>	<u>-</u>	<u>5,830,518</u>	<u>2,767,504</u>
Change in Net Assets	(481,583)	909,379	14,600	442,396	1,086,458
Net Assets, beginning of year	<u>1,570,742</u>	<u>2,912,435</u>	<u>1,061,059</u>	<u>5,544,236</u>	<u>4,457,778</u>
Net Assets, end of year	<u>\$ 1,089,159</u>	<u>\$ 3,821,814</u>	<u>\$ 1,075,659</u>	<u>\$ 5,986,632</u>	<u>\$ 5,544,236</u>

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

THE LAND TRUST FOR SANTA BARBARA COUNTY

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009
(With Comparable Totals for the Year Ended June 30, 2008)

	Projects													Supporting Services				2009 Total	(Memo) 2008 Total
	Arroyo Hondo	Carp Bluffs	Carp Marsh	Coronado Preserve	Careaga Canyon	Gaviota Coast	Modoc Preserve	Rancho La Vina	Wetland Mitigation	Refugio Creek	Cons. Easement Stewardship	Other Land Projects	Total Projects	General Services	Fundraising	Land Project Development	Total Supporting		
Salaries, wages, and benefits	\$ 46,229	\$ 1,102	\$ 6,406	\$ 1,431	\$ 7,525	\$ 9,595	\$ 1,905	\$ 2,488	\$ 25,387	\$ 8,021	\$ 33,513	\$ 46,911	\$ 190,513	\$ 50,530	\$ 97,056	\$ 6,560	\$ 154,146	\$ 344,659	\$ 318,709
Indirect Costs																			
Banking and investment fees	4,325	1,830	1,202	5	23	25	66	8	75	28	2,866	158	10,611	3,970	304	19	4,293	14,904	16,249
Computer	153	19	102	14	70	53	6	25	157	53	284	405	1,341	511	872	96	1,479	2,820	2,446
Continuing education	31	5	25	4	18	18	1	6	47	13	86	102	356	163	283	26	472	828	1,370
Dues	711	21	120	31	203	182	75	70	635	258	623	1,360	4,289	1,244	2,329	87	3,660	7,949	7,594
Insurance	2,902	38	219	201	269	359	70	89	931	288	1,222	1,669	8,257	1,661	3,479	228	5,368	13,625	12,113
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,743
Accounting	1,161	25	235	25	305	218	83	129	1,162	734	999	3,202	8,278	2,292	4,846	84	7,222	15,500	13,498
Membership services	45	1	8	2	90	15	4	5	51	21	58	293	593	140	1,092	12	1,244	1,837	1,817
Occupancy	7,010	64	372	84	444	563	115	146	1,491	467	1,955	2,742	15,453	2,771	5,672	383	8,826	24,279	22,696
Office supplies	875	29	165	33	178	187	45	60	610	175	699	1,079	4,135	1,150	2,185	158	3,493	7,628	6,212
Telecommunication equipment and service	2,785	14	87	17	105	119	23	31	318	104	420	596	4,619	609	1,225	82	1,916	6,535	6,122
Travel, mileage, and parking	782	16	241	50	195	199	71	189	808	253	1,222	1,618	5,643	785	1,976	277	3,038	8,681	10,587
Depreciation	4,676	5	36	9	42	79	10	14	174	43	259	172	5,519	253	610	126	989	6,508	4,745
Total Indirect Costs	25,457	2,067	2,812	475	1,942	2,017	569	772	6,459	2,437	10,693	13,396	69,094	15,550	24,873	1,578	42,001	111,095	107,192
Direct Costs																			
Acquisition	-	-	-	-	-	-	-	-	-	-	-	4,501,252	4,501,252	-	-	-	-	4,501,252	500,000
Improvements and maintenance	199,262	-	16,121	399	30,479	-	11,238	6,700	157,918	75,305	-	60,971	558,392	-	-	-	-	558,392	1,514,111
Legal fees	1,212	39	935	28	129	538	11	45	900	90	5,634	14,390	23,952	1,607	1,676	305	3,588	27,540	30,154
Other Costs	10	-	1	-	3	5	2	1	8	10	12	18	70	25	237	47	309	379	-
Professional services	34,474	3	236	3	60,860	4,810	1	4	112,113	1,422	229	25,341	239,495	81	873	3,682	4,636	244,131	275,750
Printings and mailings	4,272	21	181	77	166	247	203	46	1,637	219	812	1,407	9,289	867	23,002	1,728	25,597	34,886	19,776
Property taxes	453	-	114	913	7	13	2	2	29	5	40	34	1,612	39	88	6	133	1,745	451
Programs and materials	6,214	-	-	-	-	-	-	-	-	-	-	-	6,214	-	224	-	224	6,438	1,361
Total Direct Costs	245,897	63	17,588	1,420	91,643	5,613	11,457	6,798	272,605	77,051	6,728	4,603,414	5,340,276	2,619	26,100	5,768	34,487	5,374,764	2,341,603
2009 Total Expenses	\$ 317,583	\$ 3,232	\$ 26,806	\$ 3,326	\$ 101,110	\$ 17,225	\$ 13,931	\$ 10,058	\$ 304,451	\$ 87,508	\$ 50,934	\$ 4,663,720	\$ 5,599,884	\$ 68,699	\$ 148,029	\$ 13,906	\$ 230,634	\$ 5,830,518	
2008 Total Expenses (Memo)	\$ 848,791	\$ 18,780	\$ 307,617	\$ 12,892	\$ 9,095	\$ 10,463	\$ 6,846	\$ 299,767	\$ 204,493	\$ 253,195	\$ 33,176	\$ 536,017	\$ 2,541,132	\$ 58,110	\$ 150,889	\$ 17,373	\$ 226,372		\$ 2,767,504

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

THE LAND TRUST FOR SANTA BARBARA COUNTY

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2009

(With Comparative Totals for the Year Ended June 30, 2008)

	<u>2009</u>	<u>(Memo) 2008</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 442,396	\$ 1,086,458
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,508	4,745
Donated stock	(9,853)	(8,165)
Loss on investments	660,318	276,579
Decrease (increase) in accounts receivable	1,693	(2,411)
Increase in grants and pledges receivable	(163,610)	(111,383)
Increase in prepaid expenses	(750)	(5,288)
Increase in accounts payable and accrued liabilities	97,797	37,897
Decrease in deferred revenue	<u>(61,911)</u>	<u>(95,403)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>972,588</u>	<u>1,183,029</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, equipment, and leasehold improvements	(4,254)	(5,147)
Proceeds from sale of securities	4,128,230	1,031,443
Purchase of securities	<u>(4,262,779)</u>	<u>(1,606,150)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(138,803)</u>	<u>(579,854)</u>
NET INCREASE IN CASH	833,785	603,175
CASH AT BEGINNING OF THE YEAR	<u>1,286,607</u>	<u>683,432</u>
CASH AT END OF THE YEAR	<u>\$ 2,120,392</u>	<u>\$ 1,286,607</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash transactions consisted of the following:

In-kind contribution of goods and professional services	\$ 30,038	\$ 49,249
In-kind contribution of land conservation easement	\$ -	\$ 500,000

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

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 1 - ORGANIZATION AND ACTIVITIES

Organization

The Land Trust for Santa Barbara County (the Land Trust), a California non-profit public benefit corporation, was established and incorporated in 1982. The Land Trust's purpose is to conserve, restore, and manage agricultural, natural and open space lands for public benefit. The Land Trust facilitates and manages partnerships among private landowners, educational institutions and government agencies in the acquisition and stewardship of conservation land, and provides information and materials to the public on land conservation issues.

Accreditation

In May 2009, the Land Trust Accreditation Commission, an independent program of the Land Trust Alliance, awarded accredited status to the Land Trust for Santa Barbara County. This accreditation indicates the Land Trust meets national quality standards for protecting important natural places and working lands forever and lets the public know that the accredited land trust has undergone an extensive, external review of the governance and management of its organization and the systems and policies it uses to protect land.

Activities

The Land Trust acquires land and conservation easements by purchase and by donation. As of June 30, 2009, the Land Trust has completed conservation transactions protecting 21,265 acres of land throughout Santa Barbara County. All transactions are based on an independent real estate appraisal, in conformity with the Uniform Standards of Professional Appraisal Practice. Donated interests in lands, where the landowner is eligible for certain federal and state conservation tax benefits, are required to have an appraisal commissioned by the landowner, in accordance with U.S. Internal Revenue Code Section 170(f)(11). Landowner appraisals are subject to federal and state tax audit, including penalties for misstatement of values in the appraisal. Purchased land interests require an appraisal prepared to the standards of the federal, state or local funding agency or private foundation. The Land Trust also engages in land stewardship and natural resource restoration projects, small scale and large, in collaboration with private landowners, public agencies and local community groups.

During the year ended June 30, 2009, the Land Trust was actively involved in several land conservation, restoration, public access and education projects, including, but not limited to:

A. Nature Preserves

Arroyo Hondo Preserve – 782 acre ranch owned and managed by the Land Trust as a natural and historic preserve with school and adult outdoor education, volunteer and art programs, and designated open public access days.

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 1 - ORGANIZATION AND ACTIVITIES (continued)

Activities (continued)

A. Nature Preserves (continued)

Carpinteria Salt Marsh – Restoration wetland and upland marsh habitat was completed on this 34 acre Land Trust property in March 2009. The property is open to public access on an ADA compliant nature trail. The Land Trust also holds conservation easements on private parcels in the Marsh, and cooperates with UC Santa Barbara and other owners on research, planning and stewardship of the 230 acre Carpinteria Salt Marsh Reserve.

Coronado Butterfly Preserve – 9.3 acres owned and managed by the Land Trust for monarch butterfly habitat, native plant restoration and outdoor education programs.

Modoc Preserve – cooperative stewardship of 22 acre community open space for wildlife habitat, public trails and water resource protection.

B. Current Conservation Easements

The Land Trust holds conservation easements on 27 properties in Santa Barbara County, protecting in perpetuity 14,327 acres of ranch, farm, wildlife habitat and community open space land. Each easement is monitored annually for compliance with the easement.

C. New Land Projects

Midland School – Completed the acquisition of an oak woodland conservation easement on 2,727 acres of land owned by the non-profit Midland School. The easement was acquired with two state conservation grants totaling \$4,500,000 to protect oak woodland and savannah wildlife habitat and scenic views from the adjacent national forest.

Careaga Canyon/Las Flores Ranch – Multi-ranch conservation plan underway to protect regional wildlife connecting corridor, endangered California tiger salamander habitat, and compatible agriculture on approximately 4,500 acres near Los Alamos.

Gaviota Coast Program – Ongoing landowner education to promote voluntary land conservation. Appraisals completed and negotiations underway to acquire conservation interests on two large private ranches near Gaviota State Park.

UCSB South Parcel Nature Park – Donation pending of an open space conservation easement on 68 acres in Goleta.

Hot Springs Canyon – Potential acquisition of a 462 acre private holding in Montecito foothills for preservation and public access. Completed due diligence, landowner negotiations and fundraising feasibility.

Landowner Assistance – Ongoing work with several landowners on evaluation of land conservation options, appraisals, and project feasibility.

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 1 - ORGANIZATION AND ACTIVITIES (continued)

Activities (continued)

D. Habitat Restoration Projects

Arroyo Hondo Creek – Continued restoration of upstream creek habitat, including erosion and invasive weed control and native planting, with funding from State of California and private foundations.

Refugio Creek Restoration – In third year of partnership with three private ranch owners, using state, federal and landowner funding to eradicate invasive weeds, control erosion and plant native species. Secured final year grant funding.

Sedgwick Reserve – Entered agreement with private donors and University of California to use donors' funds to purchase and install a modular dwelling unit at the Sedgwick Reserve for the reserve director's residence.

West Goleta Slough – Completed planning and permitting, and began Phase I construction on project to expand wetland and restore upland habitat on 35 acre site owned by California Department of Fish and Game.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Land Trust have been prepared in accordance with Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations (SFAS 117). SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions as follows:

Unrestricted Net Assets

The unrestricted group of net assets represents unrestricted resources available for current support of the Land Trust activities.

Temporarily Restricted Net Assets

Temporarily restricted net assets include planned giving and gifts that may have time restrictions, as requested by the donors. Earnings on temporarily restricted net assets are reported as an increase in temporarily restricted net assets. When a restriction expires, (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as "net assets released from restrictions".

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Land Trust. Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the Operating Endowment fund assets can be used to support the Land Trust's operations and is reported with unrestricted amounts on the statement of activities. The Arroyo Hondo, Carpinteria Bluffs, Carpinteria Salt Marsh, and Modoc Endowment income is reported in temporarily restricted net assets.

Cash and Cash Equivalents

The Land Trust includes in cash equivalents all certificates of deposit regardless of maturity date.

Investments

The Land Trust follows SFAS 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. Under SFAS 124, investments in marketable securities with readily determinable fair values and all investments in marketable debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Donated securities are recorded at their estimated value at date of receipt.

Property and Equipment

The Land Trust's investment in equipment and leasehold improvements is stated at cost, or fair market value if donated. Depreciation is calculated using the straight-line method over an estimated useful life of five to ten years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

The Land Trust allocates its expenses on a functional basis among its various projects and support services. Expenses that can be identified with a specific project and support service are allocated directly according to their expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Land Trust is a California nonprofit public benefit corporation, which is exempt from income taxes under Internal Revenue Code Section number 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d); therefore, no provision for income taxes is required. The Land Trust qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Pursuant to FSP Fin 48-3, management has elected to defer the application of FASB Interpretation No. 48 – Accounting for Uncertainty in Income Taxes to fiscal years beginning after December 15, 2008. The Land Trust evaluates uncertain tax positions in accordance with FASB statement No. 5, Accounting for Contingencies whereby the effect of the uncertainty would be recorded if the outcome was considered probably and reasonably estimable. As of June 30, 2009, the Land Trust had no uncertain tax positions requiring accrual.

Donated Services

Some individuals and organizations have donated time to the Land Trust, to further its programs and objectives. Donated items are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. Donated services, which meet certain authoritative criteria and can be objectively valued, have been reflected as contributions in-kind in the accompanying statements.

Conservation Land and Easements

Purchased land is recorded at cost. Donated land is recorded at appraised fair market value. See Note 1, “activities”. During the acquisition process, funds received for purchase are recorded as revenue and acquisition expenditures are recorded as expenses. Preservation land and conservation easements are treated as obligations and are recorded at \$1 each in permanently restricted net assets. During the fiscal year ended June 30, 2009, one additional conservation easement was purchased, with an appraised value of \$4,500,000. One new easement was acquired during the prior year ended June 30, 2008.

Grants and Contracts

The Land Trust receives grants and contracts from federal, state, and local agencies, as well as from private organizations, to be used for specific programs and land purchases. The Land Trust incurs costs under the government grants that are subject to audit by government agencies. Management believes that the disallowance of costs, if any, would not be material to the financial statements taken as a whole.

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 3 - GRANTS AND PLEDGES RECEIVABLE

Grants receivable as of June 30, 2009 represent \$486,214 in direct reimbursements due from grants for expenses already incurred under the conditions of the grant. Pledges receivable at June 30, 2009 represent a total of \$309,000, recorded at face value, which has been donor designated for use in stewardship activities. Undesignated pledges from estates and individuals at June 30, 2009, total \$150,000. These amounts are considered fully collectible and therefore no allowance for uncollectible receivables has been recorded. Collection of grants and pledges receivable for the next five years ending June 30 and after is expected to be as follows:

2010	\$ 501,214
2011	14,000
2012	14,000
2013	14,000
2014	14,000
Thereafter	<u>388,000</u>
Total	<u>\$ 945,214</u>

Note 4 - CONSERVATION LAND AND EASEMENTS

Land held in fee title ownership by the Land Trust includes:

Gaviota

782 acres of coastal habitat and open space (Arroyo Hondo Preserve)

Goleta

Coronado Butterfly Preserve – 9.3 acres of natural open space, trails, creek habitat

Carpinteria

Carpinteria Salt Marsh Reserve – 34 acres of coastal wetland habitat

Private or public land protected by conservation easements includes:

Buellton

Marcelino Springs Ranch – 70 acres of agricultural open space

Rancho La Purisima – 1,007 acres of rangeland and oak woodland habitat

Carpinteria

Carpinteria Bluffs – 52 acres of scenic, recreational open space visible from Highway 101

Carpinteria Marsh/Sandyland – 45 acres of coastal wetlands visible from Highway 101

Horton Family Ranch – 104 acres of farmland, creek and chaparral habitat along the Franklin Trail

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 4 - CONSERVATION LAND AND EASEMENTS (continued)

Private or public land protected by conservation easements (continued)

Carpinteria (continued)

Rancho Monte Alegre – 3,060 acres, including 2,770 of scenic watershed and wildlife habitat and 290 acres of historic agricultural land in the Carpinteria foothills

Rancho Aldea Antigua – 23 acre avocado farm in the Carpinteria foothills

Gaviota Coast

El Capitan Canyon – 447 acres of scenic, agricultural open space and riparian habitat adjacent to El Capitan State Park and Bill Wallace public trail

El Capitan Horse Ranch – 200 acre scenic equestrian ranch along U.S. Highway 101

Freeman Ranch – 660 acre cattle ranch including rare vernal pond, oak woodland and creek habitat; protects views from Refugio State Beach

Rancho Dos Vistas – 1,406 acres of mountain forest and chaparral, adjacent to Los Padres National Forest and historic Reagan Ranch, including public hiking trail easement

Rancho Las Cruces – Mountainous wildlife habitat on 900 acres in Gaviota Pass, scenic from U.S. Highway 101

La Paloma Ranch – 745 acre historic family ranch including farming, creek habitat and scenic views from trails in Los Padres National Forest

Hvolboll Trust Property – 6 acre ranch parcel adjacent to Freeman Ranch which protects views from state beach

Goleta

Fairview Gardens – 12 acres of scenic, organic vegetable farm

Lompoc

Bodger Oak Woodland – 8 acres of oak woodland visible from Santa Rosa Road and buffer to adjacent county park

Briggs Memorial Preserve – 86 acres of agricultural land and riparian habitat along Santa Ynez River

Burton Mesa Chaparral – 17 acres of chaparral, community open space and trails within community of Vandenberg Village

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 4 - CONSERVATION LAND AND EASEMENTS (continued)

Private or public land protected by conservation easements (continued)

Montecito

Ennisbrook Woodland & Trail – 44 acres of oak woodland and monarch butterfly habitat, plus a public trail

Mar y Cel Property – 150 acres of oak woodland, chaparral and public easement on West Fork Cold Springs Trail

Santa Barbara

San Roque Ranch – 880 acres of riparian oak woodland and chaparral habitat visible from public Arroyo Burro Trail

Rowny Preserve – 134 acres of oak and chaparral habitat visible from Tunnel Trail, Mission Canyon

Modoc Preserve – 25 acres of open space for wildlife habitat, public trails and scientific purposes

Santa Ynez Valley

Great Oak Ranch – 1,128 acres of rangeland and oak woodland adjacent to Lake Cachuma

Rancho Felicia – 214 acre scenic horse breeding/training ranch along Happy Canyon Road

Williams Ranch – 100 acre ranch, formerly part of Rancho Felicia

Rancho la Rinconda – 125 acres of scenic oak woodland adjacent to vineyards along Santa Rosa Road

Midland School – 2,727 acres of oak woodland, rangeland and creek habitat with managed public access near Figueroa Mountain

Note 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land	\$	30
Farm vehicles		23,350
Computers and furniture		<u>21,911</u>
		45,291
Less accumulated depreciation		<u>(30,645)</u>
Net property and equipment	\$	<u>14,646</u>

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 6 - INVESTMENTS

Investments are presented in the financial statements at fair market value, which is derived from quoted market prices at year end. Investments generally consist of organizational and project-specific endowment funds and operating cash. Each Land Trust investment account has a board-approved investment policy. At June 30, 2009, marketable securities consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Cost Over Market</u>
Cash and money market	\$ 672,782	\$ 672,782	\$ -
Equities	1,658,675	1,475,521	(183,154)
Fixed income	<u>1,467,569</u>	<u>1,433,742</u>	<u>(33,827)</u>
Total	<u>\$ 3,799,026</u>	<u>\$ 3,582,045</u>	<u>\$ (216,981)</u>

The following summarizes the net change in unrealized gain on investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Cost Over Market</u>
Balance at end of the year	\$ 3,799,026	\$ 3,582,045	\$ (216,981)
Balance at the beginning of the year	<u>4,111,492</u>	<u>4,097,961</u>	<u>(13,531)</u>
Net change in unrealized loss			<u>\$ (203,450)</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2009:

Dividends and interest	\$ 174,720
Net unrealized loss	(203,450)
Net realized loss	(456,868)
Investment fees	<u>(13,893)</u>
Return on investments	<u>\$ (499,491)</u>

Note 7 - FAIR VALUE MEASUREMENT

Effective July 1, 2008, the Land Trust applied Statement of Financial Accounting Standards No.157, Fair Value Measurements (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

FAS 157 defines fair value 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. FAS 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 7 - FAIR VALUE MEASUREMENT (continued)

The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, and recognized in the accompanying Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, securities are classified with Level 1 of the valuation hierarchy. Level 1 securities include highly-liquid government bonds and exchange traded equities. The Land Trust classifies receivables as Level 2 fair values calculated using estimates. The Land Trust did not classify any assets as Level 3 as of June 30, 2009.

The following table presents the fair value measurements of assets recognized in the accompanying Statement of Financial Positions measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements fall at June 30, 2009:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash and money market	\$ 672,782	\$ -	\$ -	\$ 672,782
Equities	1,475,521	-	-	1,475,521
Fixed income	<u>1,433,742</u>	<u>-</u>	<u>-</u>	<u>1,433,742</u>
Total Investments	3,582,045	-	-	3,582,045
Receivables	<u>-</u>	<u>949,270</u>	<u>-</u>	<u>949,270</u>
Total assets measured at fair value	<u>\$ 3,582,045</u>	<u>\$ 949,270</u>	<u>\$ -</u>	<u>\$ 4,531,315</u>

Note 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets in the amount of \$5,398,080 were released from donor restrictions by satisfying the restricted purposes specified by donors.

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 9 - RECLASSIFICATION

Certain amounts from the June 30, 2008 financial statements have been reclassified to conform to the June 30, 2009 financial statement presentation.

Note 10 - COMMITMENTS AND CONTINGENCIES

The Land Trust has agreed to undertake annual monitoring and enforcement activities to ensure compliance with the terms and conditions of 27 conservation easements. The Land Trust is the owner and steward of three properties restricted to open space uses.

The Land Trust has remaining contractual obligations to fulfill in its ongoing projects as follows:

Western Goleta Slough Wetland Enhancement Project – construction contract with the remaining amount of \$429,854.

Sedgwick Project – remaining amounts due on contracts for purchase, installation and transportation of modular housing unit in the amount of \$161,559.

Note 11 - CONCENTRATIONS AND RISKS

Concentrations of Revenue

For the year ended June 30, 2009, approximately 88% of governmental grants were derived from two grants in the total amount of \$4,500,000 restricted to the purpose of acquiring one conservation easement.

For the year ended June 30, 2008, approximately 84% of major gifts were derived from one unrestricted donation of an urban residential land parcel in the amount of \$1,350,000. The donation was immediately sold with the consent of the donor and is therefore treated as a cash contribution in the financial statements.

Credit Risk

The Land Trust maintains cash balances at several banks insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, balances may exceed federally insured limits. The Land Trust has not experienced any losses in such accounts. At June 30, 2009, the Land Trust has an excess of \$415,838 over the FDIC insured amount. The Land Trust maintains a majority of cash balances in money market funds. Such balances are not fully insured.

Market Risk

The Land Trust holds its investments in a diversified portfolio. Nevertheless, these investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated financial statements.

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 12- DEFERRED REVENUE

The amount recorded as deferred revenue as of June 30, 2009, reflects funds which have been transferred to the Land Trust as part of an agreement with the Department of the Army Corps of Engineers. In 2000, the U.S. Army Corps of Engineers ("Corps") agreed to provide the Land Trust with approximately \$850,000 to manage the design, planning and implementation of a wetland restoration project in the Goleta/Santa Barbara Area. The restoration projects are to be completed on the 34 acre California Department of Fish and Game property. The Land Trust is to hold the funds and all interest earned for the benefit of the Corps. The agreement has been extended to December 31, 2010.

Note 13 - CONDITIONAL GRANTS

In addition to grants reflected on the statement of activities and changes in net assets for the year ended June 30, 2009, the Land Trust has been awarded grants from various state and federal agencies and foundations that require the Land Trust to incur costs before expenses are reimbursed by the grant. As of June 30, 2009, the Land Trust was the recipient of grants totaling \$1,066,531 for expenses to be incurred and reimbursed subsequent to June 30, 2009, as follows:

Arroyo Hondo Creek Steelhead Habitat State Coastal Conservancy	\$ 409,036
Rancho La Vina Creek Bank Restoration State Coastal Conservancy	2,185
Fish & Wildlife Service	1,062
Refugio Creek - Creek Restoration State Coastal Conservancy	13,360
Cal Trans	110,000
Wetlands Mitigation – West Goleta Slough Restoration State of California Wildlife Conservation Board	<u>530,888</u>
	<u>\$ 1,066,531</u>

Note 14 - NET ASSETS

Unrestricted Net Assets

As of June 30, 2009, unrestricted net assets consisted of the following:

Operating	\$ 61,052
Board-restricted Endowments	
Operating Endowment	612,049
Stewardship Endowment	286,429
Land Project Endowment	<u>129,629</u>
Total Unrestricted Net Assets	<u>\$ 1,089,159</u>

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 14 - NET ASSETS (continued)

Temporarily Restricted Net Assets

As of June 30, 2009, temporarily restricted net assets consisted of the following:

General Operating Fund	\$ 150,000
Stewardship Fund (including endowment of \$648,478)	648,478
Arroyo Hondo (including endowment of \$742,418)	884,358
Carpinteria Bluffs (including endowment of \$70,725)	75,393
Carpinteria Salt Marsh	-
Coronado Butterfly Preserve	5,201
Gaviota	557,359
Modoc Preserve (including endowment of \$12,820)	12,820
Rancho La Vina	4,115
Other Lands	1,245,436
Refugio Creek	1,563
Wetlands Mitigation	<u>237,091</u>
Total Temporarily Restricted Net Assets	<u>\$ 3,821,814</u>

Permanently Restricted Net Assets

As of June 30, 2009, permanently restricted net assets consisted of the following:

Arroyo Hondo Endowment	\$ 77,532
Carpinteria Bluffs Endowment	504,100
Carpinteria Salt Marsh Endowment	218,715
Modoc Endowment	76,977
Operating Endowment	198,305
Stewardship Conservation Land Interest	<u>30</u>
Total Permanently Restricted Net Assets	<u>\$ 1,075,659</u>

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 15 - ENDOWMENT FUNDS

The Land Trust's endowment consists of approximately six individual 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 United States Generally Accepted Accounting Principals (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Land Trust has interpreted the California adopted Universal 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, the Land Trust 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 temporarily restricted net assets until those amounts are appropriated for expenditure by the Land Trust in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with California UPMIFA the Land Trust 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 the Land Trust 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 the Land Trust
- (7) The investment policies of the Land Trust

Fiscal year ended June 30, 2009 Endowment Net Asset composition by Type of Fund is:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ (47,358)	\$ 1,474,441	\$ 1,075,659	\$ 2,502,742
Board-restricted	<u>1,028,107</u>	-	-	<u>1,028,107</u>
Total endowment funds	<u>\$ 980,749</u>	<u>\$ 1,471,441</u>	<u>\$ 1,075,659</u>	<u>\$ 3,530,849</u>

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 15 - ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended June 30, 2009 are:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,179,973	\$ 1,787,106	\$ 1,061,059	\$ 4,028,138
Net investment return (investment income, realized and unrealized gains and losses)	(325,264)	(217,978)	-	(543,242)
Contributions	39,440	25,000	14,600	79,040
Transfers to create board designated endowment	276,855	-	-	276,855
Appropriation of endowment assets for expenditure	<u>(190,255)</u>	<u>(119,687)</u>	<u>-</u>	<u>(309,942)</u>
Endowment net assets, end of year	<u>\$ 980,749</u>	<u>\$ 1,474,441</u>	<u>\$ 1,075,659</u>	<u>\$ 3,530,849</u>

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 the Land Trust to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$47,358 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continue appropriation for certain programs that was deemed prudent by the Board of Directors. There were no such deficiencies as of June 30, 2008.

THE LAND TRUST FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 15 - ENDOWMENT FUNDS (continued)

Return Objectives and Risk Parameters

The Land Trust 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 the Land Trust must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The Land Trust expects its endowment funds, over time, to provide an average annual rate of return of approximately five percent. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Land Trust 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). The Land Trust targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Land Trust has a policy of appropriating for distribution each year an amount not to exceed five percent of the previous year's average endowment fund balance. In some instances, the Board may decide to appropriate an amount greater than its stated policy if it is specifically deemed prudent to do so. In establishing this policy, the Land Trust considered the long-term expected return on its endowment. Accordingly, over the long term, the Land Trust expects the current spending policy to allow its endowment to grow at an average of three percent annually. This is consistent with the Land Trust'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. During the year ended June 30, 2009, \$309,942 was transferred.

Two of the Land Trust's endowments have a donor-specified investment and spending policy which is overseen by a committee associated with the original donation.

Note 16 - SUBSEQUENT EVENTS

In preparing these financial statements, the Land Trust has evaluated events and transactions for potential recognition or disclosure through October 30, 2009, the date the financial statements.