

**THE LAND TRUST FOR  
SANTA BARBARA COUNTY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**THE LAND TRUST FOR SANTA BARBARA COUNTY**

JUNE 30, 2014

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## **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, 2014, 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.

### **Auditor's 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **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, 2014, and the change 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.

## **Report on Summarized Comparative Information**

We have previously audited The Land Trust for Santa Barbara County June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated October 15, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McGowan Guntermann*

October 29, 2014

**THE LAND TRUST FOR SANTA BARBARA COUNTY**

STATEMENT OF FINANCIAL POSITION  
June 30, 2014  
(With Comparative Totals as of June 30, 2013)

	ASSETS				(Memo)
	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Current Assets</b>					
Cash and cash equivalents	\$ 412,106	\$ 819,684	\$ -	\$ 1,231,790	\$ 1,286,377
Grants receivable	3,566	-	232,590	236,156	127,828
Pledges receivable	-	14,000	-	14,000	33,000
Accounts receivable	744	-	-	744	967
Prepaid expenses	10,167	-	-	10,167	9,828
<b>Total Current Assets</b>	<u>426,583</u>	<u>833,684</u>	<u>232,590</u>	<u>1,492,857</u>	<u>1,458,000</u>
<b>Other Assets</b>					
Investments	899,600	2,417,792	1,340,534	4,657,926	4,184,215
Pledges and bequests receivable	-	175,855	-	175,855	238,000
Net property and equipment	7,105	-	35	7,140	6,096
<b>Total Other Assets</b>	<u>906,705</u>	<u>2,593,647</u>	<u>1,340,569</u>	<u>4,840,921</u>	<u>4,428,311</u>
<b>Total Assets</b>	<u><b>\$ 1,333,288</b></u>	<u><b>\$ 3,427,331</b></u>	<u><b>\$ 1,573,159</b></u>	<u><b>\$ 6,333,778</b></u>	<u><b>\$ 5,886,311</b></u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 65,836	\$ -	\$ -	\$ 65,836	\$ 150,804
Accrued expenses	12,486	-	-	12,486	21,676
<b>Total Current Liabilities</b>	<u>78,322</u>	<u>-</u>	<u>-</u>	<u>78,322</u>	<u>172,480</u>
<b>Other Liabilities</b>					
Deferred revenue	-	33,864	-	33,864	69,384
<b>Total Other Liabilities</b>	<u>-</u>	<u>33,864</u>	<u>-</u>	<u>33,864</u>	<u>69,384</u>
<b>Total Liabilities</b>	<u>78,322</u>	<u>33,864</u>	<u>-</u>	<u>112,186</u>	<u>241,864</u>
<b>Net Assets</b>					
Unrestricted	1,254,966	-	-	1,254,966	1,239,798
Temporarily restricted	-	3,393,467	-	3,393,467	3,203,634
Permanently restricted	-	-	1,573,159	1,573,159	1,201,015
<b>Total Net Assets</b>	<u>1,254,966</u>	<u>3,393,467</u>	<u>1,573,159</u>	<u>6,221,592</u>	<u>5,644,447</u>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 1,333,288</b></u>	<u><b>\$ 3,427,331</b></u>	<u><b>\$ 1,573,159</b></u>	<u><b>\$ 6,333,778</b></u>	<u><b>\$ 5,886,311</b></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, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>(Memo) 2013 Total</u>
<b>Public Support and Revenue</b>					
Public Support					
Individual gifts and membership	\$ 68,208	\$ 27,946	\$ -	\$ 96,154	\$ 53,999
Major gifts	158,811	168,087	-	326,898	383,124
Foundation, corporate, and other grants	13,620	152,866	372,144	538,630	116,069
Governmental grants	-	88,617	-	88,617	235,975
In-kind contributions of land	1,109,025	-	-	1,109,025	-
In-kind contributions of services	4,109	36,911	-	41,020	47,828
Total Public Support	<u>1,353,773</u>	<u>474,427</u>	<u>372,144</u>	<u>2,200,344</u>	<u>836,995</u>
Revenue					
Merchandise sales (net of expenses of \$11,766 and \$1,210)	516	8,360	-	8,876	621
Special events (net of expenses of \$10,714 and \$6,969)	1,828	12,246	-	14,074	16,885
Dividends and interest	35,954	88,847	-	124,801	127,528
Realized and unrealized gain on investments	113,407	299,033	-	412,440	247,485
Net assets released from restrictions	693,080	(693,080)	-	-	-
Total Revenue	<u>844,785</u>	<u>(284,594)</u>	<u>-</u>	<u>560,191</u>	<u>392,519</u>
Total Public Support and Revenue	<u>2,198,558</u>	<u>189,833</u>	<u>372,144</u>	<u>2,760,535</u>	<u>1,229,514</u>
<b>Expenses</b>					
Projects					
La Purisima	1,131,058	-	-	1,131,058	-
Franklin Trail	341,338	-	-	341,338	401,346
Arroyo Hondo	111,299	-	-	111,299	129,342
Conservation stewardship	101,215	-	-	101,215	67,798
Hot Springs Canyon	22,862	-	-	22,862	73,114
Wetland Mitigation	22,144	-	-	22,144	135,687
Carpinteria Marsh	12,411	-	-	12,411	12,300
Gaviota Coast	10,389	-	-	10,389	9,389
Other land projects	170,220	-	-	170,220	209,680
Total Projects	<u>1,922,936</u>	<u>-</u>	<u>-</u>	<u>1,922,936</u>	<u>1,038,656</u>
Supporting Services					
General	57,801	-	-	57,801	75,811
Fundraising	202,653	-	-	202,653	242,325
Total Supporting Services	<u>260,454</u>	<u>-</u>	<u>-</u>	<u>260,454</u>	<u>318,136</u>
Total Expenses	<u>2,183,390</u>	<u>-</u>	<u>-</u>	<u>2,183,390</u>	<u>1,356,792</u>
<b>Change in Net Assets</b>	<b>15,168</b>	<b>189,833</b>	<b>372,144</b>	<b>577,145</b>	<b>(127,278)</b>
Net Assets, Beginning of the Year	<u>1,239,798</u>	<u>3,203,634</u>	<u>1,201,015</u>	<u>5,644,447</u>	<u>5,771,725</u>
<b>Net Assets, End of the Year</b>	<b><u>\$ 1,254,966</u></b>	<b><u>\$ 3,393,467</u></b>	<b><u>\$ 1,573,159</u></b>	<b><u>\$ 6,221,592</u></b>	<b><u>\$ 5,644,447</u></b>

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, 2014

(With Comparable Totals for the Year Ended June 30, 2013)

	Projects										Supporting Services			(Memo)	
	Arroyo Hondo	Carp Marsh	Franklin Trail	Gaviota Coast	Hot Springs Canyon	La Purisima	Wetland Mitigation	Conservation Stewardship	Other Land Projects	Total Projects	General Services	Fundraising	Total Supporting	2014 Total	2013 Total
Salaries and benefits	\$ 35,798	\$ 787	\$ 10,294	\$ 4,081	\$ 11,145	\$ 1,754	\$ 7,063	\$ 49,739	\$ 34,071	154,732	\$ 28,308	\$ 116,178	144,486	\$ 299,218	\$ 371,850
<b>Direct Costs</b>															
Acquisitions (in-kind)	-	-	-	-	-	1,109,025	-	-	-	1,109,025	-	-	-	1,109,025	-
Improvements	24,549	8,491	310,903	-	-	-	7,252	162	31,699	383,056	55	-	55	383,111	526,875
Legal fees	1,860	425	-	2,501	5,776	18,351	-	12,366	44,521	85,800	502	-	502	86,302	53,174
Professional services	13,900	50	14,415	2,010	275	525	4,262	150	39,283	74,870	1,308	21,573	22,881	97,751	247,871
Printings and mailings	5,140	-	1,115	-	399	614	-	106	610	7,984	251	16,412	16,663	24,647	33,803
Property taxes	441	17	-	-	474	-	-	-	56	988	-	643	643	1,631	2,877
Programs and other direct costs	9,081	134	1,281	441	1,242	226	1,056	8,067	3,790	25,318	16	5,944	5,960	31,278	7,821
<b>Total Direct Costs</b>	<b>54,971</b>	<b>9,117</b>	<b>327,714</b>	<b>4,952</b>	<b>8,166</b>	<b>1,128,741</b>	<b>12,570</b>	<b>20,851</b>	<b>119,959</b>	<b>1,687,041</b>	<b>2,132</b>	<b>44,572</b>	<b>46,704</b>	<b>1,733,745</b>	<b>872,421</b>
<b>Indirect Costs</b>															
Banking and investment fees	11,857	2,236	419	159	417	67	297	11,911	6,056	33,419	3,268	5,257	8,525	41,944	20,635
Dues, fees	690	33	390	160	420	68	299	4,409	1,351	7,820	3,290	6,499	9,789	17,609	9,103
Insurance	2,390	36	423	174	455	73	324	2,283	1,585	7,743	3,569	5,029	8,598	16,341	13,430
Accounting	422	41	476	196	513	83	365	2,572	1,651	6,319	4,019	5,664	9,683	16,002	15,803
Membership services	279	12	146	60	168	25	112	789	533	2,124	1,232	2,398	3,630	5,754	809
Occupancy	725	70	819	336	881	142	628	4,422	2,838	10,861	6,910	9,468	16,378	27,239	23,923
Office supplies	1,421	17	194	80	234	34	149	1,119	673	3,921	1,639	2,635	4,274	8,195	11,931
Telecommunication and equipment	1,180	15	173	71	186	30	133	934	606	3,328	1,460	2,058	3,518	6,846	6,410
Travel, mileage, and parking	917	40	205	85	186	26	139	1,729	604	3,931	1,260	1,888	3,148	7,079	7,364
Depreciation	649	7	85	35	91	15	65	457	293	1,697	714	1,007	1,721	3,418	3,113
<b>Total Indirect Costs</b>	<b>20,530</b>	<b>2,507</b>	<b>3,330</b>	<b>1,356</b>	<b>3,551</b>	<b>563</b>	<b>2,511</b>	<b>30,625</b>	<b>16,190</b>	<b>81,163</b>	<b>27,361</b>	<b>41,903</b>	<b>69,264</b>	<b>150,427</b>	<b>112,521</b>
<b>2014 Total Expenses</b>	<b>\$ 111,299</b>	<b>\$ 12,411</b>	<b>\$ 341,338</b>	<b>\$ 10,389</b>	<b>\$ 22,862</b>	<b>\$ 1,131,058</b>	<b>\$ 22,144</b>	<b>\$ 101,215</b>	<b>\$ 170,220</b>	<b>1,922,936</b>	<b>\$ 57,801</b>	<b>\$ 202,653</b>	<b>260,454</b>	<b>\$ 2,183,390</b>	
2013 Total Expenses (Memo)	\$ 129,342	\$ 12,300	\$ 401,346	\$ 9,389	\$ 73,114	\$ -	\$ 135,687	\$ 67,798	\$ 209,680	1,038,656	\$ 75,811	\$ 242,325	318,136		\$ 1,356,792

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, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

	2014	(Memo) 2013
	<u>2014</u>	<u>2013</u>
Cash Flow from Operating Activities		
Change in net assets	\$ 577,145	\$ (127,278)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,418	3,113
Contributions restricted for long-term investment	(372,144)	-
Realized and unrealized gain on investments	(412,440)	(247,485)
Decrease (increase) in grants, accounts, and pledges receivable	(26,960)	397,107
Decrease (increase) in prepaid expenses	(339)	1,881
Increase (decrease) in accounts payable and accrued liabilities	(94,158)	122,170
Increase (decrease) in deferred revenue	<u>(35,520)</u>	<u>40,752</u>
Net Cash Provided (Used) by Operating Activities	<u>(360,998)</u>	<u>190,260</u>
 Cash Flow from Investing Activities		
Purchase of property and equipment	(4,462)	(870)
Proceeds from sale of securities	5,988,686	315,226
Purchase of securities	<u>(6,049,957)</u>	<u>(193,792)</u>
Net Cash Provided (Used) by Investing Activities	<u>(65,733)</u>	<u>120,564</u>
 Cash Flow from Financing Activities		
Contributions restricted for long-term investment	<u>372,144</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>372,144</u>	<u>-</u>
 <b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(54,587)</b>	<b>310,824</b>
 Cash at Beginning of the Year	<u>1,286,377</u>	<u>975,553</u>
 <b>Cash at End of the Year</b>	<b><u>\$ 1,231,790</u></b>	<b><u>\$ 1,286,377</u></b>
 Supplemental Disclosure of Cash Flow Information		
Non-cash transactions consisted of the following:		
In-kind contribution of land, goods, and professional services	\$ 1,150,045	\$ 47,828

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, 2014, the Land Trust has completed conservation transactions protecting 23,783 acres of land throughout Santa Barbara County. All transactions are in conformity with the Uniform Standards of Professional Appraisal Practice and reviewed in accord with the Standards and Practices of the national Land Trust Alliance. 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.

# THE LAND TRUST FOR SANTA BARBARA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - ORGANIZATION AND ACTIVITIES (continued)

During the year ended June 30, 2014, the Land Trust was actively involved in several land conservation, restoration, public access and education projects, including, but not limited to:

#### A. Nature Preserves (Owned by Land Trust)

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. On-going restoration work funded by foundation grants included eradication of highly invasive plant species, installation of native plants and maintenance of previously restored creek habitat. On-going improvements include redesign of the barn space to create a Discovery Center to improve education programs, and maintenance of the historic adobe. With funding from the Coastal Ranch Conservancy, the Land Trust is engaging in an experimental grazing project to reduce fire fuel loads and enable native plant species to re-establish on the property.

Carpinteria Salt Marsh – This 34 acre Land Trust 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. The property allows passive public access on established trails. The Land Trust conducts routine monitoring and maintenance work.

Coronado Butterfly Preserve – 9.3 acres owned and managed by the Land Trust for monarch butterfly habitat, native plant restoration and outdoor education programs. The Land Trust, in partnership with the city of Goleta, conducts school group and public hikes through the property during the Monarch butterfly season. On-going planting and maintenance is done largely by volunteers.

Hot Springs Canyon – The 40-acre parcel now owned and managed by the Land Trust as Hot Springs Canyon Parcel 2 was purchased in 2012 as part of a 462-acre property adjacent to the Montecito community east of the City of Santa Barbara. The property, commonly known as “Hot Springs Canyon,” is regularly used by the public for hiking, biking and horseback riding. In FY 2014, the Land Trust worked to resolve various legal and title matters in order to convey the majority of the property (422 acres) to the U.S. Forest Service. The capital campaign for the project sought to raise a total of \$9,313,890 which included the purchase price, legal, staff and administrative costs, and fundraising costs, plus a \$100,000 stewardship fund to cover annual expenses. The Land Trust continues to raise funds to complete the stewardship fund.

# THE LAND TRUST FOR SANTA BARBARA COUNTY

## NOTES TO FINANCIAL STATEMENTS

Note 1 - ORGANIZATION AND ACTIVITIES (continued)

### B. Current Conservation Easements

The Land Trust holds conservation easements on 35 properties in Santa Barbara County, protecting in perpetuity 16,433 acres of ranch, farm, wildlife habitat, and community open space land. Each easement is monitored annually for compliance.

La Purisima Conservation Bank - The Land Trust was the recipient of an 837-acre donated conservation easement as part of a complex habitat conservation deal that established the La Purisima Land Conservation Bank. Conservation credits will be sold by the “bank” to mitigate the negative impacts on the habitat areas of the California Tiger salamander, a protected species. The number of credits required for mitigation by the US Fish and Wildlife Service is determined on a project by project basis, and the price of the credits is determined exclusively by the market dynamics of supply and demand. Once all the credits are sold by the bank, it will cease to exist and the land will remain in private ownership with all development rights extinguished in perpetuity by a conservation easement held by the Land Trust. A stewardship endowment will be paid to the Land Trust from the Conservation Bank. In addition, The Land Trust will also be paid an administrative fee of 20% of the annual management costs.

### C. Ongoing Projects

Gaviota Coast Program – Ongoing landowner education and outreach to promote voluntary land conservation. The Land Trust is communicating with two private landowners interested in conservation options. The Gaviota Coast Fund is a tool that allows the Land Trust to respond in short order to new land protection opportunities along the Gaviota Coast as they arise.

Franklin Trail – In 2011, the Land Trust agreed to partner with the County of Santa Barbara and the volunteer group “Friends of the Franklin Trail” to plan, design, permit and construct a public trail from the City of Carpinteria, across Carpinteria High School property and through three private ranches to reach historic trail routes in the Los Padres National Forest. Work included assisting the County with legal easements and access agreements, engaging legal, engineering and planning professionals, and cooperating with the “Friends” group to secure private individual, foundation gifts, and government grants. The trail was open for public use in October 2013.

Careaga and Kick-On Ranches - The Land Trust provides ongoing efforts to protect these two ranches in the mountains east of Lompoc through potential acquisitions of two conservation easements. Both easements have significant habitat value for the federally endangered California Tiger Salamander.

Jordan Farm – Through a potential agricultural easement, all development rights will be removed from this 780-acre farm in the lower Lompoc Valley. The Land Trust has partnered with the Trust for Public Land to raise funds for the purchase.

# THE LAND TRUST FOR SANTA BARBARA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - ORGANIZATION AND ACTIVITIES (continued)

#### D. Habitat Restoration Projects

Arroyo Hondo Creek – Small scale native plant restoration continued at this Land Trust preserve, building on a major restoration project completed in 2010. Volunteers and UCSB interns worked to install native plants purchased with grants from the UCSB Coastal Fund and John S. Kiewit Memorial Foundation.

West Goleta Slough – The project to expand and recreate historic wetland and upland habitat on a 35 acre site owned by California Department of Fish and Wildlife was completed in 2012. Land Trust is in the third year of a 5 year monitoring and maintenance program, using a consulting biologist and landscape company.

### Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

In accordance with generally accepted accounting principles, the Land Trust is required to report information regarding its financial position and activities into three net asset categories according to the existence of 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, purpose restriction is accomplished, or funds are appropriated by the Board for expenditure), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as “net assets released from restrictions”.

##### *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.

# THE LAND TRUST FOR SANTA BARBARA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Cash and Cash Equivalents

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

#### Investments

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.

#### 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. Preserved land and conservation easements are treated as obligations and are recorded at \$1 each in permanently restricted net assets.

#### Grants and Contracts

Grants and contracts are received from federal, state, and local agencies, as well as from private organizations, to be used for specific programs and land purchases. Costs incurred under the government grants 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 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). The Land Trust is not currently involved in any activity that is subject to unrelated business income tax; 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).

The Land Trust evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2014, the Land Trust had no uncertain tax positions requiring accrual. The Land Trust files tax returns in California and U.S. federal jurisdictions. The Land Trust is no longer subject to U.S. federal and state tax examinations by tax authorities for fiscal years ending before June 30, 2011 and 2010, respectively.

#### 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, including Trustees who contributed \$26,356 in pro-bono legal services for the year ended June 30 2014.

#### Subsequent Events

The Land Trust has evaluated subsequent events through October 29, 2014, the date which the financial statements were available to be issued.

### Note 3 - GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable at June 30, 2014, includes \$232,590 related to the La Purisima endowment fund and \$238,000 which is part of a contractual agreement dating back to 2005 which has been donor designated for use in stewardship activities. These amounts are considered fully collectible and therefore no allowance for uncollectible receivables has been recorded. A discount factor of 3% is applied to amounts receivable in more than one year, which represents the Rancho Monte Alegre pledge. Grants and pledges receivable are expected to be collected in the following period:

In one year or less	\$ 250,156
In more than one year	224,000
Allowance for discount	<u>(48,145)</u>
Total	<u>\$ 426,011</u>

# THE LAND TRUST FOR SANTA BARBARA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### Note 4 - CONSERVATION LAND AND EASEMENTS

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

#### Gaviota

Arroyo Hondo Preserve – 782 acres of coastal habitat and open space

#### 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

#### Montecito

Hot Springs Canyon – 462 acres of foothill and creek habitat including historic trails used by the public. 40 acres retained in fee title ownership and 422 acres transferred to U.S. Forest Service

Private or public land protected by conservation easements include:

#### Buellton and Los Alamos Area

Los Flores Hunt Property – 653 acres of scenic rangeland, oak woodland and coastal scrub habitat adjacent to U.S. Highway 101 north of Los Alamos

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 – Two easements totaling 53 acres of coastal wetlands visible from Highway 101

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

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

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

#### Goleta

Fairview Gardens – 12 acres of scenic, organic vegetable farm

UCSB South Parcel Nature Park – 69 acres of coastal wetland and upland habitat with public trails

# 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):

#### 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

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

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

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 views from U.S. Highway 101

#### Lompoc

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

Brasseur Santa Rosa – 46 acres of agricultural land and riparian habitat along Santa Ynez River

Briggs Memorial Preserve – 40 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

Burton Ranch Chaparral Preserve – 95 acres of rare chaparral habitat including public trails, adjacent to existing State of California preserve

Hibbits Ranch – 394 acres of scenic and highly productive farmland near the eastern boundary of the City of Lompoc, visible from Mission la Purisima State Historic Park

La Purisima Conservation Bank – 837 acres in the Purisima Hills near Lompoc composed of grassland and an endangered California Tiger Salamander habitat



**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

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

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

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

Santa Ynez Valley

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

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

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

Rancho la Rinconda – 127 acres of scenic oak woodland adjacent to vineyards along Santa Rosa Road

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

Note 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land (see note 2 - Conservation Land and Easements)	\$ 35
Farm vehicles	23,350
Computers and furniture	<u>25,778</u>
	47,281
Less accumulated depreciation	<u>(42,023)</u>
Net property and equipment	<u>\$ 7,140</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, 2014, marketable securities consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Cash and money market	\$ 37,199	\$ 37,199	\$ -
Equities	4,232,907	4,304,614	71,707
Fixed income	<u>300,092</u>	<u>316,113</u>	<u>16,021</u>
Total	<u>\$ 4,570,198</u>	<u>\$ 4,657,926</u>	<u>\$ 87,728</u>

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

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balance at end of the year	\$ 4,570,198	\$ 4,657,926	\$ 87,728
Balance at the beginning of the year	<u>3,794,715</u>	<u>4,184,215</u>	<u>389,500</u>
Net change in unrealized gain			<u>\$ (301,772)</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2014:

Dividends and interest	\$ 124,801
Net unrealized loss	(301,772)
Net realized gains	753,520
Investment fees	<u>(39,308)</u>
Net return on investments	<u>\$ 537,241</u>

Note 7 - DEFERRED REVENUE

Deferred revenue as of June 30, 2014 represents payments received in advance for revenue to be earned and recognized in subsequent years. Of this amount, \$27,264 is a conditional grant restricted for expenses related to the Upper Devereux Slough and \$6,600 represents deposits received for special events to occur subsequent to June 30, 2014.

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. All deferred income from this project has been expended and remaining maintenance and monitoring costs will be paid for from accumulated interest earned which is included as part of the temporarily restricted fund balance as of June 30, 2014. The agreement has been extended to June 30, 2016.

# THE LAND TRUST FOR SANTA BARBARA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### Note 8 - CONDITIONAL GRANT REVENUE

As part of the La Purisima conversation endowment, The Land Trust is the conditional grant recipient of permanently restricted endowment fund subject to future approval and release of mitigation credits from the Unites States Fish and Wildlife Service. Due to the contingent nature of the revenue, it has not yet been recorded in the financial statements. As of June 30, 2014, unrecorded conditional grant revenue, as outlined in the Endowment Funding agreement, totaled \$558,216.

### Note 9 - CONCENTRATIONS AND RISKS

#### Concentrations of Revenue and Receivables

For the year ended June 30, 2014, 40% of revenue was attributable to one in-kind donation of a conservation easement.

For the year ended June 30, 2014, 100% of pledges receivable were attributable to two donors.

#### Credit Risk

The Land Trust maintains cash balances at several banks insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2014, the Land Trust has an excess of \$319,618 over the FDIC insured amount. The Land Trust maintains a majority of cash balances in money market funds. Such balances may not be fully insured.

#### Market Risk

The Land Trust holds its investments in a diversified portfolio, pursuant to a Board adopted investment policy. 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 investments, 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.

### Note 10 - COMMITMENTS

The Land Trust has agreed to undertake annual monitoring and enforcement activities to ensure compliance with the terms and conditions of 31 conservation easements. The Land Trust is the owner of four properties restricted to open space uses.

### Note 11 - RELATED PARTY TRANSACTIONS

A board member is an employee at a law firm that The Land Trust used to provide professional services related to conservation easements and other land projects. For the year ended June 30, 2014, The Land Trust paid the firm a total of \$42,357, net of \$12,378 in discounts and no charge legal fees. The services provided and fees paid were determined by the board of directors to be appropriate for the needs of The Land Trust.

# THE LAND TRUST FOR SANTA BARBARA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### Note 12 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets in the amount of \$693,080 were released from donor restrictions by satisfying the restricted purposes specified by donors.

### Note 13 - RECLASSIFICATION

Certain amounts from the June 30, 2013 financial statements have been reclassified to conform to the June 30, 2014 financial statement presentation.

### Note 14 - FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.
Level 2	Inputs to the valuation methodology may include: quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Land Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**THE LAND TRUST FOR SANTA BARBARA COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

Note 14 - FAIR VALUE MEASUREMENT (continued)

The following is a description of the valuation methodologies used for asset measured at fair value.

Money Market Funds	Money market funds valued at the net asset value (NAV) of shares held at fiscal year-end.
Equities and Fixed Income	Exchange traded securities and highly-liquid government bonds valued at quoted market prices as of fiscal year-end.
TIFF Multi-Asset Fund	Valued based upon inputs using the NAV of the fund as determined by TIFF Advisory Services, Inc.

The following table sets forth by level within the fair value hierarchy the assets at fair values as of June 30, 2014:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash and money market	\$ 37,199	\$ -	\$ -	\$ 37,199
Domestic equities	477,736	-	-	477,736
Domestic fixed income	316,113	-	-	316,113
International equities	203,092	-	-	203,092
TIFF Multi-Asset Fund	3,556,376	-	-	3,556,376
Real estate funds	30,440	-	-	30,440
Commodity Fund	<u>36,970</u>	<u>-</u>	<u>-</u>	<u>36,970</u>
Total assets measured at fair value	<u>\$ 4,657,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,657,926</u>

Note 15 - ENDOWMENT FUNDS

The Land Trust’s endowment consists of six individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees 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 Trustees 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 endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the donor gift instrument.

**THE LAND TRUST FOR SANTA BARBARA COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

Note 15 - ENDOWMENT FUNDS (continued)

Interpretation of Relevant Law (continued)

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure 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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 279,389	\$ 1,573,159	\$ 1,852,548
Board-restricted	<u>1,255,194</u>	<u>-</u>	<u>-</u>	<u>1,255,194</u>
Total endowment funds	<u>\$ 1,255,194</u>	<u>\$ 279,389</u>	<u>\$ 1,573,159</u>	<u>\$ 3,107,742</u>

Changes in endowment net assets for the year ended June 30, 2014 are:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,172,840	\$ 212,290	\$ 1,201,015	\$ 2,586,145
Net investment return (investment income, realized and unrealized gains)	165,354	145,505	-	310,859
Contributions	-	-	372,144	372,144
Appropriation of endowment assets for expenditure	<u>(83,000)</u>	<u>(78,406)</u>	<u>-</u>	<u>(161,406)</u>
Endowment net assets, end of year	<u>\$ 1,255,194</u>	<u>\$ 279,389</u>	<u>\$ 1,573,159</u>	<u>\$ 3,107,742</u>

# 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 Trustees, 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 endowment fund balance. In some instances, the Board may decide to appropriate an amount greater or less 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. 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.

Two of the Land Trust's endowments, Carpinteria Bluffs and the Modoc Preserve, have donor-specified investment and spending policies which are overseen by committees associated with the original donations.

**THE LAND TRUST FOR SANTA BARBARA COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

Note 16 - NET ASSETS

Unrestricted Net Assets

As of June 30, 2014, unrestricted net assets consisted of the following:

Operating deficit	\$ (228)
Board Designated Endowments:	
Operating Endowment	957,784
Stewardship Endowment	<u>297,410</u>
Total Unrestricted Net Assets	<u>\$ 1,254,966</u>

Temporarily Restricted Net Assets

As of June 30, 2014, temporarily restricted net assets, including receivables and un-appropriated earnings on permanently restricted endowments, were restricted for the following projects:

General Operating Fund	\$ 238,000
Stewardship Fund	941,892
Arroyo Hondo	1,074,211
Carpinteria Bluffs	209,277
Carpinteria Salt Marsh	40,221
Coronado Butterfly Preserve	12,757
Franklin Trail	20,872
Gaviota	552,459
Hot Springs	73,750
Modoc Preserve	70,112
Wetland Mitigation	46,258
Other Lands	<u>114,058</u>
Total Temporarily Restricted Net Assets	<u>\$ 3,393,467</u>

Permanently Restricted Net Assets

As of June 30, 2014, permanently restricted net assets consisted of the following:

Arroyo Hondo Endowment	\$ 200,410
Carpinteria Bluffs Endowment	504,100
Carpinteria Salt Marsh Endowment	218,715
La Purisima	372,144
Modoc Endowment	77,977
Operating Endowment	199,778
Stewardship Conservation Land Interests	<u>35</u>
Total Permanently Restricted Net Assets	<u>\$ 1,573,159</u>