

**THE LAND TRUST FOR
SANTA BARBARA COUNTY**

FINANCIAL STATEMENTS

June 30, 2023

LAND TRUST FOR SANTA BARBARA COUNTY
TABLE OF CONTENTS

Independent Auditor's Report.....1-3

Statement of Financial Position.....4

Statement of Activities.....5

Statement of Functional Expenses.....6

Statement of Cash Flows.....7

Notes to Financial Statements.....8-35

INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of the Board of Trustees of
The Land Trust for Santa Barbara County

Opinion

We have audited the accompanying financial statements of the Land Trust for Santa Barbara County (the "Land Trust"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Land Trust as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Land Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Land Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

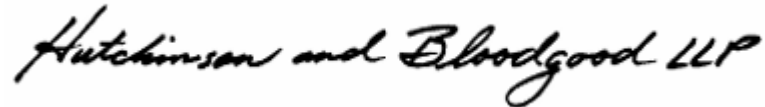
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Land Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Land Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Land Trust's 2022 financial statements, and our report dated November 14, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Hutchinson and Bloodgood LLP". The signature is written in a cursive, flowing style.

Hutchinson and Bloodgood LLP
November 8, 2023

THE LAND TRUST FOR SANTA BARBARA COUNTY
Statements of Financial Position
Year Ended June 30, 2023
(With Summarized Information as of June 30, 2022)

<i>Assets</i>	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
<i>Current Assets</i>				
Cash and cash equivalents	\$ 339,006	\$ -	\$ 339,006	\$ 450,451
Short-term investments	4,223,065	-	4,223,065	5,271,219
Pledges receivable	-	319,462	319,462	134,000
Grants receivable	-	156,791	156,791	111,685
Accounts receivable	131,950	-	131,950	4,410
Prepaid expenses	50,830	-	50,830	36,457
<i>Total current assets</i>	4,744,851	476,253	5,221,104	6,008,222
<i>Other Assets</i>				
Investments	4,873,821	7,805,343	12,679,164	11,771,004
Deposits	-	78,869	78,869	166,119
Pledges receivable, net	-	75,841	75,841	87,224
Property held for conservation purposes	2,765,073	-	2,765,073	-
Conservation land easements	-	56	56	55
Property and equipment, net	269,143	-	269,143	161,691
Construction in progress	29,970	-	29,970	15,000
<i>Total other assets</i>	7,938,007	7,960,109	15,898,116	12,201,093
<i>Total assets</i>	\$ 12,682,858	\$ 8,436,362	\$ 21,119,220	\$ 18,209,315
<i>Liabilities and Net Assets</i>				
<i>Current Liabilities</i>				
Accounts payable	\$ 38,471	\$ -	\$ 38,471	\$ 70,873
Accrued expenses	94,471	-	94,471	104,634
Deposits received	24,005	-	24,005	24,925
<i>Total current liabilities</i>	156,947	-	156,947	200,432
<i>Net Assets</i>				
Without donor restrictions				
Board designated	6,432,000	-	6,432,000	5,651,284
Other net assets without donor restrictions	6,093,911	-	6,093,911	3,370,390
Total net assets without donor restrictions	12,525,911	-	12,525,911	9,021,674
With donor restrictions				
Restricted by purpose or time	-	6,984,493	6,984,493	7,535,341
Restricted in perpetuity	-	1,451,869	1,451,869	1,451,868
Total net assets with donor restrictions	-	8,436,362	8,436,362	8,987,209
<i>Total net assets</i>	12,525,911	8,436,362	20,962,273	18,008,883
<i>Total liabilities and net assets</i>	\$ 12,682,858	\$ 8,436,362	\$ 21,119,220	\$ 18,209,315

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

THE LAND TRUST FOR SANTA BARBARA COUNTY
Statements of Activities
Year Ended June 30, 2023
(With Summarized Information as of June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
<i>Support, Revenues, Gains</i>				
<i>Public Support</i>				
Individual contributions and membership	\$ 97,929	\$ 16,280	\$ 114,209	\$ 116,582
Bequest	-	-	-	13,852
Major gifts	860,906	2,581,753	3,442,659	1,710,876
Mitigation	-	-	-	1,208,494
Foundation and other grants	115,000	265,055	380,055	160,000
Governmental grants	-	50,875	50,875	114,482
In-kind contributions of land and easements	-	250,000	250,000	13,149,298
In-kind contributions of rent and services	24,736	-	24,736	11,080
<i>Total public support</i>	1,098,571	3,163,963	4,262,534	16,484,664
<i>Revenues and Gains (Losses)</i>				
Employee Retention Tax Credit	51,976	-	51,976	-
Investment income (loss), net	955,450	119,437	1,074,887	(1,944,135)
Fees	233,873	-	233,873	141,204
Rental income - Related Party	28,131	-	28,131	22,728
Rental income	3,900	-	3,900	825
Program services	796	-	796	-
Gain on insurance settlement, net	-	-	-	250,548
Net assets released from restrictions	3,834,247	(3,834,247)	-	-
<i>Total revenues and gains (losses)</i>	5,108,373	(3,714,810)	1,393,563	(1,528,830)
<i>Total support, revenues, and gains</i>	6,206,944	(550,847)	5,656,097	14,955,834
<i>Expenses</i>				
<i>Projects and Programs</i>				
Carpinteria Salt Marsh	11,403	-	11,403	15,570
Carpinteria Bluffs Nature Preserve	30,449	-	30,449	30,293
Rincon Bluffs Preserve	934	-	934	45,550
Arroyo Hondo Preserve	204,141	-	204,141	116,224
Coronado Butterfly Preserve	3,038	-	3,038	3,473
Reimbursed Projects	336,349	-	336,349	13,347,398
Education and Outreach Programs	450,254	-	450,254	340,896
La Purisima Conservation Bank	2,302	-	2,302	1,555
Modoc Preserve	32,969	-	32,969	12,584
Conservation Easement Stewardship	251,062	-	251,062	165,878
Gaviota Coast Projects	65,222	-	65,222	60,849
Landowner outreach/new project development	624,760	-	624,760	522,237
Other land projects	-	-	-	53,965
<i>Total projects and programs</i>	2,012,883	-	2,012,883	14,716,472
<i>Supporting Services</i>				
Management and general	227,025	-	227,025	343,684
Fundraising and membership	462,799	-	462,799	397,826
<i>Total supporting services</i>	689,824	-	689,824	741,510
<i>Total expenses</i>	2,702,707	-	2,702,707	15,457,982
<i>Increase (decrease) in net assets</i>	3,504,237	(550,847)	2,953,390	(502,148)
<i>Net assets, beginning of year</i>	9,021,674	8,987,209	18,008,883	18,511,031
<i>Net assets, end of year</i>	\$ 12,525,911	\$ 8,436,362	\$ 20,962,273	\$ 18,008,883

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

THE LAND TRUST FOR SANTA BARBARA COUNTY
Statement of Functional Expenses
Year Ended June 30, 2023
(With Summarized Information as of June 30, 2022)

	Projects and Programs					Supporting Services			Total 2023	Total 2022
	Nature Preserves	Stewardship Programs	Land Project Development	Land Programs	Total Projects	Management and General	Fundraising and Membership	Total Supporting		
Salaries, wages and benefits	\$ 83,006	\$ 202,164	\$ 519,418	\$ 324,976	\$ 1,129,564	\$ 132,425	\$ 336,110	\$ 468,535	\$ 1,598,099	\$ 1,334,993
Indirect Costs										
Accounting	-	-	-	-	-	49,770	-	49,770	49,770	46,000
Advertising	380	723	523	20,038	21,664	-	-	-	21,664	3,500
Banking fees	582	-	-	-	582	1,349	6,229	7,578	8,160	5,168
Continuing education	72	503	1,209	448	2,232	1,890	2,992	4,882	7,114	23,492
Depreciation	24,752	-	-	-	24,752	8,848	-	8,848	33,600	23,250
Dues and fees	1,086	3,855	6,134	5,096	16,171	712	5,292	6,004	22,175	20,643
Information technology	5,357	8,126	20,551	13,997	48,031	2,781	18,118	20,899	68,930	52,504
Insurance	18,399	8,292	3,033	763	30,487	10,468	-	10,468	40,955	33,332
Meetings and events	290	39	2,009	8,783	11,121	5,512	11,463	16,975	28,096	32,957
Occupancy	4,636	9,566	23,573	15,074	52,849	4,716	15,629	20,345	73,194	55,505
Office supplies	656	915	2,832	2,258	6,661	277	10,989	11,266	17,927	20,568
Travel, mileage and parking	1,024	864	5,204	3,991	11,083	34	1,219	1,253	12,336	5,514
Total indirect costs	<u>57,234</u>	<u>32,883</u>	<u>65,068</u>	<u>70,448</u>	<u>225,633</u>	<u>86,357</u>	<u>71,931</u>	<u>158,288</u>	<u>383,921</u>	<u>322,433</u>
Direct Costs										
Acquisition expense	-	-	250,000	-	250,000	-	-	-	250,000	13,149,298
Improvements	95,122	15,626	961	323	112,032	3,732	-	3,732	115,764	162,381
Legal fees	2,009	23,580	89,881	-	115,470	128	-	128	115,598	167,824
Printings and mailings	3	1,146	1,705	17,093	19,947	206	21,892	22,098	42,045	44,159
Professional services	5,085	10,115	96,005	30,664	141,869	3,420	30,425	33,845	175,714	248,848
Programs and other direct costs	2,934	-	610	5,496	9,040	144	1,143	1,287	10,327	12,984
Publications and subscriptions	-	-	-	10	10	203	10	213	223	-
Property taxes	1,143	819	2,684	1,243	5,889	410	1,288	1,698	7,587	9,791
Utilities	3,429	-	-	-	3,429	-	-	-	3,429	5,271
Total direct costs	<u>109,725</u>	<u>51,286</u>	<u>441,846</u>	<u>54,829</u>	<u>657,686</u>	<u>8,243</u>	<u>54,758</u>	<u>63,001</u>	<u>720,687</u>	<u>13,800,556</u>
2023 Total expenses	<u>\$ 249,965</u>	<u>\$ 286,333</u>	<u>\$ 1,026,332</u>	<u>\$ 450,253</u>	<u>\$ 2,012,883</u>	<u>\$ 227,025</u>	<u>\$ 462,799</u>	<u>\$ 689,824</u>	<u>\$ 2,702,707</u>	<u>\$ 15,457,982</u>
2022 Total expenses	<u>\$ 211,109</u>	<u>\$ 226,880</u>	<u>\$ 13,937,587</u>	<u>\$ 340,896</u>	<u>\$14,716,472</u>	<u>\$ 343,684</u>	<u>\$ 397,826</u>	<u>\$ 741,510</u>		

THE LAND TRUST FOR SANTA BARBARA COUNTY
Statements of Cash Flows
Year Ended June 30, 2023
(With Summarized Information for the Year Ended June 30, 2022)

	2023	2022
<i>Cash flows from operating activities</i>		
Increase (decrease) in net assets	\$ 2,953,390	\$ (502,148)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	33,600	23,250
Net realized gain on investments	(83,493)	(683,170)
Net unrealized loss (gain) on investments	(756,871)	2,919,547
(Increase) decrease in:		
Pledges receivable	(174,079)	5,052
Accounts receivable	(127,540)	58,658
Deposits	87,250	(165,906)
Grants receivable	(45,106)	(19,007)
Prepaid expenses	(14,373)	3,769
Increase (decrease) in:		
Accounts payable	(32,402)	(71,607)
Accrued expenses	(10,163)	2,734
Deposits received	(920)	(32,925)
<i>Net cash provided by operating activities</i>	1,829,293	1,538,247
<i>Cash flows from investing activities</i>		
Purchases of property and equipment	(141,052)	(88,006)
Property held for conservation purposes	(2,765,073)	-
Conservation land easement	(1)	-
Construction in progress additions	(14,970)	(15,000)
Proceeds from sales of investments	5,939,604	792,211
Purchase of investments	(4,959,246)	(2,382,673)
<i>Net cash used by investing activities</i>	(1,940,738)	(1,693,468)
Net decrease in cash and cash equivalents	(111,445)	(155,221)
<i>Cash and cash equivalents, beginning of year</i>	450,451	605,672
<i>Cash and cash equivalents, end of year</i>	\$ 339,006	\$ 450,451

THE LAND TRUST FOR SANTA BARBARA COUNTY

Notes to Financial Statements

June 30, 2023

(With Summarized Comparative Totals for 2022)

1. ORGANIZATION AND ACTIVITIES

Nature of 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 to acquire and steward priority lands, 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. 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. The Land Trust was one of the first in the nation to receive this recognition. The accreditation review is performed every 5 years. The Land Trust was granted re-accreditation in 2015 and again in August of 2020.

Activities

The Land Trust acquires land and conservation easements by purchase and by donation. As of June 30, 2023, the Land Trust has completed conservation transactions protecting 32,008 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 Land Trust Alliance. Donated interests in lands, where the landowner wishes to be 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). When used to substantiate a tax deduction or credit, 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 for the Land Trust to the standards of the federal, state or local funding agency or private foundation. The Land Trust also engages in education and conservation planning, 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, 2023, the Land Trust was actively involved in several land conservation, restoration, public access and education projects, including, but not limited to:

1. ORGANIZATION AND ACTIVITIES (Cont.)

A. Nature Preserves (Owned by the Land Trust)

Arroyo Hondo Preserve – 782-acre property owned and managed by the Land Trust as a natural and historic preserve with youth and adult outdoor education programs, volunteer activities, and designated open public access days. Small-scale habitat restoration work funded by a foundation grant and the Natural Resources Conservation Service includes installation of native plants and maintenance of previously restored habitats. Restoration work is completed by staff, volunteers, and contracted labor. On-going maintenance activities occur for the adobe, barn, and other ranch infrastructure including trails, water systems, and fencing. The Land Trust installed a new water filtration system for the adobe funded by a local foundation grant. With funding from the California Coastal Conservancy the Land Trust is engaging in a grazing project to reduce fire fuel loads and enable native plant species to reestablish. Impacts from the disaster-level storms that came through our area in early 2023 included flooding and damage to roads, water infrastructure, trails, trees, and fences. Repairs included hazard tree removal, water line replacement, fence and gate repair, and trail re-surfacing.

Carpinteria Salt Marsh Preserve – This 35-acre Land Trust property is open to public access on established trails, including an accessible trail. The Land Trust conducts routine monitoring and maintenance work. The Land Trust also holds conservation easements on private parcels in the marsh and cooperates with UCSB, the City of Carpinteria, Santa Barbara County Flood Control, and other marsh owners on research, planning and stewardship of the 230-acre Carpinteria Salt Marsh.

Coronado Butterfly Preserve – 9 acres owned and managed by the Land Trust for monarch butterfly habitat, native plant restoration, and outdoor education programs. Ongoing planting and maintenance is done largely by volunteers with the help of grants from agencies such as Goleta West Sanitary District and the County of Santa Barbara. The Land Trust has worked to enhance interpretive signs and passive education.

Hot Springs Canyon – The 40-acre parcel owned and managed by the Land Trust as Hot Springs Canyon Parcel 2 was purchased in 2012 as part of a 462-acre property near 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 fiscal year 2013, the Land Trust conveyed the majority of the property (422 acres) to the U.S. Forest Service.

Gaviota Overlook - In October 2022, the Land Trust purchased the 48-acre Gaviota Overlook property, also sometimes known as the Simon property. This property is due west and adjacent to the Land Trust’s Arroyo Hondo Preserve and will be added to the preserve in the year ended June 30, 2023. Adding this additional property will expand opportunities for recreation by extending trail networks, additional education opportunities, and additional access with views of the coastline. Purchasing the property also protects the grassland and scrub habitat, and two spring-fed drainages, as well as protecting the scenic values of the coastline by preventing construction of a residence on the property.

1. ORGANIZATION AND ACTIVITIES (Cont.)

B. Conservation Easements and Stewardship

The Land Trust holds conservation easements on 56 properties in Santa Barbara County, protecting in perpetuity 23,710 acres of ranch, farm, wildlife habitat, and community open space land. Each easement is monitored annually for compliance. One new easement was acquired in fiscal year 2023. In addition, the Land Trust holds ownership of 914 acres of property open and accessible to the public for educational and recreational use. One new fee-owned property was acquired in fiscal year 2023.

The Land Trust has also helped purchase or preserve an additional 7,384 acres of land which have been subsequently transferred to other entities, including Hot Springs Canyon, Rancho Las Cruces, and the Sedgwick Reserve. The Land Trust no longer holds a real estate interest in these properties but counts them towards protected acres due to our role in their conservation. These transferred properties are further detailed in Note 7.

Other properties, such as Carpinteria Bluffs Nature Preserve, Rincon Bluffs Preserve, Big Bend Ranch were bought or donated in fee, and the Land Trust transferred ownership to other entities while retaining a conservation easement over them. These properties are therefore now counted as easements, rather than transfers, due to our ongoing interest in them.

In addition to monitoring, holding, and transferring easements and properties, the Land Trust also approves (or denies, as appropriate) landowner requests to exercise reserved rights and resolves easement violations as needed. The Land Trust works to educate landowners, particularly new or successor landowners, on the terms of their easement to facilitate productive, proactive working relationships.

The Land Trust also amends easements occasionally, either at landowner request or as a result of a need to modernize and clarify easement language. Conservation easement amendments must conform to all requirements of the Land Trust Alliance and the Land Trust's project selection criteria, be approved by Land Committee and the Board of Trustees, and sometimes additionally are reviewed by the California attorney general's office. Amending a conservation easement must confer additional conservation value or protections and not result in impermissible private benefit to the landowner, among other requirements.

C. Ongoing, Prior Year Completed Projects, and New Project Developments

Tranquillon - In September 2021, the Land Trust accepted eight conservation easements totaling 2,731 acres collectively referred to as the Tranquillon Conservation Project in San Miguelito Canyon, south of the City of Lompoc and adjacent to both the Dangermond Preserve and Vandenberg Space Force Base. These easements were required by the County of Santa Barbara, US Fish and Wildlife Service (USFWS), and the California Department of Fish and Wildlife as mitigation for development of the Strauss Wind Energy Project. For the year ended June 30, 2022, the Land Trust recorded an in-kind contribution of approximately \$4,150,000 based on the estimated fair value of the easements. The easements protect habitat for the endangered Gaviota tarplant.

1. ORGANIZATION AND ACTIVITIES (Cont.)

C. Ongoing, Prior Year Completed Projects, and New Project Developments (cont.)

Campbell Home Ranch - In February 2022, the Land Trust received a 340-acre conservation easement for Phase II of the Campbell Home Ranch project between Buellton and Lompoc with an appraised value of \$8,995,000 that was purchased with funding from the USFWS Habitat Conservation Plan Land Acquisition program and the California Wildlife Conservation Board. Along with Phase I of this project which was completed in April 2020, 458 acres of upland and aquatic habitat on the Campbell Home Ranch are protected for the endangered California Tiger Salamander (CTS). Included in this area is one of the largest natural CTS ponds in Santa Barbara County.

Dangermond - Over 2020 and 2021, the Land Trust secured all funds necessary to complete acquisition of a conservation easement on the Dangermond Preserve near Point Concepcion and Jalama County Beach with funding from the US Department of Defense's Readiness and Environmental Protection Integration Program. This easement will likely be completed before the end of 2023 and will protect the varied oak woodland, coastal scrub, riparian, wetland, grassland, and chaparral habitat of the Preserve's 24,341 acres.

Restoration Oaks - The Land Trust has been working diligently on a conservation easement planned for the 955-acre Restoration Oaks Ranch between Gaviota and Buellton with a \$2.46 million grant from the California Department of Conservation's Sustainable Agricultural Lands Conservation Program. Once the easement is complete, anticipated for the fiscal year ending June 30, 2024, it will protect the property's extensive oak woodland and rangeland as well as the small U-Pick berry farm run on the ranch.

D. Land Programs

The Land Trust is increasing diverse community engagement and partnerships to strengthen conservation activities in Santa Barbara County and ensure subsequent generations of people value open space and working lands. The current strategic plan calls for broadening and deepening relationships throughout the county.

Exploration of a location for a new preserve serving the north part of the county of Santa Barbara is underway.

Land Trust Treks, a free public program of guided outdoor activities, was piloted in 2021 and continues as an outreach and education tool to connect with new audiences. This year, we were able to increase the variety of Trek activities and broaden the geographic extent of the events. Bilingual Treks and Treks regularly scheduled in Guadalupe and Orcutt are new features of Treks this year that will continue to expand our connection with these communities.

1. ORGANIZATION AND ACTIVITIES (Cont.)

D. Land Programs (cont.)

The Santa Barbara County Conservation Blueprint and Atlas - With the build and launch phases completed in late 2021, this transitioned from a partner-led effort to an on-going program of the Land Trust. The transition to Land Trust management and leadership is intended to ensure the Blueprint remains a relevant and accessible community resource. Activities engaged during the past year have included community engagement and relationship building for the Land Trust to facilitate use of the Blueprint tools. We identified and met with new stakeholders to introduce them to the Blueprint, learn about their projects and goals, and identify the related data and analysis available on the Blueprint and Atlas that might support their efforts. Through these efforts, we identified an Indigenous-led non-profit that we have hired to guide an outreach and engagement process with the Chumash entities and community-members. This work addresses a significant gap in the original outreach and engagement process that was conducted in 2016-2017 and did not include widespread Chumash engagement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Accounting principles generally accepted in the United States of America (GAAP) require that the Land Trust report information regarding its financial position and activities according to two classes of net assets based on the existence and nature of donor-imposed restrictions as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Land Trust.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Land Trust or by the passage of time. Other donor restrictions are permanent in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is met, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Prior-Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not presented by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Land Trust's financial statements for the year ended June 30, 2022 from which the summarized information was derived.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, cash in banks, cash in money market funds and exclude cash equivalents held for investment. (see *Fair Value Measurements* below).

Short-term Investments

The Land Trust includes in short-term investments certificates of deposits and U.S. Treasury notes. Certificates of deposit and U.S. Treasury notes are valued utilizing benchmark yields, reported trades or broker dealer quotes and are Level 2 (see *Fair Value Measurements* below).

Pledges Receivables

Pledges receivables are measured at fair value on the date a written unconditional promise to give is received from the donor. On this date, the fair value is measured using an income approach which incorporates inputs including estimated credit risk, estimated timing of cash receipts, and an appropriate present value discount factor.

Investments

Investments in marketable securities and non-conservation real estate with readily determinable fair values and all investments in marketable debt securities are valued at their fair values in the statement of financial position. Donated securities are recorded at their fair value at date of receipt.

Property and Equipment

The Land Trust's investment in farm vehicles, furniture and computer equipment is stated at cost, or fair market value if donated. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is calculated using the straight-line method over an estimated useful life of five to ten years. The Land Trust capitalizes assets with a cost of \$2,000 or more with an expected useful life of greater than one year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures* (ASC 820) issued by the Financial Accounting Standards Board (FASB) defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. Pursuant to ASC 820, assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure fair value. ASC 820 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Following is a description of the valuation methodologies used for investments measured at fair value.

Cash: Valued at face value. (Level 1)

Cash equivalents – money market funds: Valued at face value. (Level 1)

Short-term investments – certificates of deposit and treasury notes: Valued utilizing benchmark yields, reported trades or broker dealer quotes. (Level 2)

Mutual and exchange traded funds: Valued utilizing quoted prices available in active markets for identical investments as of the reporting date. (Level 1)

The Investment Fund for Foundations (TIFF) Multi-Asset and Short-Term Funds: Value is based on Net Asset Value (NAV) per the most recent audited financial statements and interim information provided by the fund manager. (Level 2)

Non-conservation real estate: Represents housing for the executive director. In April 2021, the Land Trust sold a 40% interest at fair value to the executive director and the Land Trust now owns 60% equity interest in the property. Refer to Note 13. The value will be assessed annually using market value as estimated by independent real estate data. (Level 3)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Contributed Services

The Land Trust recognizes contribution revenue for specialized services that would otherwise be purchased by the Land Trust in an amount equal to the fair value of those services. Contributed services, which meet certain authoritative criteria and can be objectively valued, have been reflected as contributions in-kind in the accompanying statements. Trustees contributed approximately \$4,100 in pro-bono legal services for the year ended June 30, 2022. In addition, approximately \$17,300 and \$7,000 of pro-bono accounting services were contributed during the year ended June 30, 2023 and 2022, respectively.

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 indirect expenses that are common to several functions are allocated using various statistical bases.

Property Held for Conservation Purposes

Property held for conservation purposes includes purchased or donated properties to be sold or transferred to governmental agencies or other individuals and organizations for conservation purposes or maintained as a nature preserve. Purchased land is stated at the lesser of cost or fair market value. Donated properties are initially recorded at their appraised values at the date of contribution and are carried at the lower of this amount or fair market value. Preserved land and conservation easements are treated as commitments and are recorded in property held for conservation purposes as \$1 each and as net assets with donor restrictions.

Grants

The majority of grants are received from federal, state, and local agencies, as well as from private organizations, to be used for specific programs and land purchases. Conditional grants are recorded as public support when conditions on which they depend are substantially met. Refer to Note 11. 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.

Tax Exempt Status

The Land Trust is an exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code, and is considered a public charity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Uncertain Tax Positions

Financial Accounting Standards Board's ASC 740-10, *Accounting for Uncertainty in Income Taxes*, prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Land Trust files tax returns in the U.S. federal jurisdiction and in the state of California. The Land Trust's tax returns from the year 2019 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2018 to the present remain subject to examination by the state of California. Management has evaluated its tax positions for all jurisdictions in which the statute of limitations remains open and has determined that the Land Trust had taken no uncertain tax positions that require adjustment to the financial statements. The Land Trust is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes.

Recent Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The objective of this ASU is to increase transparency of contributed nonfinancial assets for not-for-profit ("NFP") entities through enhancements to presentation and disclosure. The amendments in this ASU apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments in this ASU will improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements. ASU 2020-07 is effective for the fiscal year ended June 30, 2022 and has been applied on a retrospective basis.

The Land Trust has adopted Financial Accounting Standard Board (FASB) Accounting Standard codification (ASC 842), *Leases*, with a date of initial application of July 1, 2022. For leases with a lease term greater than one year, the Land Trust recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation. The Land Trust determines whether an arrangement is or contains a lease at contract inception.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Recent Pronouncements (cont.)

Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Land Trust uses a risk-free rate of a period comparable with that of the lease term. The Land Trust considers the lease term to be the noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the Land Trust is reasonably certain to exercise the option, (2) terminate the lease if the Land Trust is reasonably certain not to exercise that option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor.

Operating leases with a duration greater than one year are required to be included in operating lease right-of-use assets, current portion operating lease liabilities, and operating lease liabilities, net of current portion in the Land Trust's statement of financial position. As of June 30, 2023, there were no right of use assets.

Use of Estimates

Financial statements prepared in accordance with GAAP require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

Management has evaluated subsequent events through November 8, 2023, the date on which the financial statements were available to be issued. Refer to Note 19.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30, 2023:

Cash	\$ 339,006
Short-term investments	4,223,065
Accounts receivable	131,950
Pledges receivable	<u>319,462</u>
	<u>\$ 5,013,483</u>

The Land Trust believes that based on financial assets as of June 30, 2023 that they have sufficient financial assets to fund the operations for the year ending June 30, 2024.

3. INVESTMENTS

Investments consist of the following as of:

<u>June 30, 2023</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Deficit of Fair Value Over Cost</u>
Cash equivalents	\$ 95,455	\$ 95,455	\$ -
Certificates of deposit	1,856,904	1,816,545	(40,359)
U.S. Treasury notes	2,454,356	2,406,530	(47,826)
Fixed income funds	1,430,141	1,303,814	(126,327)
Equity funds	10,675,315	10,496,922	(178,393)
Non-conservation real estate	<u>782,963</u>	<u>782,963</u>	<u>-</u>
	<u>\$ 17,295,134</u>	<u>\$ 16,902,229</u>	<u>\$ (392,905)</u>

<u>June 30, 2022</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Deficit of Fair Value Over Cost</u>
Cash equivalents	\$ 74,465	\$ 74,465	\$ -
Certificates of deposit	2,123,681	2,062,460	(61,221)
U.S. Treasury notes	3,336,676	3,208,758	(127,918)
Fixed income funds	2,552,960	2,259,282	(293,678)
Equity funds	9,321,254	8,654,295	(666,959)
Non-conservation real estate	<u>782,963</u>	<u>782,963</u>	<u>-</u>
	<u>\$ 18,191,999</u>	<u>\$ 17,042,223</u>	<u>\$ (1,149,776)</u>

4. INVESTMENTS (Cont.)

Investment income (loss) consists of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 266,806	\$ 324,418
Net realized gain	83,493	683,170
Net unrealized gain (loss)	<u>756,871</u>	<u>(2,919,547)</u>
	1,107,170	(1,911,959)
Less investment fees	<u>(32,283)</u>	<u>(32,176)</u>
	<u>\$ 1,074,887</u>	<u>\$ (1,944,135)</u>

5. FAIR VALUE MEASUREMENTS

The following sets forth by level, within the fair value hierarchy, the Land Trust's assets measured at fair value as of June 30, 2023:

	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
Cash and cash equivalents	\$ 95,455	\$ -	\$ -
Certificates of deposits	-	1,816,545	-
U.S. Treasury notes	-	2,406,530	-
Mutual funds:			
U.S. equity	1,379,313	-	-
Int'l equity	151,973	-	-
U.S. fixed income	564,869	-	-
Int'l fixed income	24,766	-	-
Exchange traded funds:			
U.S. equity	2,906,834	-	-
Int'l equity	1,426,108	-	-
Fixed income	714,179	-	-
Institutional commingled funds:			
TIFF funds	-	4,632,694	-
Non-conservation real estate	-	-	782,963
	<u>\$ 7,263,497</u>	<u>\$ 8,855,769</u>	<u>\$ 782,963</u>

5. FAIR VALUE MEASUREMENTS (Cont.)

The following sets forth by level, within the fair value hierarchy, the Land Trust's assets measured at fair value as of June 30, 2022:

	Fair Value (Level 1)	Fair Value (Level 2)	Fair Value (Level 3)
Cash and cash equivalents	\$ 74,465	\$ -	\$ -
Certificates of deposits	-	2,062,460	-
U.S. Treasury notes	-	3,208,758	-
Mutual funds:			
U.S. equity	1,240,322	-	-
Int'l equity	525,410	-	-
U.S. fixed income	1,839,333	-	-
Int'l fixed income	350,935	-	-
Exchange traded funds:			
U.S. equity	2,068,384	-	-
Int'l equity	624,599	-	-
Fixed income	69,013	-	-
Institutional commingled funds:			
TIFF funds	-	4,195,581	-
Non-conservation real estate	-	-	782,963
	<u>\$ 6,792,461</u>	<u>\$ 9,466,799</u>	<u>\$ 782,963</u>

The fair value of the Land Trust's investment in TIFF funds is calculated using the net asset value (NAV) per share as a practical expedient to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) are in investment companies or similar entities that report their investment assets at fair value.

The Land Trust's investment in TIFF fund assets have been classified as Level 2 assets in the June 30, 2023 financial statements based on the availability of an audited NAV for this investment as of December 31, 2022 to support the valuation of the Land Trust's investment in the alternative investment as of June 30, 2023.

The TIFF Investment Program (TIP) is comprised of no-load mutual funds available primarily to foundations, endowments, other 501(c)(3) organizations and certain other non-profit organizations meeting specified accreditation requirements. The Land Trust has no unfunded commitments as of June 30, 2023.

6. PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2023, are estimated to be received as follows:

Year ending June 30,

2024	\$ 319,462
2025	14,000
2026	14,000
2027	14,000
2028 and thereafter	<u>42,000</u>
	403,462
Less unamortized discount	<u>(8,159)</u>
	<u>\$ 395,303</u>

Pledges receivable due after one year are recorded at the present value of estimated future cash flows using a discount rate of 3% per annum. The present value discount is amortized to contribution income over the terms of the pledges receivable.

7. CONSERVATION LAND AND EASEMENTS

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

Carpinteria

Carpinteria Salt Marsh Preserve – 35 acres of coastal wetland habitat including a public trail

Gaviota

Arroyo Hondo Preserve – 782 acres of coastal habitat and open space with managed public access and educational programming

Gaviota Overlook Preserve – 48 acres of grassland and open space with coastal views adjacent to Arroyo Hondo Preserve. Following installation of initial improvements, such as a trail and overlook, the property will be managed as one with Arroyo Hondo

Goleta

Coronado Butterfly Preserve – 9 acres of natural open space, monarch butterfly habitat, a small creek, and public trails

Montecito

Hot Springs Canyon – 40 acres retained by the Land Trust in fee title ownership including foothill and creek habitat and historic trails used by the public

7. CONSERVATION LAND AND EASEMENTS (Cont.)

Private or public land acquired and transferred to other entities includes:

Hot Springs Canyon - 422 acres of foothill and creek habitat including historic trails used by the public, originally acquired in 2012, were transferred to the U.S. Forest Service in the year ended June 30, 2013

More Mesa – 36 acres of open space property with oak woodland and riparian habitat was acquired and transferred to the County of Santa Barbara in 1992

Point Sal – 130 acres of coastal hillsides, bluffs and beaches with 11 different habitats near Santa Maria was purchased and transferred to the County of Santa Barbara in 2002

Rancho Las Cruces – Mountainous wildlife habitat on 900 acres in Gaviota Pass, scenic views from U.S. Highway 101, originally acquired in 1984. During the year ended June 30, 2017, the easement was transferred to California Rangeland Trust. These transactions were done by the Santa Ynez Valley Land Trust, a predecessor of the Land Trust for Santa Barbara County

Sedgwick Reserve – 2 parcels totaling 5,896 acres in the San Rafael Mountains now owned by the University of California and maintained by UCSB Natural Reserve System as a research conservation and education facility that was purchased and transferred in 2002

Private or public land protected by conservation easements includes:

Buellton and Los Alamos Area

Kick On Vineyard – 533 acres near Los Alamos composed of farmland, rangeland, and endangered California Tiger Salamander habitat

Las Cumbres Ranch – 954 acres of grassland, scrub, maritime chaparral, and oak woodland in the Purisima hills near Los Alamos

Long Canyon – 592 acres near Los Alamos composed of farmland, rangeland, and oak woodland

Marcelino Springs Ranch – 70 acres of agricultural open space

North 4 Deer Ranch (Las Flores Hunt Property) – 653 acres of scenic rangeland, oak woodland, and coastal scrub habitat adjacent to U.S. Highway 101 north of Los Alamos

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

7. CONSERVATION LAND AND EASEMENTS (Cont.)

Private or public land protected by conservation easements includes (cont.):

Carpinteria

Carpinteria Bluffs Nature Preserve – 52 acres of scenic, recreational open space with public trails visible from Highway 101 and overlooking the ocean, originally purchased in fee by the Land Trust and transferred to the City of Carpinteria in 2000. The Land Trust retains a conservation easement over the Preserve and as such counts these acres in easement total rather than with other transfers

Carpinteria Salt Marsh Easements (Sandyland Protective Association) – Two easements totaling 46 acres of coastal wetlands visible from Highway 101

Gabbert Property (Hay Hill Preserve) – 88 acres of open space for wildlife and plant habitat

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

Rancho Aldea Antigua (Whitecliff) – 23-acre avocado farm in the Carpinteria foothills containing three areas of native vegetation

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 with ongoing development of permitted home sites

Rincon Bluffs Preserve – 22 acres of scenic, recreational open space with public trails visible from Highway 101 and overlooking the ocean. Like the Carpinteria Bluffs Nature Preserve, this property was originally acquired by the Land Trust in fee and then transferred to the City of Carpinteria with the Land Trust retaining a conservation easement protecting the land in perpetuity. Due to the easement, the acreage of the property is currently counted as an easement rather than as a transfer

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. The property also contains a public campground

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

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

Hvolboll Family 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 farmland, rangeland, creek habitat, and scenic views to Los Padres National Forest

7. CONSERVATION LAND AND EASEMENTS (Cont.)

Private or public land protected by conservation easements includes (cont.):

Rancho Dos Vistas – 1,406 acres of mountain forest, oak woodland, and chaparral, adjacent to Los Padres National Forest and historic Reagan Ranch, including the provision for a public hiking trail easement in the future (the property is not currently open to the public)

Tajiguas Mitigation Easement – 110 acres of chaparral and riparian habitat, including habitat for California Red-legged frogs, that provides mitigation for the adjacent County-owned landfill. The easement covers a portion of a larger County-owned ranch that provides managed public access to a popular hiking trail

Goleta

Fairview Gardens – 12 acres of scenic, organic vegetable farm with educational programming that is temporarily on hold

UCSB South Parcel Nature Park (North Campus Open Space) – 69 acres of restored coastal wetland and upland habitat with public trails

Lompoc

Anderson Purisima – 16 acres of wildlife habitat, including habitat for the endangered California Tiger Salamander

Big Bend Ranch – 109 acres of agricultural land, oak woodland, and riparian habitat

Bodger Oak Woodland – 8 acres of oak woodland visible from Santa Rosa Road, adjacent to the Santa Ynez River, and serving as a buffer to the adjacent county park

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

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 Ranch Chaparral Preserve – 95 acres of rare chaparral habitat, with many endemic species and providing publicly accessible trails. Adjacent to existing State of California preserve to form a contiguous, large block of habitat

Campbell Home Ranch Phase I - 130 acres of grassland and oak woodland, including a portion of a natural vernal pool, which provides habitat for the endangered California Tiger Salamander. In 2022, an additional 12 acres of vernal pool habitat were added to the Phase I conservation easement, bringing the total to 130 acres of conserved land

7. CONSERVATION LAND AND EASEMENTS (Cont.)

Private or public land protected by conservation easements includes (cont.):

Campbell Home Ranch Phase II – 328 acres of grassland, oak woodland, and coastal scrub that provides upland habitat for the endangered California Tiger Salamander (CTS), as well as continuing to allow cattle grazing as a compatible use with CTS habitat protection

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

Jalama Canyon Ranch – 999 acres of grassland, coastal scrub, riparian, coast live oak woodland, and tan oak woodland habitats, as well as agricultural land managed under regenerative practices

Jordan Farm – 780 acres near Lompoc and adjacent to the Santa Ynez River composed of farmland, flood plain, and river bottom

La Purisima Conservation Bank – 837 acres in the Purisima Hills near Lompoc composed of grassland, oak woodland, coastal scrub, and numerous stock ponds which provides breeding and upland habitat for the endangered California Tiger Salamander

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

Strauss –

Tranquillon Conservation Project – Parcel 1 – 476 acres of grassland, scrub, coast live oak woodland, and riparian habitat, including protected habitat for the endangered Gaviota tarplant and other sensitive plant species

Tranquillon Conservation Project – Parcel 2 - 233 acres of grassland, scrub, coast live oak woodland, and riparian habitat, including protected habitat for the endangered Gaviota tarplant and other sensitive plant species

Tranquillon Conservation Project – Parcel 3 - 271 acres of grassland, scrub, coast live oak woodland, and riparian habitat, including protected habitat for the endangered Gaviota tarplant and other sensitive plant species

Tranquillon Conservation Project – Parcel 4 - 407 acres of grassland, scrub, coast live oak woodland, and riparian habitat, including protected habitat for the endangered Gaviota tarplant and other sensitive plant species

Tranquillon Conservation Project – Parcel 5 - 206 acres of grassland, scrub, coast live oak woodland, and riparian habitat, including protected habitat for the endangered Gaviota tarplant and other sensitive plant species

7. CONSERVATION LAND AND EASEMENTS (Cont.)

Private or public land protected by conservation easements includes (cont.):

Tranquillon Conservation Project – Parcel 6 - 377 acres of grassland, scrub, coast live oak woodland, and riparian habitat, including protected habitat for the endangered Gaviota tarplant and other sensitive plant species

Tranquillon Conservation Project – Parcel 7 - 382 acres of grassland, scrub, coast live oak woodland, and riparian habitat, including protected habitat for the endangered Gaviota tarplant and other sensitive plant species

Tranquillon Conservation Project – Parcel 8 - 378 acres of grassland, scrub, coast live oak woodland, and riparian habitat, including protected habitat for the endangered Gaviota tarplant and other sensitive plant species

Yellow Foxtrot – 320 acres of grassland, coast live oak woodland, and coastal scrub providing upland habitat for California Tiger Salamander

Montecito

Ennisbrook San Ysidro Preserve – 44 acres of oak woodland, riparian corridor, and monarch butterfly habitat, plus a public trail

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

Santa Barbara

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

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

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

Santa Maria Area

Betteravia Ranches – 473 acres of open space and rangeland for cattle grazing and wildlife and plant habitat, including upland habitat and breeding ponds for the endangered California Tiger Salamander

Santa Ynez Valley

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

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

7. CONSERVATION LAND AND EASEMENTS (Cont.)

Private or public land protected by conservation easements includes (cont.):

Rancho Felicia – 214-acre scenic horse ranch along Happy Canyon Road

Williams Ranch – 100-acre scenic ranch, formerly part of Rancho Felicia and adjacent to Great Oak Ranch

8. PROPERTY HELD FOR CONSERVATION PURPOSES AND CONSERVATION LAND EASEMENTS

Property held for conservation purposes is summarized by major classifications as follows at June 30:

	<u>2023</u>	<u>2022</u>
Stewardship conservation land easements (see Notes 1 and 7– Property Held for Conservation Purposes)	\$ 56	\$ 55
Gaviota Overlook	<u>2,765,073</u>	<u>-</u>
	<u>\$ 2,765,129</u>	<u>\$ 55</u>

9. PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows at June 30:

	<u>2023</u>	<u>2022</u>
Farm vehicles	\$ 100,114	\$ 61,441
Building improvements	189,040	123,479
Automobile	36,548	36,548
Computers and furniture	39,243	36,829
Website	34,405	-
Less accumulated depreciation	<u>(130,207)</u>	<u>(96,606)</u>
	269,143	161,691
Construction in progress	<u>29,970</u>	<u>15,000</u>
	<u>\$ 299,113</u>	<u>\$ 176,691</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was approximately \$33,600 and \$23,200, respectively.

10. OPERATING LEASE

On July 22, 2015, the Land Trust entered into a non-cancelable operating lease agreement with an expiration date of August 30, 2020. The lease was amended on September 1, 2020 with a new expiration date of August 31, 2022. Upon expiration, the lease converted to a month to month basis with rent payments of approximately \$2,100 per month.

11. CONDITIONAL GRANTS

La Purisima

As part of the La Purisima Conservation Bank Endowment Fund, the Land Trust is the conditional grant recipient of donor restricted funds which will become unconditional upon approval and release of final mitigation credits from the United States Fish and Wildlife Service. The funds will be spent for the maintenance and stewardship of the associated property. In June 2018, the grant agreement was amended to adjust the payment terms of the remaining funds due to the Land Trust. The amendment did not change the amounts due to the Land Trust, however, due to the contingent nature of the grant payments income will be recorded when payments are received. The Land Trust received two payments in the year ended June 30, 2022 totaling \$366,941. As of June 30, 2023, the unrecognized conditional grant, as outlined in the grant agreement, totaled approximately \$161,300.

Employee Retention Tax Credit

In 2023, the Land Trust received approximately \$52,000 from the Employee Retention Credit under The Coronavirus Aid, Relief, and Economic Security Act. The Employee Retention Credit was created by Congress to encourage employers to keep their employees on the payroll during the months in 2020 affected by the coronavirus pandemic. When initially introduced, this tax credit was worth 50% of qualified employee wages but limited to \$10,000 for any one employee, granting a maximum credit of \$5,000 for wages paid from March 13, 2020, to December 31, 2021. It was updated, increasing the percentage of qualified wages to 70% for 2021. The per employee wage limit was increased from \$10,000 per year to \$10,000 per quarter. The amount due to the Land Trust for the Employee Retention Credit was recorded as revenue in the financial statements for the year ended June 30, 2023.

12. CONCENTRATIONS AND RISKS

Credit Risk

The Land Trust maintains cash balances at several financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Cash balances held in brokerage accounts are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per institution. Uninsured cash balances at June 30, 2023 totaled approximately \$3,500.

Market Risk

The Land Trust holds its investments in a diversified portfolio, pursuant to a Trustee 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.

13. COMMITMENTS

The Land Trust has agreed to undertake annual monitoring and enforcement activities to ensure compliance with the terms and conditions of 56 conservation easements. The Land Trust is the owner of five properties restricted to open space uses.

14. RELATED PARTY TRANSACTION

In April 2021, the executive director purchased a 40% equity interest in the non-conservation real estate owned by the Land Trust. The Land Trust had imputed rental income at fair market value for the 60% owned by the Land Trust from the executive director in the amount of approximately \$28,100 for the year ended June 30, 2023.

15. GAIN ON INSURANCE SETTLEMENT

Alisal Fire

The Land Trust received an insurance settlement due to damages caused by the Alisal Fire that occurred in October 2021. The Alisal Fire burned more than 17,000 acres along the Gaviota Coast and the Santa Ynez Mountains in the Los Padres National Forest. The fire burned through the majority of the hills and canyon of the Arroyo Hondo Preserve.

The net gain on the insurance settlement as recorded in the statement of activities for the year ended June 30, 2022 was as follows:

Gross proceeds	\$	437,187
Less: property restoration expenditures		<u>(186,639)</u>
Net gain on insurance settlement	\$	<u>250,548</u>

For the year ended June 30, 2023, the Land Trust expended an additional \$35,833 of the funds clearing trails, damaged trees, and the start of some restoration work. The remaining \$214,715 in insurance proceeds will be spent primarily on restoration over the next two years.

16. ENDOWMENT FUNDS

The Land Trust's endowment consists of six donor restricted funds established for a variety of purposes as well as 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, 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.

16. ENDOWMENT FUNDS (Cont.)

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, 2023 was as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Board designated endowment funds	\$ 6,432,000	\$ -	\$ -	\$ 6,432,000
Donor restricted endowment funds	<u>-</u>	<u>205,322</u>	<u>1,451,869</u>	<u>1,657,191</u>
Total	<u>\$ 6,432,000</u>	<u>\$ 205,322</u>	<u>\$ 1,451,869</u>	<u>\$ 8,089,191</u>

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Beginning endowment net assets	\$ 5,651,284	\$ 173,456	\$ 1,451,868	\$ 7,276,608
Net investment return	377,444	119,438	-	496,882
Additions/transfers	534,123	-	1	534,124
Appropriation of endowment for expenditure	<u>(130,851)</u>	<u>(87,572)</u>	<u>-</u>	<u>(218,423)</u>
Ending endowment net assets	<u>\$ 6,432,000</u>	<u>\$ 205,322</u>	<u>\$ 1,451,869</u>	<u>\$ 8,089,191</u>

16. ENDOWMENT FUNDS (Cont.)

Endowment net asset composition by type of fund as of June 30, 2022 was as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Board designated endowment funds	\$ 5,651,284	\$ -	\$ -	\$ 5,651,284
Donor restricted endowment funds	<u>-</u>	<u>173,456</u>	<u>1,451,868</u>	<u>1,625,324</u>
Total	<u>\$ 5,651,284</u>	<u>\$ 173,456</u>	<u>\$ 1,451,868</u>	<u>\$ 7,276,608</u>

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Beginning endowment net assets	\$ 7,328,464	\$ 393,310	\$ 1,451,359	\$ 9,173,133
Net investment return	(1,160,121)	(161,801)	-	(1,321,922)
Additions/transfers	(296,145)	-	509	(295,636)
Appropriation of endowment for expenditure	<u>(220,914)</u>	<u>(58,053)</u>	<u>-</u>	<u>(278,967)</u>
Ending endowment net assets	<u>\$ 5,651,284</u>	<u>\$ 173,456</u>	<u>\$ 1,451,868</u>	<u>\$ 7,276,608</u>

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.

16. ENDOWMENT FUNDS (Cont.)

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. There were no such deficiencies as of June 30, 2023 or 2022.

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.

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

17. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Operating Fund	\$ 6,093,911	\$ 3,370,390
Board designated:		
Operating Endowment	2,634,817	2,528,162
Arroyo Hondo Endowment	1,057,035	1,026,184
Easement Stewardship Endowment	1,269,307	860,026
Rincon Bluffs Endowment	1,013,103	914,335
La Purisima Endowment	88,995	-
Modoc Endowment	80,837	69,135
Carpinteria Salt Marsh Endowment	30,771	29,006
Carpinteria Bluffs Nature Preserve Endowment	<u>257,135</u>	<u>224,436</u>
Total net assets without donor restrictions	<u>\$ 12,525,911</u>	<u>\$ 9,021,674</u>

18. NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets were restricted for expenditure on specified projects. These included pledges and grants and unallocated earnings on endowments and were as follows at June 30:

	<u>2023</u>	<u>2022</u>
Easement Stewardship Endowment	\$ 2,637,647	\$ 2,899,002
Arroyo Hondo Preserve	382,723	578,009
Blueprint	45,032	96,924
Carpinteria Bluffs Nature Preserve	119,876	101,166
Rincon Bluffs Preserve	1,581,653	1,582,587
Carpinteria Salt Marsh	221,263	217,014
Coronado Butterfly Preserve	28,196	17,948
Gaviota Coast Fund	1,077,113	1,140,598
La Purisima Conservation Bank	777,876	780,178
Modoc Preserve	29,810	54,720
Operating Endowment	15,318	-
Other Lands/Land Action Fund	<u>67,986</u>	<u>67,195</u>
Total funds restricted to expenditure for specified projects	<u>\$ 6,984,493</u>	<u>\$ 7,535,341</u>

18. NET ASSETS WITH DONOR RESTRICTIONS (Cont.)

Restricted in perpetuity, original gift amount:

Arroyo Hondo Endowment	\$	450,410	\$	450,410
Carpinteria Bluffs Nature Preserve Endowment		504,100		504,100
Carpinteria Salt Marsh Endowment		218,715		218,715
Modoc Preserve Endowment		77,977		77,977
Operating Endowment		200,611		200,611
Stewardship Conservation Land Interests		<u>56</u>		<u>55</u>
Total funds restricted in perpetuity		<u>1,451,869</u>		<u>1,451,868</u>
Total net assets with donor restrictions	\$	<u>8,436,362</u>	\$	<u>8,987,209</u>

19. SUBSEQUENT EVENTS

Gaviota Outlook Awards

On July 10, 2023, the Governor of California signed the Budget Act of 2023, which included funding of \$500,000 for the purchase of, and for improvements to, the Gaviota Outlook property.

On August 29, 2023, the Land Trust was awarded \$500,000 from the County of Santa Barbara's Coastal Resource Mitigation Fund for use towards the purchase of the Gaviota Overlook property, which was acquired in October 2022. This grant is conditioned upon certain deed and usage restrictions still to be determined at the time of grant award.

Dangermond Preserve Conservation Easement

The Land Trust completed the acquisition of a conservation easement on the Dangermond Preserve near Point Concepcion and Jalama County Beach with funding from the US Department of Defense's Readiness and Environmental Protection Integration Program. This easement nearly doubles conserved acres for the Land Trust and will protect the varied oak woodland, coastal scrub, riparian, wetland, grassland, and chaparral habitat of the Dangermond Preserve's 24,341 acres.