

THE WILDLANDS CONSERVANCY

FINANCIAL STATEMENTS

June 30, 2021 and 2020

THE WILDLANDS CONSERVANCY

June 30, 2021 and 2020

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
The Wildlands Conservancy
Oak Glen, California

Report on Financial Statements

We have audited the accompanying financial statements of The Wildlands Conservancy (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years 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 of 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Wildlands Conservancy as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



May 20, 2022
San Bernardino, California

THE WILDLANDS CONSERVANCY
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and Equivalents	\$ 2,710,851	\$ 1,952,902
Accounts Receivable	453,306	398,200
Livestock Inventory	15,600	-
Contracts Receivable	489,145	174,283
Prepaid Expenses	100,000	-
Pledges Receivable	2,850,000	-
Loan Receivable	2,000,000	2,000,000
Note Receivable	1,500,000	-
Investments	1,463,051	2,502,694
Land Acquisition in Progress	83,163	50,581
Land Held for Resale	7,278,088	7,288,860
Land Held for Conservation	117,890,744	118,145,318
Vehicles and Equipment	2,092,073	2,101,101
Buildings and Improvements	22,477,182	21,766,066
Construction in Progress	608,250	739,999
Accumulated Depreciation	(13,325,573)	(12,570,944)
Net Depreciable Property	<u>11,851,932</u>	<u>12,036,222</u>
Total Assets	<u><u>\$ 148,685,880</u></u>	<u><u>\$ 144,549,060</u></u>

See Accompanying Notes to Financial Statements.

THE WILDLANDS CONSERVANCY
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	\$ 129,684	\$ 87,193
Accrued Payroll Costs	411,380	391,479
Contract Liabilities	173,800	-
Paycheck Protection Program Loan	-	202,096
Total Liabilities	<u>714,864</u>	<u>680,768</u>
Net Assets		
Net Assets without Donor Restrictions	144,588,929	143,622,941
Net Assets with Donor Restrictions	3,382,087	245,351
Total Net Assets	<u>147,971,016</u>	<u>143,868,292</u>
Total Liabilities and Net Assets	<u>\$ 148,685,880</u>	<u>\$ 144,549,060</u>

See Accompanying Notes to Financial Statements.

THE WILDLANDS CONSERVANCY

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2021

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Revenues			
Fire Insurance Proceeds	\$ 4,340,537	\$ -	\$ 4,340,537
Contributions	260,171	3,191,314	3,451,485
Royalty Income	1,254,227	-	1,254,227
Lease Income	1,096,824	-	1,096,824
Contract Revenue	593,964	-	593,964
Gain on Disposal of Assets	338,487	-	338,487
Property Tax Refund	254,681	-	254,681
Paycheck Protection Program	202,096	-	202,096
Other Income	84,183	-	84,183
Investment Income	6,398	-	6,398
Interest Income	1,391	-	1,391
Realized Loss on Investments	(3,174)	-	(3,174)
Unrealized Loss on Investments	(38,270)	-	(38,270)
Release of Restrictions	54,578	(54,578)	-
Total Revenues	8,446,093	3,136,736	11,582,829
Expenses			
Program Services			
Conservancy	5,951,832	-	5,951,832
Support Services			
Management and General	1,241,614	-	1,241,614
Fundraising	286,659	-	286,659
Total Expenses	7,480,105	-	7,480,105
Change in Net Assets	965,988	3,136,736	4,102,724
Net Assets -- Beginning	143,622,941	245,351	143,868,292
Net Assets -- Ending	\$ 144,588,929	\$ 3,382,087	\$ 147,971,016

See Accompanying Notes to Financial Statements.

THE WILDLANDS CONSERVANCY

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2020

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Revenues			
Sale of Easement	\$ 4,275,316	\$ -	\$ 4,275,316
Lease Income	1,465,092	-	1,465,092
Royalty Income	1,311,377	-	1,311,377
Gain on Disposal of Assets	920,150	-	920,150
Contract Revenue	493,138	-	493,138
Paycheck Protection Program	422,104	-	422,104
Contributions	231,057	27,067	258,124
Other Income	166,243	-	166,243
Interest Income	33,036	-	33,036
Realized Loss on Investments	(12,683)	-	(12,683)
Release of Restrictions	64,807	(64,807)	-
Total Revenues	9,369,637	(37,740)	9,331,897
Expenses			
Program Services			
Conservancy	5,528,676	-	5,528,676
Support Services			
Management and General	1,340,500	-	1,340,500
Fundraising	158,881	-	158,881
Total Expenses	7,028,057	-	7,028,057
Change in Net Assets	2,341,580	(37,740)	2,303,840
Net Assets -- Beginning	141,281,361	283,091	141,564,452
Net Assets -- Ending	\$ 143,622,941	\$ 245,351	\$ 143,868,292

See Accompanying Notes to Financial Statements.

THE WILDLANDS CONSERVANCY

STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase in Net Assets	\$ 4,102,724	\$ 2,303,840
Noncash Items Included in Revenues and Expenses-		
(Gain) on Sale of Assets	(342,547)	(920,150)
Depreciation	957,974	1,016,995
Unrealized Loss on Investments	38,270	-
Donated Stock	(117,420)	-
Realized Loss on Investments	3,174	12,683
Increase (Decrease) in Cash Resulting from Changes In:		
Accounts Receivable	(55,106)	118,132
Contracts Receivable	(314,862)	(168,029)
Interest Receivable	-	10,610
Prepaid Expenses	(100,000)	-
Livestock Inventory	(15,600)	-
Pledges Receivable	(2,850,000)	-
Accounts Payable and Accrued Expenses	63,639	83,711
Contract Liabilities	173,800	-
Paycheck Protection Program	(202,096)	202,096
Net Cash Provided by Operating Activities	1,341,950	2,659,888
Cash Flows From Investing Activities		
Purchase of Investments	(1,094,880)	(2,507,900)
Proceeds from Sale of Investments	2,210,499	2,980,759
Purchase of Land	(854,516)	(5,056,069)
Land Acquisition in Progress	(32,582)	(50,581)
Purchase of Vehicles and Equipment	(131,847)	(70,537)
Purchase of Buildings and Improvements	(881,424)	(346,969)
Construction in Progress	131,749	(580,546)
Proceeds from Sale of Vehicles	30,000	47,110
Proceeds from Sale of Land	1,539,000	1,723,353
Issuance of Note Receivable	(1,500,000)	-
Net Cash (Used) by Investing Activities	(584,001)	(3,861,380)
Net Increase (Decrease) in Cash	757,949	(1,201,492)
Cash and Equivalents - Beginning	1,952,902	3,154,394
Cash and Equivalents - Ending	\$ 2,710,851	\$ 1,952,902

See Accompanying Notes to Financial Statements.

THE WILDLANDS CONSERVANCY

STATEMENTS OF FUNCTIONAL EXPENSES
For The Years Ended June 30, 2021 and 2020

<u>June 30, 2021</u>	Conservancy Programs	Management and General	Fundraising	Total Expenses
Payroll and Related Costs	\$ 2,646,686	\$ 792,406	\$ 168,369	\$ 3,607,461
Utilities, Maintenance and Supplies	1,062,001	-		1,062,001
Depreciation	670,582	258,653	28,739	957,974
Property Taxes and Insurance	863,023	-		863,023
Office and Supplies	182,804	92,511	70,543	345,858
Consulting and Professional Fees	265,328	55,648	10,000	330,976
Travel Costs	141,606	42,396	9,008	193,010
Grants	104,000	-		104,000
Outdoor Education	15,802	-		15,802
	<hr/>			
Total Expenses 2021	<u>\$ 5,951,832</u>	<u>\$ 1,241,614</u>	<u>\$ 286,659</u>	<u>\$ 7,480,105</u>

<u>June 30, 2020</u>	Conservancy Programs	Management and General	Fundraising	Total Expenses
Payroll and Related Costs	\$ 2,468,512	\$ 884,498	\$ 76,665	\$ 3,429,675
Depreciation	711,897	274,589	30,509	1,016,995
Property Taxes and Insurance	912,855	-	-	912,855
Utilities, Maintenance and Supplies	606,982	-	-	606,982
Office and Supplies	222,129	82,677	45,908	350,714
Consulting and Professional Fees	284,370	31,825	-	316,195
Travel Costs	186,738	66,911	5,799	259,448
Grants	106,000	-	-	106,000
Outdoor Education	29,193	-	-	29,193
	<hr/>			
Total Expenses 2020	<u>\$ 5,528,676</u>	<u>\$ 1,340,500</u>	<u>\$ 158,881</u>	<u>\$ 7,028,057</u>

See Accompanying Notes to Financial Statements.

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND OTHER MATTERS

The Wildlands Conservancy (the Conservancy) is a nonprofit corporation organized in California in September 1995. The Conservancy's principal purpose is to aid in the preservation of wild lands for scientific, historical, educational, ecological, recreational, scenic and other open space opportunities. The organization's revenues consist of contributions from individuals and foundations, royalty and lease income, and sales of certain property held for resale.

Since inception, the Conservancy has acquired wild land property located in Kern, Riverside, Orange, San Bernardino, Mendocino, Imperial, San Diego, Mono, Trinity, Sonoma, and Humboldt counties in California.

The Conservancy is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Tax Code.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICES

Revenue Recognition

The Conservancy presents its financial statements and recognizes revenues in accordance with accounting principles generally accepted in the United States of America (GAAP), which provides guidance for reporting information about financial position and activities for nonprofit organizations.

GAAP requires that revenue from contracts with funding agencies be recognized using a principles-based five-step framework that is intended to create consistency and comparability across entities and industries. The following is a summary of revenue recognition methodologies used by the Association in conformity with these provisions of U.S. GAAP.

Contracts with Funding Agencies: Revenue from contracts with federal, state, and local funding agencies is recognized when qualifying costs are incurred for cost-reimbursement contracts or when units of service are provided for performance contracts.

The transaction price is stated in each contract and is satisfied over time, generally by monthly billings over the one-year contract period. The significant judgments required to apply the ASU involve 1) determining that a cost allowable under the contract has been incurred, and 2) determining that the cost relates to a period covered by the contract. Both of these performance obligations must be satisfied before the funding agency can be billed for reimbursement, and revenue is recognized when the funding agency is billed. Contract reimbursements are subject to review by funding agencies, and some costs may be disallowed.

Service Fees: The Conservancy recognizes service fee revenue in the period when the services are provided and when the amount and certainty of the fee can be determined.

Contributions: GAAP required that information about financial position and activities be reported in two net asset classes: with donor restrictions and without donor restrictions. Net assets with donor restrictions may be either temporarily or permanently restricted. Contributions without donor restrictions are recognized when received. Contributions restricted by the donor are presented as increases in net assets with donor restrictions, depending on the nature of the donor-imposed restriction. When temporary restrictions are satisfied, the restricted net assets are reclassified to net assets without donor restrictions and reported in the activity statement as net assets released from restrictions. When a restriction is satisfied in the same year the contribution is received, the contribution is reported as unrestricted.

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that may affect assets, liabilities, revenues, and expenses at the reporting date and during the period. Actual results could differ from those estimates.

Donated Services

Approximately 900 volunteers have donated significant time and service to advance the charitable purposes of the Conservancy. The value of these donated services has not been recognized in the financial statements because no objective basis is available to measure the value of those services.

Valuation of Receivables

Accounts receivable consist of amounts due from royalties and various leases and are considered by management to be fully collectible.

Cash Equivalents

For purposes of the cash flow statement, the Conservancy considers all temporary cash investments with original maturities of three months or less to be cash equivalents.

Fair Value Measurements

Generally accepted accounting principles (GAAP) provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – quoted prices in active markets for identical assets

Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs – estimated using the best information available when there is little or no market

The Conservancy is required to measure certain types of assets and the related revenues at fair value, most commonly contributions of real estate and investments. The technique used to measure fair value of investments is described in Note 7.

Depreciation Methods

Property and equipment are presented at cost and are depreciated by the straight-line method over estimated useful lives of 30 to 40 years for buildings and improvements and five to seven years for equipment and vehicles. The Conservancy's policy is to capitalize purchases in excess of \$2,000.

Functional Expense Reporting

The costs of providing the Conservancy's programs and services have been summarized on a functional basis in the statement of functional expenses. Based on management estimates and an allocation plan, costs are allocated between programs and supporting services as they relate to those functions. The allocation of costs depends on the nature of the cost, the reason the cost is incurred, and the benefit received by each function.

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Since the Conservancy is exempt from income taxes, no provision is made for current or deferred tax expense. Annual information returns are filed with federal and state taxing agencies, and the accounting methods for such filings are the same as those used for financial reporting.

GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state returns are more likely than not to be sustained upon examination.

Recently Issued Accounting Standard Updates

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This guidance requires the recognition of lease contracts, including existing and new arrangements, as assets and liabilities on the statement of financial position. The guidance is effective for annual reporting periods beginning after December 15, 2021. Management is evaluating the impact this update will have on the Conservancy’s future financial statements.

NOTE 3 – CONTRACTS RECEIVABLE

Contracts receivable due to the Conservancy at June 30 consisted of these balances:

	<u>2021</u>	<u>2020</u>
USDOT Cal Trans (Federal)	\$ 355,000	\$ -
Wildlife Conservation Board (State)	46,699	10,301
Coachella Valley Mountain Conservancy (State)	33,929	39,966
Sonoma County Open Space district (County)	22,360	-
USDI - Fish and Wildlife Service (Federal)	18,196	522
USDA Natural Resource Conservation (Federal)	12,961	13,494
California Department of Parks and Recreation (State)	-	10,000
Total Contracts Receivable	<u>\$ 489,145</u>	<u>\$ 174,283</u>

NOTE 4 – PLEDGE RECEIVABLE

On December 3, 2021, The Wildlife Conservation Board granted The Conservancy \$2.85 million to acquire 6,095 acres of the former Hayden Ranch in Siskiyou County to protect fish and wildlife habitat and improve the in-stream water flows of the Scott River to benefit anadromous fish. The funds represent the entirety of the \$2.85 million fair market value of the property.

The grant award was sent directly to escrow to affect the acquisition, which closed escrow on December 13, 2021. The funds were awarded from the Proposition 1 Streamflow Enhancement Program managed by the Wildlife Conservation Board.

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – NOTES RECEIVABLE

In June 2021, the Conservancy issued a \$1,500,000 note to an individual for the purchase of property in Yucaipa. The property is secured with a first deed of trust. The note bears interest at 5% and is to be repaid in monthly installments of \$8,052. The note is amortized over 30 years and will mature after 12 years with a balloon payment due at the end of the term.

NOTE 6 – CONTRACT AND GRANT REVENUES FROM GOVERNMENTAL AGENCIES

Revenues from contracts and grants received from governmental agencies during the year consisted of the following:

	<u>2021</u>	<u>2020</u>
USDOT Cal Trans (Federal)	\$ 346,200	\$ -
Coachella Valley Mountains Conservancy (State)	104,976	5,149
USDA – Natural Resources Conservation (Federal)	57,657	13,494
Wildlife Conservation Board (State)	45,098	30,337
Sonoma County Open Space District (County)	22,360	-
USDI – Fish and Wildlife Service (Federal)	17,673	61,612
California Parks and Recreation (State)	-	79,814
State Coastal Conservancy (State)	-	<u>102,732</u>
Total Contract and Grant Revenue	<u>\$ 593,964</u>	<u>\$ 493,138</u>

NOTE 7 – INVESTMENTS

Investments consist of cash, savings and U.S. Treasury Notes carried at fair value and are intended to provide income for the Conservancy's programs or capital expenditures. The fair value of investments has been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs). Significant information about investments is as follows:

	Cost or Donated Value	Fair Value 6/30/21	Unrealized Gain (Loss) 6/30/21
<u>June 30, 2021</u>			
Preferred Savings	\$ 502,615	\$ 502,615	\$ -
U.S. Treasury Notes	998,706	960,436	(38,270)
Total	<u>\$ 1,501,321</u>	<u>\$ 1,463,051</u>	<u>(38,270)</u>
	Cost or Donated Value	Fair Value 6/30/20	Unrealized Gain (Loss) 6/30/20
<u>June 30, 2020</u>			
Cash	\$ 1,023	\$ 1,023	\$ -
Preferred Savings	2,501,671	2,501,671	-
Total	<u>\$ 2,502,694</u>	<u>\$ 2,502,694</u>	<u>\$ -</u>

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – ACCRUED PAYROLL COSTS

Accrued payroll costs consist of the following items:	<u>2021</u>	<u>2020</u>
Vacation Pay	\$ 229,701	\$ 227,184
Salaries and Wages	161,097	148,925
Payroll Taxes	17,830	15,979
401(k) Contributions	<u>2,752</u>	<u>2,391</u>
Total Accrued Payroll Costs	<u>\$ 411,380</u>	<u>\$ 391,479</u>

NOTE 9 – CONTRACT LIABILITIES

Contract liabilities from funding sources consist of payments received before performance obligations have been satisfied on government contracts. Deferrals include advance payments on the Caltrans and Sonoma County contracts. These totaled \$173,800 in 2021 and none in 2020.

NOTE 10 – SALE OF WETLAND RESERVE EASEMENT

In January 2019, an agreement was entered into with the U.S.D.A. Natural Resources Conservation Service that requires the Conservancy, in perpetuity, to maintain certain wetlands in its natural state. This easement is located on the Eel River Estuary Preserve in Humboldt County. The Conservancy was paid \$4,275,316 in the prior year for this easement.

NOTE 11 – GRANT REFUND

In October 2017, the Conservancy entered into an agreement with the Riverside County Regional Park in which the Conservancy will be refunded a grant that was given in 2005 in the amount of \$2,350,000. The Conservancy received \$350,000 in 2018, and the remaining \$2,000,000 is scheduled to be received by September 2022. The original grant terms required yearly reporting, but those reports were not received.

In addition, grant funds were being used as a revolving fund which was inconsistent with the grant terms. An agreement was reached, and approved by the Board of Supervisors, that the funds were to be considered an interest-free loan and would be returned in 2022.

NOTE 12 – ROYALTY AGREEMENT

In 2009, the Conservancy conveyed land to an unrelated aggregate materials company in exchange for the mineral rights of land previously sold to the same company. The agreement provided that the Conservancy would receive a royalty on all aggregate material mined on the land, as well as on certain other land owned by the company.

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 13 – NON-CASH CONTRIBUTIONS

During the current reporting period, the Conservancy received donated stock valued at \$117,420. The fair value of this non-cash contribution has been measured on a recurring basis using quoted prices for similar assets in active markets (Level 1 inputs).

NOTE 14 – PENSION PLAN

The Conservancy has a contributory Section 401(k) pension plan, which covers all full-time and part-time permanent employees who have reached 21 years of age. Contributions to the plan include voluntary payments by employees based on annual salaries, and matching payments by the employer of up to 3% of salaries. The Conservancy contributed \$58,815 in 2021 and \$45,416 in 2020.

NOTE 15 – RELATED PARTY TRANSACTIONS

During the current reporting period, an organization, whose Director is a Conservancy board member, was paid \$146,660 for sponsorships, general operations and program support. Also, during the current period, the spouse of the Human Resources Director was paid \$169,114 for contracting services on multiple projects.

During the prior reporting period, an organization, whose Director is a Conservancy board member, was paid \$95,000 for sponsorships, general operations and program support. Also, during the prior period, the spouse of the Human Resources Director was paid \$193,257 for contracting services on multiple projects.

NOTE 16 – CONCENTRATIONS OF CREDIT RISK

From time to time, the Conservancy holds cash deposits with one financial institution in excess of limits covered by the FDIC. Management does not consider this to be a significant credit risk.

NOTE 17 – COMMITMENTS

In 2005, the Conservancy entered into an agreement with the San Bernardino Mountains Land Trust (SBMLT) to transfer title to certain properties located in the San Bernardino National Forest to SBMLT in exchange for a receivable due from SBMLT. The agreement provides that SBMLT will arrange a sale of these properties to the US Forest Service, and that 75% of the net proceeds from the sale will be due to the Conservancy and 25% will be retained by SBMLT as a contribution from the Conservancy. The land was transferred at its carrying amount of \$999,367 and sold for \$1,145,000 with \$856,932 due to the Conservancy in 2015. The balance due of \$100,000 was paid in full in the prior year.

NOTE 18 – LIVESTOCK ARRANGEMENTS

In March of 2021, the Conservancy purchased 13 head of cattle for \$15,600 to be grazed at the Beaver Valley Headwaters Preserve, owned by the Trust for Public Land.

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 19 – LEASES AS LESSOR

The Conservancy has a 5-year cancellable lease as lessor of the Los Rios Rancho property with Devon Riley, doing business as Riley’s Frontier Events. The current lease ends June 30, 2021. The lease provides for annual CPI index adjustments with current minimum annual payments of \$108,000 and minimum of \$75,000 from 5% of Riley’s gross revenue.

The Conservancy also has a 5-year cancellable lease as lessor of the Wind Wolves Preserve with Eureka Livestock. The lease includes standard language to pay by head but also includes an option for lessor to purchase all or a portion of the herd up to the time of sale of each animal on a specified portion of the Eureka cattle herd.

At June 30, 2021, the Conservancy has 26 operating lease agreements as lessor. Some conservancy land is leased to individuals and organizations that use the land for hunting, orchards, pipelines, residential rentals, and sheep and cattle raising. Some of the leases include escalation clauses which are subject to future indexes. The minimum future lease payments due under these non-cancelable leases are as follows:

Years Ended June 30,	2022	983,896
	2023	989,400
	2024	994,990
	2025	<u>1,000,665</u>
	Total	<u>\$ 3,968,951</u>

NOTE 20 – DONOR RESTRICTIONS

<u>Net assets with donor restrictions</u> consist of the following elements:	<u>2021</u>	<u>2020</u>
Outdoor Education (purpose restriction)	\$ 230,208	\$ 191,368
Capital Projects (purpose restriction)	211,021	38,206
Land Stewardship (purpose restriction)	<u>2,940,858</u>	<u>15,777</u>
Total	<u>\$ 3,382,087</u>	<u>\$ 245,351</u>

Net assets released from restriction consist of the following:

Outdoor Education (purpose restriction satisfied)	\$ 12,077	\$ 36,890
Capital Projects (purpose restriction satisfied)	35,318	22,152
Land Stewardship (purpose restriction satisfied)	<u>7,183</u>	<u>5,765</u>
Total	<u>\$ 54,578</u>	<u>\$ 64,807</u>

NOTE 21 – FIRE PROCEEDS

In the early morning hours of October 2, 2020, fire broke out and destroyed many of the historic facilities located at Los Rios Ranch, including the packing house, refrigeration room, and restroom. The Conservancy was carrying insurance on the property and has received a \$4.3 million settlement for the physical structures which were lost as well as lost business income. Claims for personal property are still pending.

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 22 – SIGNIFICANT TRANSACTIONS DURING THE YEAR

During the current reporting period, the Conservancy sold the 330-acre Heartbreak Ridge property in the San Bernardino National Forest for \$550,000, and it purchased the 40-acre Pisgah Peak property adjacent to the Oak Glen Preserve for \$500,000.

The conservancy sold the 15-acre Serrano Barn at the Pioneertown Preserve for \$800,000.

The Conservancy received \$2.85 million under the terms of a grant agreement for the purchase of the Beaver Valley Headwaters property. The land was purchased by the Trust for Public Land and was leased to the Conservancy to manage all operations and maintenance. The Conservancy also took possession of the 6,095-acre Beaver Valley Headwaters Preserve in December of 2020.

NOTE 23 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Wildlands Conservancy receives some support from restricted contributions. Because donor restrictions require that resources be used in a specified manner, the Conservancy must maintain sufficient resources to meet those donor commitments. The Conservancy has \$3,382,087 of cash that must be held to satisfy the commitments included in net assets with donor restrictions. These funds are not available for general expenditures in future periods.

The Conservancy has a policy to structure its financial assets to be available for general expenditures as they come due. The following financial assets are available for general expenditures during the next year:

Cash	\$ 2,710,851
Accounts Receivable	453,306
Contract Receivables	489,145
Investments	<u>1,463,051</u>
Total Financial Assets Available	<u>\$ 5,116,353</u>

General expenditures in the current reporting period were approximately \$7.5 million.

NOTE 24 – DISSOLUTION OF LOS RIOS RANCHO, INC.

Los Rios Rancho, Inc. (Los Rios) was a California S-Corporation that operated an apple farm and retail store located on the Conservancy's property in Oak Glen, California. This was the Conservancy's wholly-owned subsidiary discussed in Note 1. In 2004, the ranch and retail activities were leased by the corporation to an independent operator.

In 2009, the Board made an election under the Internal Revenue Code for Los Rios to be classified and taxed as an S-corporation. Under this election, Los Rios was subject to "built-in gains" tax liabilities related to assets with appreciated values that the corporation held when it converted to S-corporation status. This election provided that if the appreciated assets were held for 10 years by the S-corporation, the tax liability would be removed. During the prior year, the 10-year holding period ended, and the Board made the decision to wind down and dissolve the S-Corporation.

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 25 – UNCERTAINTIES

In 2020 and beyond, domestic and international economies face uncertainty related to the impact of the COVID-19 virus. The Conservancy may be adversely affected by the economic results of this uncertainty, and management is currently evaluating these impacts and considering their effects on future operations.

In May 2020, the Conservancy received a Paycheck Protection Program loan in the amount of \$624,200. As of June 30, 2020, management has determined that \$422,104 has been spent on payroll costs that qualify for loan forgiveness, and this amount has been recorded as revenue in the prior year statement of activities. The unused balance of this loan is presented as a liability in the statement of financial position at June 30, 2020. These remaining funds have been spent on qualifying payroll costs after June 2020, and the Conservancy has recognized the revenue in the current period. The full amount of the loan was forgiven in June 2021.

NOTE 26 – SUBSEQUENT EVENTS

In March 2022, a legal settlement was approved by the court for the Conservancy to pay \$30,000 to settle two outstanding cases originating in April 2020. The Conservancy paid the settlement in full in April 2022. The settlement did not have a material effect on these financial statements.

Management has evaluated subsequent events through May 20, 2022, the date when the financial statements were available to be issued.