

MARIN AGRICULTURAL LAND TRUST

JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# Marin Agricultural Land Trust

## Independent Auditors' Report and Financial Statements

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A Century Strong

## **Independent Auditors' Report**

THE BOARD OF DIRECTORS  
MARIN AGRICULTURAL LAND TRUST  
Point Reyes Station, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **MARIN AGRICULTURAL LAND TRUST (MALT)**, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MALT's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MALT's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marin Agricultural Land Trust as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Hood & Strong LLP*

San Francisco, California  
December 20, 2018

# Marin Agricultural Land Trust

## Statement of Financial Position

*June 30, 2018*

	Operating	Land		Total
		Preservation	Stewardship	
<b>Assets</b>				
Cash and cash equivalents	\$ 651,279	\$ 68,708	\$ 21,595	\$ 741,582
Investments	1,494,640	6,657,390	11,254,036	19,406,066
Contributions receivable, net	281,533	3,597,309	526,659	4,405,501
Prepaid expenses and other current assets	267,087	28,304		295,391
Land held in fee		5,300,000		5,300,000
Beneficial interest in charitable gifts			535,587	535,587
Property and equipment, net	1,427,780	35,797	9,424	1,473,001
Conservation easements		84		84
<b>Total assets</b>	<b>\$ 4,122,319</b>	<b>\$ 15,687,592</b>	<b>\$ 12,347,301</b>	<b>\$ 32,157,212</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 382,300	\$ 32,634		\$ 414,934
Deposits on land payable		702,500		702,500
Deferred revenue	30,053			30,053
Obligation to fiscal sponsor	36,922			36,922
Note payable		3,895,000		3,895,000
<b>Total liabilities</b>	<b>449,275</b>	<b>4,630,134</b>	<b>-</b>	<b>5,079,409</b>
<b>Net Assets:</b>				
Unrestricted	3,385,766	7,028,044	\$ 2,880,703	13,294,513
Temporarily restricted	287,278	4,029,414	4,498,245	8,814,937
Permanently restricted			4,968,353	4,968,353
<b>Total net assets</b>	<b>3,673,044</b>	<b>11,057,458</b>	<b>12,347,301</b>	<b>27,077,803</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,122,319</b>	<b>\$ 15,687,592</b>	<b>\$ 12,347,301</b>	<b>\$ 32,157,212</b>

See accompanying notes to financial statements.

# Marin Agricultural Land Trust

## Statement of Activities and Changes in Net Assets

*Year Ended June 30, 2018*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support:</b>				
Public agency grants	\$ 6,665,173			\$ 6,665,173
Grants and contributions	3,609,615	\$ 2,441,770		6,051,385
Program revenue	22,682			22,682
Special event, net of expenses of \$41,375	(484)			(484)
In-kind contributions	52,340			52,340
Investment income, net	175,357	634,304		809,661
Change in value of beneficial interest in charitable gifts		34,351		34,351
Other income	9,107			9,107
Net assets released from restriction	5,199,704	(5,199,704)		-
<b>Total revenue and support</b>	<b>15,733,494</b>	<b>(2,089,279)</b>	-	<b>13,644,215</b>
<b>Expenses:</b>				
Program services:				
Easement acquisition	13,309,326			13,309,326
Stewardship	751,588			751,588
Outreach	140,278			140,278
<b>Total programs</b>	<b>14,201,192</b>	-	-	<b>14,201,192</b>
General and administrative	851,917			851,917
Fundraising	1,817,051			1,817,051
<b>Total expenses</b>	<b>16,870,160</b>	-	-	<b>16,870,160</b>
<b>Change in Net Assets</b>	<b>(1,136,666)</b>	<b>(2,089,279)</b>	-	<b>(3,225,945)</b>
<b>Net Assets, Beginning of year</b>	<b>14,431,179</b>	<b>10,904,216</b>	<b>\$ 4,968,353</b>	<b>30,303,748</b>
<b>Net Assets, End of year</b>	<b>\$ 13,294,513</b>	<b>\$ 8,814,937</b>	<b>\$ 4,968,353</b>	<b>\$ 27,077,803</b>

See accompanying notes to financial statements.

# Marin Agricultural Land Trust

## Statement of Functional Expenses

*Year Ended June 30, 2018*

	Program Services			Total Programs	General and Administrative	Fundraising	Total Expenses
	Easement Acquisition	Stewardship	Outreach				
Salaries and benefits	\$ 169,303	\$ 484,204	\$ 71,208	\$ 724,715	\$ 498,353	\$ 805,852	\$ 2,028,920
Professional services	167,728	57,494	4,163	229,385	153,191	127,752	510,328
Office expenses	545	15,482	21,544	37,571	58,723	171,473	267,767
Repairs, maintenance, and utilities		150	2,600	2,750	39,304	23,368	65,422
Travel, conferences, and events	1,421	23,564	40,763	65,748	41,617	91,640	199,005
Depreciation	63	9,030		9,093	60,729	168	69,990
Grants - Stewardship Assistance		150,470		150,470			150,470
Subtotal	339,060	740,394	140,278	1,219,732	851,917	1,220,253	3,291,902
Easement acquisition	12,970,266	11,194		12,981,460			12,981,460
Bad debt expense						596,798	596,798
Total expenses	\$ 13,309,326	\$ 751,588	\$ 140,278	\$ 14,201,192	\$ 851,917	\$ 1,817,051	\$ 16,870,160

See accompanying notes to financial statements.

# Marin Agricultural Land Trust

## Statement of Cash Flows

*Year Ended June 30, 2018*

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**Cash Flows from Operating Activities:**

Change in net assets	\$ (3,225,945)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	69,990
Change in allowance for doubtful accounts	89,908
Change in discount related to present value of receivables	(123,555)
Net realized and unrealized gains on investments	(372,938)
Change in value of charitable gifts	(34,351)
Changes in assets and liabilities:	
Contributions receivable	2,951,553
Prepaid expenses and other assets	(103,014)
Conservation easements	(5)
Accounts payable and accrued liabilities	258,712
Deferred revenue	(4,712)
Obligation to fiscal sponsor	5,468

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Net cash used in operating activities	(488,889)
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**Cash Flows from Investing Activities:**

Purchases of investments	(3,788,852)
Proceeds from sales and maturities of investments	4,919,917
Acquisition of property and equipment	(226,081)

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Net cash provided by investing activities	904,984
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<b>Change in Cash and Cash Equivalents</b>	416,095
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<b>Cash and Cash Equivalents, beginning of year</b>	325,487
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<b>Cash and Cash Equivalents, end of year</b>	\$ 741,582
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**Supplemental Cash Flow Information:**

Interest paid	\$ 12,983
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See accompanying notes to financial statements.



# Marin Agricultural Land Trust

## Notes to Financial Statements

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### Note 1 - Nature of Organization:

Marin Agricultural Land Trust (MALT) was established as a California nonprofit corporation in 1980 by a coalition of local ranchers and environmentalists to help save Marin County's agricultural land. MALT acquires, in voluntary transactions with landowners, agricultural conservation easements. After the easements are recorded, landowners are bound by its terms in perpetuity. MALT stewardship staff monitor and enforce each easement annually. Some of the Bay Area's most highly acclaimed dairy products and organic crops are produced on farmland protected by MALT conservation easements, which total nearly 53,000 acres on 84 family farms and ranches. Additionally, MALT encourages public policies in support of agriculture, and conducts hikes, tours, and lectures relating to agriculture.

### Note 2 - Summary of Significant Accounting Policies:

#### a. Basis of Presentation

MALT prepares its financial statements using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). MALT reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

*Unrestricted Net Assets* – The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. The Board of Directors has designated unrestricted net assets for certain endowments (see Note 10) and a reserve for operations.

*Temporarily Restricted Net Assets* – The portion of net assets restricted by donor restrictions consisting of irrevocable remainder charitable trusts, contributions which are scheduled to be received in the future, and the portion of donor-restricted endowment funds that are not permanently restricted.

*Permanently Restricted Net Assets* – The portion of net assets consisting of the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds where the donor indicated that the fund or a portion be retained permanently. The investment return from such assets are generally available for current use but may also be donor-restricted.

#### b. Cash and Cash Equivalents

MALT considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

# Marin Agricultural Land Trust

## Notes to Financial Statements

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c. Investments

Investments are carried at estimated fair value on the accompanying Statement of Financial Position. Investments include money market funds, certificates of deposit, and mutual funds. Investments received through gifts are recorded at estimated fair value at the date of contribution. Gains and losses that result from market fluctuations are recognized in the Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned.

d. Fair Value Measurements

MALT carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement standards also require MALT to classify these financial instruments into a three-level hierarchy. MALT classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 – Quoted market prices (unadjusted) in active markets for identical assets or liabilities that MALT has the ability to access at the measurement date.

Level 2 – Observable inputs other than quoted market prices included within Level 1 such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in inactive markets.

Level 3 – Unobservable inputs for assets or liabilities that are uncorroborated by market data.

e. Revenue Recognition

Grants and contributions are recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair value on the date the donation is made. Public agency grants are recognized when MALT incurs expenditures related to the required easement transaction or services are rendered.

Contributions expected to be collected in future years, including future interests in charitable lead trusts, are recorded at the present value of estimated future cash flows. Discounts on the future interests are calculated using a rate equal to the approximate investment return applicable to the year in which the unconditional promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met.

MALT estimates the allowance for uncollectible contributions on an annual basis based on past collection experience and current economic conditions.

# Marin Agricultural Land Trust

## Notes to Financial Statements

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MALT classifies gifts of cash and other assets as temporarily or permanently restricted support if received with donor stipulations that limit the use of the contributions. When such donor restrictions expire, that is, when stipulated or implied time restrictions end or purpose restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying Statement of Activities and Changes in Net Assets as net assets released from restrictions.

f. Land Held in Fee

MALT acquired fee title to land on October 30, 2015 and entered into a lease agreement with the tenant, who intends to purchase the property at the conclusion of the lease. The land held in fee is recorded at fair value as of the date of the acquisition. MALT evaluates the carrying value of its land held in fee on an annual basis using a market approach to determine whether any impairment loss should be recognized. Management has determined that no impairment loss has occurred during the year ended June 30, 2018.

g. Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair market value on the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Useful lives range from five to thirty-nine years.

h. Conservation Easements

Conservation easements reflect legally enforceable land preservation agreements between landowners and MALT and were created specifically for the purposes of land conservation. MALT's policy is to assign each easement a nominal value of \$1 because it is MALT's intention to hold such easements in perpetuity. During the year of acquisition, public agency grants and contributions received for the acquisition of conservation easements are recorded as revenue while the related expenditures are recorded as expenses in the accompanying Statement of Activities and Changes in Net Assets.

Mandatory Agricultural Use (MAU) Amendments are legally enforceable agreements to amend conservation easements acquired prior to August 2011. MALT's MAU provision states that land must remain in commercial agricultural use in perpetuity regardless of ownership. This provision is added to the easement in exchange for a price which is recorded as a conservation easement expense. Conservation easements acquired in August 2011 and after include an MAU provision as part of the easement transaction, and the value is included in the price of the easement.

MALT purchased conservation easements totaling \$12,981,460 during the year ended June 30, 2018, which have been reflected on the Statement of Functional Expenses.

# Marin Agricultural Land Trust

## Notes to Financial Statements

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i. Beneficial Interest in Charitable Trusts

Beneficial interest in charitable trusts include the estimated fair value of various irrevocable charitable trusts. Charitable trust assets are maintained by third parties and invested in a diversified portfolio of mutual funds, stocks, and bonds. MALT records charitable trust assets at the projected future fair value of MALT's vested interest in the underlying assets which is discounted to net present value using an interest rate of 4% per annum. On an annual basis, MALT revalues its beneficial interest in each instrument based on the applicable life expectancy tables published by the Internal Revenue Service (IRS) and the Center for Disease Control (CDC).

j. Endowments

Endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. MALT follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205 "Endowments of Not-for-Profit Organizations – Net Assets Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds." The State of California adopted a version of the UPMIFA as its State Prudent Management of Institutional Funds Act (SPMIFA).

*Interpretation of Relevant Law*

The Board of Directors have determined that MALT holds net assets that meet the definition of endowment funds under SPMIFA.

MALT has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, MALT classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as either temporarily restricted net assets or unrestricted net assets until those amounts are appropriated for expenditure by MALT in a manner consistent with the standard of prudence prescribed by UPMIFA and SPMIFA.

In accordance with SPMIFA, MALT considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization 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 organization, and (7) the investment policies of MALT.

# Marin Agricultural Land Trust

## Notes to Financial Statements

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From time to time, the fair value of the assets associated with individual donor restricted endowment funds may fall below the level classified as permanently restricted net assets. In accordance with U.S. GAAP, deficiencies are reclassified to unrestricted net assets.

### *Investment and Spending Policies*

MALT has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in a manner that is intended to (1) produce results that approximate the price and yield results of the general market conditions (2) subject MALT to a moderate level of investment risk and (c) maintain sufficient liquidity to meet planned expenditures. To satisfy its long-term rate-of-return objectives, MALT relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). MALT targets a diversified asset allocation that places a greater emphasis on equity-based investments (mutual funds) to achieve its long-term return objectives within prudent risk constraints. MALT has a policy of appropriating for distribution an amount equal to or less than 4.5% of the average value of the total fund investments for the most recent twelve calendar quarters. Unrestricted funds may be transferred for expenditure monthly; amounts from permanently restricted funds in excess of their original, fixed value may be transferred for expenditure semi-annually or as otherwise directed by the donor. The Board may direct the transfer of unrestricted funds in excess of a target balance to other MALT purposes.

### k. Functional Expense Allocations

The costs of providing MALT's various programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services as determined by management.

### l. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### m. Tax Exempt Status

MALT has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Contributions to MALT are deductible as allowed under the applicable tax code.

# Marin Agricultural Land Trust

## Notes to Financial Statements

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As of June 30, 2018, management evaluated MALT's tax positions and concluded that MALT had maintained its tax-exempt status and had not taken uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

n. Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments in the ASU is permitted and applied retrospectively. MALT is currently evaluating the impact of this pronouncement on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU does not apply to transfers of assets from governments to businesses. The amendments in the update are effective for MALT for its fiscal year ending June 30, 2020. MALT is currently evaluating the impact of this pronouncement on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. MALT has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

# Marin Agricultural Land Trust

## Notes to Financial Statements

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In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize, at commencement date, a lease liability representing the lessee's obligation to make payments arising from the lease and a right-of-use asset representing the lessee's right to use, or control the use of, a specified asset for the lease term. The guidance is effective for fiscal years beginning after December 15, 2019. MALT is in the process of evaluating the impact that this standard will have on the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*. The ASU removes the requirements for transfers between Levels 1 and 2 as well as the valuation processes for Level 3 fair value measurements. In lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 as well as purchases and issues of Level 3 assets and liabilities. It clarifies that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. The amendments in the update are effective for MALT for its fiscal year ending June 30, 2021. MALT is currently evaluating the impact of this pronouncement on its financial statements.

o. Subsequent Events

MALT has evaluated subsequent events from June 30, 2018 through December 20, 2018, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements, except as discussed in Notes 7 and 11.

**Note 3 - Contributions Receivable, net:**

Contributions receivable at June 30, 2018 are expected to be collected as follows:

Less than one year	\$ 2,361,106
One to five years	2,289,756
Greater than five years	10,000
	4,660,862
Less: unamortized discount	(165,452)
Less: allowance for uncollectible amounts	(89,909)
	\$ 4,405,501

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# Marin Agricultural Land Trust

## Notes to Financial Statements

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

#### *Investments*

Investments consist of the following at June 30, 2018:

Money market accounts	\$ 2,813,156
Mutual funds – bonds	8,075,252
Mutual funds – equities	8,517,658
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	\$ 19,406,066

Investment income consists of the following for the year ended June 30, 2018:

Net realized and unrealized gains	\$ 372,938
Interest and dividends	436,723
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	\$ 809,661

#### *Fair Value Measurement*

Investments held at year end include money market funds and mutual funds that are held at fair value and are classified as Level 1. MALT also holds charitable trust assets of \$535,587 that are classified as Level 2 and were transferred out of Level 3 classification at June 30, 2018. The transfer of the opening balance of \$501,236 was made to align the valuation inputs as defined by the fair value hierarchy.

### Note 5 - Property and Equipment:

Property and equipment consist of the following at June 30, 2018:

Land	\$ 462,582
Office building and improvements	1,226,781
Furnishings and equipment	204,875
Website and software	142,595
Vehicles	83,687
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	2,120,520
Less: accumulated depreciation	(647,519)
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	\$ 1,473,001

Depreciation expense was \$69,990 for the year ended June 30, 2018.



# Marin Agricultural Land Trust

## Notes to Financial Statements

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### Note 6 - Charitable Trust Assets:

Charitable trust assets include MALT's beneficial interest in irrevocable charitable remainder unitrusts and charitable gift annuities.

Charitable trust assets consist of the following as of June 30, 2018:

Charitable remainder unitrusts	\$	372,008
Charitable gift annuities		163,579
		<hr/>
	\$	535,587

Each charitable trust requires periodic distributions to designated primary beneficiaries over a period of time. These distributions are based on the value of the gift instruments' underlying assets and its earnings. Following the passing of the specified individuals, a percentage of the remaining principal will be distributed to MALT.

Assets associated with charitable trusts consist primarily of cash equivalents, equities and fixed income securities. The change in the estimated value of MALT's beneficial interest in charitable trust assets is reflected on the Statement of Activities and Changes in Net Assets.

### Note 7 - Land Held in Fee and Note Payable:

On October 30, 2015, MALT acquired fee title to Millerton Creek Ranch for a price of \$5,300,000. The financing of the purchase was accomplished by (1) utilizing proceeds from a loan in the amount of \$3,895,000 from The David and Lucile Packard Foundation (the Loan), (2) utilizing a down payment deposit in the amount of \$702,500 made by the tenant, Millerton Creek Ranch LLC (MCR), and (3) utilizing MALT's financial resources, including certain investments and cash reserves. The Loan in the amount of \$3,895,000 from The David and Lucile Packard Foundation bears interest at a fixed rate of 1.0% per annum, is secured by the Millerton Creek Ranch property, and is due and payable on or before October 22, 2018, or earlier if the property is transferred to a conservation buyer.

In connection with the transaction, MCR entered into a four-year lease requiring them to remit monthly rental payments to MALT. All of the operating costs such as property taxes, insurance, and other assessments levied against the property are the responsibility of the tenants in accordance with the terms of the lease. At the conclusion of the lease, the tenants intend to purchase the property from MALT.

In October 2018, the property was sold to MCR for \$6,776,000 and the Loan was repaid in full. MALT recognized a gain on sale of \$1,476,000.

# Marin Agricultural Land Trust

## Notes to Financial Statements

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### Note 8 - Temporarily Restricted Net Assets:

Temporarily restricted net assets as of June 30, 2018 were as follows:

Stewardship endowment	\$ 2,794,698
Red Legged Frog mitigation	623,339
Easement acquisition	312,175
Other purposes	471,585
Charitable trust assets	535,587
With time restrictions	4,077,553
	<hr/>
	\$ 8,814,937

Temporarily restricted net assets were released from restrictions during the year ended June 30, 2018 as follows:

Easement acquisition	\$ 17,824
Distaff Thistle management	787
Red Legged Frog mitigation	1,030
Other purposes	172,066
With time restrictions	5,007,997
	<hr/>
	\$ 5,199,704

### Note 9 - Permanently Restricted Net Assets:

Permanently restricted net assets as of June 30, 2018 were as follows:

Stewardship endowment	\$ 4,418,353
Red Legged Frog mitigation	550,000
	<hr/>
	\$ 4,968,353

In a prior year, MALT received a contribution of \$810,000 for the 204-acre Red Legged Frog mitigation area of the Barboni Home Ranch easement. The donor required MALT to maintain in perpetuity \$550,000 and utilize the related income and corpus as necessary for the Red Legged frog mitigation. The remainder of \$260,000 held in temporarily restricted will be used for other operating expenses of the mitigation. MALT allocates related expenses as expenses are incurred but does not apply a spending policy to the funds.

# Marin Agricultural Land Trust

## Notes to Financial Statements

**Note 10 - Endowment:**

Changes in endowment net assets for the year ended June 30, 2018 is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year, as reported	\$ 2,102,812	\$ 3,684,346	\$ 4,968,353	\$ 10,755,511
Reclassification of net assets		(1,434,445)	(550,000)	(1,984,445)
<hr/>				
Endowment net assets, beginning of year, as adjusted	2,102,812	2,249,901	4,418,353	8,771,066
<hr/>				
Contributions	912,445			912,445
Interest and dividends	56,154	179,214		235,368
Net realized and unrealized gains	86,230	365,583		451,813
Appropriation to operating fund	(276,938)			(276,938)
<hr/>				
Endowment net assets, end of year	\$ 2,880,703	\$ 2,794,698	\$ 4,418,353	\$ 10,093,754

In 2018, MALT had reclassification of net assets of \$1,984,445 to correct the opening balances reflected in the endowment rollforward and remove amounts not subject to the endowment spending policy.

Endowment net assets composition by type of fund as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted		\$ 2,794,698	\$ 4,418,353	\$ 7,213,051
Board-designated	\$ 2,880,703			2,880,703
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Endowment net assets, end of year	\$ 2,880,703	\$ 2,794,698	\$ 4,418,353	\$ 10,093,754

# Marin Agricultural Land Trust

## Notes to Financial Statements

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### **Note 11 - Retirement Plans:**

MALT offers eligible employees the opportunity to participate in a Simplified Employee Retirement Plan (“SEP IRA”) which is qualified under the IRC. Employees of MALT, regardless of earnings, are eligible to participate in the SEP IRA after two years of service. Employer contributions are discretionary and subject to the approval of the Board of Directors. Contributions are based on a percentage of each employee’s eligible compensation. Employer contributions amounted to \$50,617 for the year ended June 30, 2018.

MALT established a new 403(b)(7) Retirement Plan effective September 1, 2018 by which individual employees may, through salary reduction payments, make pre-tax contributions to a self-directed custodial account in which dividends, interest, capital gain, and other earnings accumulate. Employees are eligible for employer contributions, which are discretionary, after two years of service. Neither the SEP IRA or 403(b)(7) noted above will be funded after September 1, 2018.

### **Note 12 - Concentrations of Risk:**

MALT has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of cash, investments, and receivables.

MALT maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits.

Receivables consist primarily of unsecured amounts due from individuals. The credit risk associated with the receivables from individuals is substantially mitigated by the large number of individuals comprising the receivable balance.

Investments in general are exposed to various risks, such as interest rate, credit and overall market volatility. To address the risk of investments, MALT maintains a formal investment policy that sets out performance criteria, investment and asset allocation guidelines and requires review of the investment managers’ performance.

### **Note 13 - Related Party Transactions:**

Collectively, certain MALT board members made monetary contributions of approximately \$420,000 during the year ended June 30, 2018. Pledges receivable due from certain board members amounted to approximately \$395,000 at June 30, 2018.

During the year ended June 30, 2018, MALT purchased a conservation easement from a certain board member and incurred easement acquisition expense of \$3,594,000. As with all easement projects, the price was set by independent appraisal and approved by the Stewardship Committee and the full Board of Directors. Pursuant to the MALT conflict of interest policy, the board member did not participate in any board discussions of the transaction and was recused from all voting.

# Marin Agricultural Land Trust

## Notes to Financial Statements

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### **Note 14 - Fiscal Sponsor:**

The Marin Carbon Project (MCP) is a collaboration between UC Berkeley, UC Davis, UC Cooperative Extension, Marin Organic, MALT, Marin Resource Conservation District, the USDA Natural Resources Conservation Service, and Nicasio Native Grass Ranch. MCP is also supported by the Marin County Agriculture Commissioner and the Environmental Defense Fund. In connection with its support of the MCP, MALT holds a balance of \$36,922 in funds which are reflected as a liability on the Statement of Financial Position at June 30, 2018.