

THE WILDLANDS CONSERVANCY

FINANCIAL STATEMENTS

June 30, 2022 and 2021

THE WILDLANDS CONSERVANCY

June 30, 2022 and 2021

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
The Wildlands Conservancy
Oak Glen, California

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Wildlands Conservancy, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years 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 Wildlands Conservancy as of June 30, 2022 and 2021, and the changes in its net assets, its cash flows, and its functional expenses for the years 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 Auditors' Responsibilities section of our report. We are required to be independent of the Organization 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 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.

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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

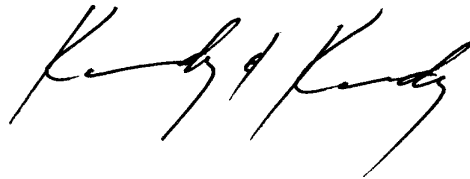
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to error or fraud, and to issue an audit 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 one resulting from error, since 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 are required to –

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks, which include examining, on a test basis, evidence regarding the amounts and disclosures in the statements.
- Obtain an understanding of internal control relevant to the audit in order to design auditing 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, 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 evaluating the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events that raise substantial doubt about the Conservancy’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate to 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.

A handwritten signature in black ink, appearing to read "K. H. & K. H.", written in a cursive style.

March 7, 2023
San Bernardino, California

THE WILDLANDS CONSERVANCY
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and Equivalents	\$ 4,493,657	\$ 2,710,851
Accounts Receivable	2,690,202	2,453,306
Contracts Receivable	163,027	489,145
Pledges Receivable	-	2,850,000
Prepaid Expenses	35,970	100,000
Livestock Inventory	513,528	15,600
Note Receivable	1,479,756	1,500,000
Investments	887,652	1,463,051
Land Acquisition in Progress	2,164,029	83,163
Land Held for Resale	6,928,544	7,278,088
Land Held for Conservation		
Protected by Legal Instruments	81,309,910	61,198,845
Pending Legal Instrument Protections	71,093,155	56,691,899
Vehicles and Equipment	2,435,028	2,092,073
Buildings and Improvements	22,855,234	22,477,182
Construction in Progress	1,269,480	608,250
Accumulated Depreciation	(14,121,533)	(13,325,573)
Net Depreciable Property	<u>12,438,209</u>	<u>11,851,932</u>
Total Assets	<u><u>\$ 184,197,639</u></u>	<u><u>\$ 148,685,880</u></u>

See Accompanying Notes to Financial Statements.

THE WILDLANDS CONSERVANCY
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	\$ 278,028	\$ 129,684
Accrued Payroll Costs	222,124	411,380
Accrued Interest Payable	312,480	-
Contract Liabilities	15,270	173,800
Notes Payable	16,499,184	-
Total Liabilities	17,327,086	714,864
Net Assets		
Net Assets without Donor Restrictions	165,668,900	144,588,929
Net Assets with Donor Restrictions	1,201,653	3,382,087
Total Net Assets	166,870,553	147,971,016
Total Liabilities and Net Assets	\$ 184,197,639	\$ 148,685,880

See Accompanying Notes to Financial Statements.

THE WILDLANDS CONSERVANCY

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2022

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Revenues			
Grant Income	\$ 16,439,195	\$ 1,762,563	\$ 18,201,758
Gain on Sale of Assets	4,728,577	-	4,728,577
Royalty Income	1,405,609	-	1,405,609
Lease Income	1,094,694	-	1,094,694
Extension Payments	750,000	-	750,000
Contributions	701,146	-	701,146
Contract Revenue	509,716	-	509,716
Sale of Livestock	183,857	-	183,857
Insurance Proceeds	161,917	-	161,917
Investment Income	73,684	-	73,684
Other Income	20,228	-	20,228
Unrealized Loss on Investments	(100,274)	-	(100,274)
Release of Restrictions	3,942,997	(3,942,997)	-
Total Revenues	29,911,346	(2,180,434)	27,730,912
Expenses			
Program Services			
Conservancy	7,301,957	-	7,301,957
Support Services			
Management and General	1,164,993	-	1,164,993
Fundraising	364,425	-	364,425
Total Expenses	8,831,375	-	8,831,375
Change in Net Assets	21,079,971	(2,180,434)	18,899,537
Net Assets -- Beginning	144,588,929	3,382,087	147,971,016
Net Assets -- Ending	\$ 165,668,900	\$ 1,201,653	\$ 166,870,553

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
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Increase in Net Assets	\$ 18,899,537	\$ 4,102,724
Noncash Items Included in Revenues and Expenses-		
(Gain) on Sale of Assets	(4,912,434)	(342,547)
Depreciation	1,035,245	957,974
Unrealized Loss on Investments	100,274	38,270
Donated Stock	(30,732)	(117,420)
Realized Loss on Investments	-	3,174
Increase (Decrease) in Cash Resulting from Changes In:		
Accounts Receivable	(236,896)	(55,106)
Contracts Receivable	326,118	(314,862)
Pledges Receivable	2,850,000	(2,850,000)
Prepaid Expenses	64,030	(100,000)
Livestock Inventory	(497,928)	(15,600)
Accounts Payable and Accrued Expenses	(40,912)	63,639
Contract Liabilities	(158,530)	173,800
Interest Payable	312,480	-
Paycheck Protection Program	-	(202,096)
Net Cash Provided by Operating Activities	17,710,252	1,341,950
Cash Flows From Investing Activities		
Purchase of Investments	-	(1,094,880)
Proceeds from Sale of Investments	718,013	2,210,499
Purchase of Land for Conservancy	(34,512,321)	(854,516)
Land Acquisition in Progress	(2,080,866)	(32,582)
Purchase of Property	(2,484,521)	(1,013,271)
Construction in Progress	(661,230)	131,749
Proceeds from Sale of Property	6,574,051	1,569,000
Collection of Note Receivable	20,244	
Issuance of Note Receivable	-	(1,500,000)
Net Cash (Used) by Investing Activities	(32,426,630)	(584,001)
Cash Flows From Financing Activities		
Proceeds from Borrowing	16,499,184	-
Net Cash Provided by Financing Activities	16,499,184	-
Net Increase in Cash	1,782,806	757,949
Cash and Equivalents - Beginning	2,710,851	1,952,902
Cash and Equivalents - Ending	\$ 4,493,657	\$ 2,710,851

See Accompanying Notes to Financial Statements.

THE WILDLANDS CONSERVANCY

STATEMENTS OF FUNCTIONAL EXPENSES

For The Years Ended June 30, 2022 and 2021

<u>June 30, 2022</u>	<u>Conservancy Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Payroll and Related Costs	\$ 2,764,399	\$ 728,963	\$ 216,010	\$ 3,709,372
Consulting and Professional Fees	1,039,124	56,840	-	1,095,964
Depreciation	771,514	203,445	60,286	1,035,245
Property Taxes and Insurance	1,007,988	-	-	1,007,988
Utilities, Maintenance and Supplies	637,338	-	-	637,338
Loan Interest	451,183	-	-	451,183
Office and Supplies	222,851	109,071	68,372	400,294
Travel Costs	252,843	66,674	19,757	339,274
Grants	131,820	-	-	131,820
Outdoor Education	22,897	-	-	22,897
Total Expenses 2022	<u>\$ 7,301,957</u>	<u>\$ 1,164,993</u>	<u>\$ 364,425</u>	<u>\$ 8,831,375</u>

<u>June 30, 2021</u>	<u>Conservancy Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
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
Total Expenses 2021	<u>\$ 5,951,832</u>	<u>\$ 1,241,614</u>	<u>\$ 286,659</u>	<u>\$ 7,480,105</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, San Diego, Mono, Trinity, Sonoma, Siskiyou, and Humboldt counties in California, as well as Jefferson and Wheeler counties in Oregon.

Program Descriptions

Preserve Management: Stewarding of parkland and wilderness preserves that are open to over 1,500,000 visitors per year for free. In working to achieve this mission, the Conservancy has established the largest nonprofit nature preserve system on the West Coast, comprising 23 preserves encompassing nearly 200,000 acres of diverse mountain, valley, desert, river, and oceanfront landscapes. Since the Conservancy believes that access to nature is a birthright, these preserves are open to the public free of charge for passive recreation, including camping, hiking, picnicking, birding, and more. The Conservancy’s motto “Behold the Beauty” is also the name of the program that seeks to engage visitors and supporters to be inspired by these magnificent landscapes to bring beauty into their daily lives and to share the mission to inspire others. At many of its preserves, the Conservancy employs a full-time staff of friendly and knowledgeable rangers and stewards, available to engage with visitors while stewarding the land. Each year these rangers work side-by-side with hundreds of volunteers, logging thousands of hours, restoring and maintaining these unique and important properties.

Providing outdoor environmental education: For more than two decades, the Conservancy has been Southern California’s leader in providing free outdoor education programs to underserved youth. Since the inception of city life, people have sought refuge from its commotion by retreating to nature and the great outdoors. An educational journey begins the moment a child steps outdoors and begins to wonder and think far beyond the textbook. Nature holds a mirror to our human sympathies—reflecting the kind, just, and loving qualities that elevate the human mind. After a quality outdoor learning experience, children return home with a new understanding and indelible memory of their place in the world. From day-long field trips to week-long science school, more than 1.3 million children have participated in an outdoor education experience provided by The Wildlands Conservancy since 1995. Annually, more than 60,000 youth participate in educational opportunities at a Conservancy preserve, from self-guided exploration through interactive interpretive signage to naturalist-guided field trips and programs. Since the pandemic, new preserve-based programs focus on providing visiting families and individuals with educational opportunities.

Land Conservation: TWC owns nearly 200,000 acres of land as nature preserves, and in aggregate has funded acquisitions of more than 750,000 acres on the West Coast. Many statewide and nationally significant conservation projects were inspired by the Conservancy’s preserves, which serve as outposts for strategic land-based conservation and stewardship. These include the 154,000-acre Sand to Snow National Monument, named after the Conservancy’s Sand to Snow Wilderness Interface Project, and the 1.6 million-acre Mojave Trails National Monument, the second largest national monument in the lower 48 states. The designation of Mojave Trails National Monument was based on the 3 million acres of checkerboard public lands connected by the historic 560,000-acre Conservancy funded Catellus acquisition, which was the largest non-profit land gift to the American people in the nation’s history.

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

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 Conservancy 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 requires 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.

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.

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.

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Valuation of Receivables

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

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.

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.

Income Taxes

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, so no provision is made for current or deferred income 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 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.

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – ACCOUNTS AND CONTRACTS RECEIVABLE

	<u>2022</u>	<u>2021</u>
<u>Accounts Receivable</u> consist of the following:		
Riverside County Grant Refund	\$ 2,000,000	\$ 2,000,000
Lease Agreements	432,123	442,346
Livestock Operations	247,474	-
Refunds and Reimbursements	10,605	10,960
	<u>\$ 2,690,202</u>	<u>\$ 2,453,306</u>

Contracts Receivable consist of the following:

California Department of Transportation	\$ 71,045	\$ -
San Joaquin Valley Air Pollution Control District	39,550	-
US Government Agencies	4,765	386,157
Other Grants	47,667	102,988
Total Contracts Receivable	<u>\$ 163,027</u>	<u>\$ 489,145</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.

NOTE 5 – NOTE 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 – LAND HELD FOR CONSERVATION

Land held for conservation is presented in two categories depending on the status of legal instruments. This follows the land trust community practice of placing legal instruments on permanently protect lands to produce greater conservation outcomes and to obtain funds that take advantage of many public agency programs. This process often takes a number of years during which time lands are held by the land trust. The first category includes lands which are already subject to permanent protective legal instruments. The second category are lands held for future protection by the Conservancy, which is actively seeking permanent protective legal instruments through various funding programs and partnerships.

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – CONTRACT REVENUES FROM GOVERNMENT AGENCIES

Contract and grant revenues from government agencies:	<u>2022</u>	<u>2021</u>
California Department of Transportation	\$ 261,095	\$ -
California Coastal Conservancy	209,682	-
US Government Agencies	5,487	421,530
Other Grants	<u>33,452</u>	<u>172,434</u>
Total Contract and Grant Revenue	<u>\$ 509,716</u>	<u>\$ 593,964</u>

NOTE 8 – 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 \$15,270 in 2022 and \$173,800 in 2021.

NOTE 9 – INVESTMENTS

Investments consist of cash savings, mutual funds, and U.S. Treasury Notes, carried at fair value, and 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 Market Value	Unrealized Gain (Loss)
<u>June 30, 2022</u>			
Preferred Savings	\$ 8,628	\$ 8,628	\$ -
Mutual Funds	18,862	24,665	5,803
U.S. Treasury Notes	<u>998,706</u>	<u>854,359</u>	<u>(144,347)</u>
Total	<u>\$ 1,026,096</u>	<u>\$ 887,652</u>	\$ (138,544)
Unrealized Gains (Losses) – Prior Year			<u>(38,270)</u>
Unrealized Loss – During the Current Year			<u>\$ (100,274)</u>
<u>June 30, 2021</u>			
Preferred Savings	\$ 502,615	\$ 502,615	\$ -
U.S. Treasury Notes	<u>998,706</u>	<u>960,436</u>	<u>(38,270)</u>
Total	<u>\$ 1,501,321</u>	<u>\$ 1,463,051</u>	<u>\$ (38,270)</u>

NOTE 10 – GRANT REFUND RECEIVABLE

In October 2017, the Conservancy entered into a revised 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 rejuvenated grant terms allowed the County to utilize the grant proceeds as a revolving fund in order to advance the Santa Ana River Trail project. The Conservancy received \$350,000 in 2018, and the remaining \$2,000,000 was received as agreed in September 2022

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – 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.

NOTE 12 – SALE OF RESTRICTIVE USE EASEMENT

In September 2021, the Conservancy sold an easement over 14,631 acres of land to a governmental agency that will protect the land in perpetuity. The Conservancy was paid \$4,308,237, which reduced the underlying value of the land and resulted in a gain \$2,223,797. This gain is included with other gains on sale of assets in the 2022 activity statement.

NOTE 13 – NON-CASH CONTRIBUTIONS

During the current reporting period, the Conservancy received donated stock valued at \$30,732. 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 – FIRE INSURANCE 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 maintained insurance on the property and has received a settlement for the physical structures that were lost, as well as lost business income. The losses and initial insurance proceeds from the fire were recorded in 2021. Claims for personal property were settled in September 2022.

NOTE 15 – ACCRUED PAYROLL COSTS

Accrued payroll costs consist of the following items:	<u>2022</u>	<u>2021</u>
Vacation Pay	\$ 162,426	\$ 229,701
Salaries and Wages	52,411	161,097
Tax and Benefit Withholdings	<u>7,287</u>	<u>20,582</u>
Total Accrued Payroll Costs	<u>\$ 222,124</u>	<u>\$ 411,380</u>

NOTE 16 – 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 \$60,986 in 2022 and \$58,815 in 2021.

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 17 – LIVESTOCK ARRANGEMENTS

Livestock grazing is performed on Conservancy preserves for the purpose of vegetation management of non-native and nuisance plant species, as well as to advance conservation of biological diversity.

In March 2021, the Conservancy purchased 14 head of cattle to be grazed at the Beaver Valley Headwaters Preserve. In December 2021, the Conservancy purchased a 50% interest in a 700-head herd of cattle to be grazed at the Eel River Canyon Preserve. Revenues from these livestock grazing arrangements are used to pay for the expenses relating to each preserve’s operations.

NOTES 18 – NOTE PAYABLE

During the current reporting period, The Conservancy incurred three notes payable that were used to finance the acquisitions of the Eel River Canyon Preserve and the Enchanted Rocks Preserve. The note for the Eel River purchase in the amount of \$8 million was repaid during the year with grant funds received. The two remaining notes are expected to be repaid from the proceeds of land and easement sales in the future.

A promissory note for cash payable to the Center for Biological Diversity, secured by real estate, interest free, all due in November 2026.	\$ 4,000,000
A note payable to Derby Smith Partners, LLC, secured by a deed of trust on real estate, with interest at 5%, due in December 2026.	<u>12,499,184</u>
Total Notes Payable	<u>\$ 16,499,184</u>

Future maturities of notes payable:

The note payable to Derby Smith Partners, LLC was paid in full in November 2022, subsequent to year-end. The note payable to the Center for Biological Diversity is due in full in November 2026.

NOTE 19 – LEASES AS LESSOR

The Conservancy has an ongoing lease arrangement as lessor of the Los Rios Rancho property with Riley’s Frontier Events. Lease revenues are 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 for vegetation management and agro-ecological purposes. The lease includes standard language to pay by livestock head per month. The lease also includes an option for the 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.

As of June 30, 2022, the Conservancy has 25 operating lease agreements as lessor. Some conservancy land is leased to individuals and organizations that use the land for hunting, apple orchards, pipelines, residential rentals, and vegetation management. 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,	2023	\$ 1,080,691
	2024	1,095,484
	2025	1,103,151
	2026	1,060,896
	2027	<u>1,068,719</u>
	Total	<u>\$ 5,408,941</u>

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 20 – CONCENTRATION 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 21 – DONOR RESTRICTIONS

<u>Net assets with donor restrictions</u> consist of the following elements:	<u>2022</u>	<u>2021</u>
Outdoor Education (purpose restriction)	\$ 205,466	\$ 230,208
Capital Projects (purpose restriction)	917,240	211,021
Land Stewardship (purpose restriction)	<u>78,947</u>	<u>2,940,858</u>
Total	<u>\$ 1,201,653</u>	<u>\$ 3,382,087</u>

Net assets released from restriction consist of the following:

Outdoor Education (purpose restriction satisfied)	\$ 304,949	\$ 12,077
Capital Projects (purpose restriction satisfied)	333,000	35,318
Land Stewardship (purpose restriction satisfied)	<u>3,305,048</u>	<u>7,183</u>
Total	<u>\$ 3,942,997</u>	<u>\$ 54,578</u>

NOTE 22 – RELATED PARTY TRANSACTIONS

An organization, whose Director is a Conservancy board member, was paid \$123,320 in 2022 and \$146,660 in 2021 for sponsorships, general operations and program support. Also, the spouse of the Human Resources Director was paid \$128,222 in 2022 and \$169,114 in 2021 for contracting services on multiple projects.

NOTE 23 – SIGNIFICANT TRANSACTIONS DURING THE YEAR

During the current reporting period, the Conservancy had the following significant transactions:

In October 2021, the Conservancy completed the sale of 80 acres in the Chocolate Mountains for conservation uses in Imperial County.

In June 2022, the Conservancy sold 6 acres of commercial investment property in Hesperia, California.

In November 2021, the Conservancy completed the acquisition of the Eel River Canyon Preserve in California using \$6.9 million of grant funds to acquire Area 1 and using the financing discussed in Note 17 to acquire Area 2.

In June 2022, the Conservancy repaid in full the financing for Area 2 using \$10 million in grant funds.

In December 2021, the Conservancy completed the acquisition of the Beaver Valley Headwaters Preserve in California from the Trust for Public Land using \$2.85 million in grant funds.

Also in December 2021, the Conservancy completed the acquisition of the Enchanted Rocks Preserve in Oregon using a combination of cash and financing.

THE WILDLANDS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

NOTE 24 – 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 \$1,201,653 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	\$ 4,493,657
Accounts Receivable	2,690,202
Contract Receivables	163,027
Investments	887,652
Restrictions	<u>(1,201,653)</u>
Total Financial Assets Available	<u>\$ 7,032,885</u>

General expenditures in the current reporting period were approximately \$8.8 million.

NOTE 25 – UNCERTAINTIES

Since 2020, domestic and international economies have faced uncertainties related to the impact of the COVID-19 virus. The Conservancy may be adversely affected by the economic results of these uncertainties, and management continues to evaluate these impacts and to consider their effects on future operations.

NOTE 26 – SUBSEQUENT EVENTS

In July 2022, the Conservancy closed escrow on the purchase of the Curti Ranch in Coleville, California. The purchase is considered an investment to set the stage for a greater conservation outcome for the region.

Management has evaluated subsequent events through March 7, 2023, the date the financial statements were available to be issued.