

VENTURA LAND TRUST
FINANCIAL STATEMENTS
December 31, 2021

VENTURA LAND TRUST
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December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ventura Land Trust

Opinion

We have audited the accompanying financial statements of Ventura Land Trust (a California non-profit organization), which comprise the statement of financial position as of December 31, 2021, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ventura Land Trust as of December 31, 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ventura Land Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ventura Land Trust's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

The December 31, 2020 financial statements of Ventura Land Trust were audited by predecessor auditors, Damitz, Brooks, Nightingale Turner & Morrisset. Effective January 1, 2022, Damitz, Brooks, Nightingale, Turner & Morrisset merged with Hutchinson and Bloodgood LLP. Damitz, Brooks, Nightingale, Turner & Morrisset expressed an unmodified audit opinion on those audited financial statements in the report dated December 15, 2021. In their opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Hutchinson and Bloodgood LLP
January 31, 2023
Santa Barbara, California

VENTURA LAND TRUST
Statement of Financial Position
December 31, 2021
(With Summarized Information as of December 31, 2020)

<i>Assets</i>	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
<i>Current Assets</i>				
Cash and cash equivalents	\$ 524,671	\$ 488,506	\$ 1,013,177	\$ 632,406
Accounts receivable	13,454	-	13,454	5,205
Pledges receivable	-	317,429	317,429	80,375
Program services revenue receivable	152,469	-	152,469	71,445
Property tax receivable	241,306	-	241,306	32,592
Prepaid expenses	29,369	-	29,369	21,575
Notes receivable	-	-	-	12,433
Deposits	590	-	590	590
<i>Total current assets</i>	961,859	805,935	1,767,794	856,621
<i>Other Assets</i>				
Investments	-	591,503	591,503	491,932
Inventory	2,055	-	2,055	-
Pledge receivable, net, non-current	-	88,429	88,429	144,405
Beneficial interest in assets held by others	142,977	106,507	249,484	222,380
Property held for conservation purposes	10,219,436	-	10,219,436	10,219,436
Property and equipment, net	65,185	-	65,185	38,243
<i>Total other assets</i>	10,429,653	786,439	11,216,092	11,116,396
<i>Total assets</i>	\$ 11,391,512	\$ 1,592,374	\$ 12,983,886	\$ 11,973,017
<i>Liabilities and Net Assets</i>				
<i>Current Liabilities</i>				
Accounts payable	\$ 219,540	\$ -	\$ 219,540	\$ 52,508
Deferred revenue	49,809	-	49,809	49,194
Note payable	85,600	-	85,600	-
Accrued wages	40,076	-	40,076	38,675
<i>Total current liabilities</i>	395,025	-	395,025	140,377
<i>Long Term Liabilities</i>				
Note payable, net of debt issuance costs	1,208,072	-	1,208,072	1,770,008
<i>Total liabilities</i>	1,603,097	-	1,603,097	1,910,385
<i>Net Assets</i>				
Without donor restrictions	9,788,415	-	9,788,415	9,071,891
With donor restrictions	-	1,592,374	1,592,374	990,741
<i>Total net assets</i>	9,788,415	1,592,374	11,380,789	10,062,632
<i>Total liabilities and net assets</i>	\$ 11,391,512	\$ 1,592,374	\$ 12,983,886	\$ 11,973,017

VENTURA LAND TRUST
Statement of Activities
Year Ended December 31, 2021
(With Summarized Information as of December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
<i>Support, Revenues, Gains and Losses</i>				
<i>Public Support</i>				
Contributions	\$ 228,234	\$ 1,089,747	\$ 1,317,981	\$ 1,718,101
In-kind contributions of goods and services	42,037	-	42,037	181,876
In-kind contribution of land	-	-	-	168,000
Grants	82,400	406,204	488,604	3,581,821
Paycheck Protection Program loan forgiveness	122,932	-	122,932	71,417
<i>Total public support</i>	475,603	1,495,951	1,971,554	5,721,215
<i>Revenues, Gains and Losses</i>				
Program services revenue	242,325	-	242,325	266,563
Events income	209	-	209	3,171
Education programs	249,266	-	249,266	165,260
Merchandise:				
Merchandise sales	3,788	-	3,788	240
Merchandise costs	(1,400)	-	(1,400)	-
Net merchandise sales	2,388	-	2,388	240
Special events:				
Special events - gross proceeds	61,290	-	61,290	15,220
Direct special event costs	(31,400)	-	(31,400)	(4,084)
Net special events proceeds	29,890	-	29,890	11,136
Investment income (loss)	6,574	12,351	18,925	(4,342)
Utility rental income	96,770	-	96,770	93,504
Change in value of beneficial interest in assets held by others	25,506	5,210	30,716	23,500
Gain on disposal of fixed asset	10,708	-	10,708	-
Net assets released from restrictions	911,879	(911,879)	-	-
<i>Total revenues, gains and losses</i>	1,575,515	(894,318)	681,197	559,032
<i>Total support, revenues, gains and losses</i>	2,051,118	601,633	2,652,751	6,280,247
<i>Expenses</i>				
<i>Program Services</i>				
Program services	825,290	-	825,290	887,153
<i>Supporting Services</i>				
Management and general	387,817	-	387,817	253,750
Fundraising and membership	121,487	-	121,487	153,835
<i>Total supporting services</i>	509,304	-	509,304	407,585
<i>Total expenses</i>	1,334,594	-	1,334,594	1,294,738
<i>Increase in net assets</i>	716,524	601,633	1,318,157	4,985,509
<i>Net assets, beginning of year</i>	9,071,891	990,741	10,062,632	5,077,123
<i>Net assets, end of year</i>	\$ 9,788,415	\$ 1,592,374	\$ 11,380,789	\$ 10,062,632

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

VENTURA LAND TRUST
Statement of Functional Expenses
Year Ended December 31, 2021
(With Summarized Information as of December 31, 2020)

	Supporting Services				Total 2021	Total 2020
	Program Services	Management and General	Fundraising and Membership	Total Supporting		
Salaries and wages	\$ 477,075	\$ 181,543	\$ 77,157	\$ 258,700	\$ 735,775	\$ 577,928
Salaries and wages	37,616	15,811	6,849	22,660	60,276	46,242
Total salaries and wages by function	<u>514,691</u>	<u>197,354</u>	<u>84,006</u>	<u>281,360</u>	<u>796,051</u>	<u>624,170</u>
Auto	5,061	-	-	-	5,061	1,699
Bank charges	-	-	8,279	8,279	8,279	13,416
Bookkeeping	-	86,963	-	86,963	86,963	43,160
Catering, rentals, and other event expenses	-	-	31,400	31,400	31,400	4,084
Depreciation	14,319	1,638	-	1,638	15,957	8,620
Dues and subscriptions	7,821	2,531	-	2,531	10,352	5,798
Education and training	25,115	4,463	40	4,503	29,618	13,569
Insurance	-	43,145	-	43,145	43,145	10,860
Interest	68,474	-	-	-	68,474	65,981
Land acquisition	581	-	-	-	581	192
Land maintenance	79,176	-	-	-	79,176	27,785
Legal fees	2,893	493	-	493	3,386	145,966
Occupancy	-	25,261	-	25,261	25,261	18,622
Office expenses	3,374	8,300	10,700	19,000	22,374	30,571
Payroll service fee	-	5,811	-	5,811	5,811	4,545
Permits, licenses & fees	1,490	49	120	169	1,659	598
Postage	-	677	475	1,152	1,152	793
Professional services	69,710	-	17,867	17,867	87,577	235,251
Property taxes	-	-	-	-	-	3,541
Supplies	32,585	-	-	-	32,585	36,774
Workers compensation insurance	-	11,132	-	11,132	11,132	2,827
Total expenses by function	<u>310,599</u>	<u>190,463</u>	<u>68,881</u>	<u>259,344</u>	<u>569,943</u>	<u>672,953</u>
Less expenses included with revenues on the statement of activities						
Event expenses	-	-	(31,400)	(31,400)	(31,400)	(4,084)
Total expenses - 2021	<u>\$ 825,290</u>	<u>\$ 387,817</u>	<u>\$ 121,487</u>	<u>\$ 509,304</u>	<u>\$ 1,334,594</u>	
Total expenses - 2020	<u>\$ 873,028</u>	<u>\$ 178,073</u>	<u>\$ 91,444</u>	<u>\$ 269,517</u>	<u>\$ 1,293,039</u>	

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

VENTURA LAND TRUST
Statement of Cash Flows
Year Ended December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

	2021	2020
<i>Cash flows from operating activities</i>		
Increase in net assets	\$ 1,318,157	\$ 4,985,509
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	15,957	8,620
Net realized loss on investments	-	6,005
Net change in unrealized loss on investments	(15,388)	4,338
Unrealized gain on beneficial interest in assets held by others	(34,328)	(23,500)
Gain on disposal of fixed asset	(10,708)	-
Donated securities	(82,948)	(33,847)
Note payable forgiveness	-	(1,000,000)
Paycheck Protection Program loan forgiveness	(122,932)	(71,417)
Amortization of debt issuance costs	6,665	3,332
Decrease (increase) in:		
Accounts receivable	(8,249)	
Inventory	(2,055)	(5,205)
Pledges receivable	(181,078)	(51,547)
Prepaid expenses	(7,794)	(21,575)
Program services revenue receivable	(81,024)	24,897
Property tax receivable	(208,714)	(32,592)
Property purchase funds in escrow	-	3,151,705
Note receivable	12,433	16,466
Increase (decrease) in:		
Accounts payable	167,032	44,351
Accrued wages	1,401	10,563
Deferred revenue	615	49,194
<i>Net cash provided by operating activities</i>	767,042	7,065,297
<i>Cash flows from investing activities</i>		
Proceeds from sales of securities	-	999,999
Purchases of property held for conservation purposes	-	(9,895,903)
Proceeds from disposal of fixed asset	12,532	-
Purchase of equipment	(44,723)	(19,759)
Purchase of investments	(1,235)	(1,680)
<i>Net cash used by investing activities</i>	(26,202)	(8,917,343)
<i>Cash flows from financing activities</i>		
Proceeds from note payable	-	2,214,537
Debt issuance costs	-	(33,324)
Principal payments on notes payable	(483,001)	(414,537)
Paycheck Protection Program loan	122,932	71,417
<i>Net cash provided (used) by financing activities</i>	(360,069)	1,838,093
Net increase (decrease) in cash and cash equivalents	380,771	(13,953)
<i>Cash and cash equivalents, beginning of year</i>	632,406	646,359
<i>Cash and cash equivalents, end of year</i>	\$ 1,013,177	\$ 632,406

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

VENTURA LAND TRUST
Notes to Financial Statements
December 31, 2021
(With Summarized Comparative Totals for 2020)

1. ORGANIZATION AND ACTIVITIES

Nature of Organization

Ventura Land Trust (“VLT”), a California non-profit public benefit corporation, was established in 2003, originally as the Ventura Hillside Conservancy. The purpose of VLT is to preserve nature and provide public trail access to enhance the economy, quality of life, and public well-being of Ventura and surrounding communities. VLT works to protect the natural beauty of the area. VLT restores habitat, builds trails, plants trees, and cleans up rivers.

Accreditation

VLT is accredited by the Land Trust Accreditation Commission, an independent program of the Land Trust Alliance. This accreditation indicates the land trust has met national quality standards for protecting important natural places forever and communicates to the public that the accredited land trust has undergone an extensive, external review of the governance and management of its organization and the systems and policies it uses to protect land.

Activities

VLT acquires land and conservation easements by purchase and by donation. As of December 31, 2021, VLT owns and permanently protects 3,876 acres in Ventura County and stewards an additional 44 acres. Donated interests in lands, where the landowner wishes to be eligible for certain federal and state conservation tax benefits, are required to have an appraisal commissioned by the landowner, in accordance with U.S. Internal Revenue Code Section 170(f) (11). When used to substantiate a tax deduction or credit, landowner appraisals are subject to federal and state tax audit, including penalties for misstatement of values in the appraisal. Purchased land interests require an appraisal prepared for VLT to the standards of the federal, state or local funding agency or private foundation. VLT also engages in land stewardship and natural resource restoration projects, small and large scale, in collaboration with private landowners, public agencies and local community groups.

During the year ended December 31, 2021, VLT was actively involved in several land conservation, restoration, public access and education projects, including, but not limited to:

Nature Preserves (Owned by VLT)

Hayden Preserve - The Hayden Preserve is a 2.11-acre property located at the base of the Canada Larga valley just northeast of Highway 33. The property includes a stretch of Canada Larga Creek that feeds into the Ventura River, and presents an intact riparian habitat. Given the size of the Hayden Preserve and ongoing restoration efforts on the property, the preserve is only open to the public on organized volunteer days.

1. ORGANIZATION AND ACTIVITIES (Cont.)

Nature Preserves (Owned by VLT) (Cont.)

Lockwood Park Preserve - Located in rural northeast Ventura County, roughly 15 miles west of Frazier Park, Lockwood Park Preserve is a .22-acre parcel of open pine forest. Given the seclusion of the preserve, it is not open to the public. In winter, Lockwood Park Preserve receives snowfall, and in the summer, it is very dry. Large pine trees are scattered across the property.

Willoughby Preserve - Located between the Main Street bridge and the 101 Freeway on the lower Ventura River, Willoughby Preserve is an 8.74-acre parcel composed of riparian habitat with public access trails spanning the property. Once dominated by *Arundo donax*, extensive restoration efforts have returned Willoughby Preserve to a mostly native habitat condition. Each year, VLT removes thousands of pounds of trash from the Lower Ventura River with Willoughby Preserve being the focal point for such efforts.

Harmon Canyon Preserve – In June 2020, VLT purchased land located in east Ventura with a fair value of \$5,724,325 that features 2,123.42 acres of intact coastal sage scrub habitat. The Harmon Barranca flows seasonally through the property and wildlife is abundant across the property. It is open to the public dawn to dusk, seven days a week for public access. At present time, there are roughly 10 miles of trails on the property, with more underway for hikers, mountain bikers, trail runners, and folks wishing to immerse themselves in nature.

Mariano Rancho – In January 2020, VLT purchased land comprising the hillside backdrop above downtown Ventura with a fair value of \$4,003,578. Mariano Rancho is 1,645 acres of heavily impacted coastal sage scrub, which, due to decades of prior cattle grazing, has been compromised to non-native grassland. Though purchased in January 2020, it is not yet open to the public. VLT is creating a public access plan and habitat restoration plan, with project implementation commencing over the next few years. Public access trails will be designed for multiple user groups.

Holser Canyon Preserve – In December 2020, VLT accepted a contribution of 80 acres of land with an approximate fair value of \$168,000. Located in the foothills southeast of Lake Piru, off Holser Canyon Road, which is home to seven gun ranges including the California Tactical Academy, the largest shooting range in Southern California. There are several small farms in the area, several active oil leases (none on the preserve site). Most of the area is dry vacant hills and canyons primarily composed of sage scrub habitat with some invasive species like black mustard and milk thistle.

1. ORGANIZATION AND ACTIVITIES (Cont.)

Nature Preserves (Owned by VLT) (Cont.)

Big Rock - Comprises of 16.81 acres of riverfront properties located along the Ventura River in unincorporated Ventura County. The properties are located between the western river bank and the Ventura River Trail (pedestrian and bicycle path) located on the west side of Highway 33, near the North Ventura Avenue/ Highway 33 overpass. The assessor's parcel map for the properties identify the southern boundary as the "Bank of River as established by Ventura County March 1925. The properties are identified as:

1. Waldo Property: 0.725 acres
2. Moore Property: 0.35 acres
3. Bonsall Property: 15.37 acres
4. County Piano Key: 0.36 acres

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Information regarding VLT's financial position and activities are based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of VLT. These net assets may be used at the discretion of management and the board of trustees.

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

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, cash in banks, cash in money market funds and certificates of deposit and exclude cash equivalents held for investment. VLT includes in cash equivalents certificates of deposit regardless of maturity date. Certificates of deposit are valued utilizing benchmark yields, reported trades or broker dealer quotes and are Level 2 (see *Fair Value Measurements* below.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Investments

Investments in marketable securities are valued at their fair values in the statement of financial position. Information about unrealized gains and losses and the fair value of investments is detailed in Note 6.

Equipment

VLT's records all purchased equipment at cost. Contributed equipment are recorded at fair value. VLT capitalizes all fixed assets which have a useful life greater than one year and a cost greater than \$1,000. Assets received as contributions are capitalized if the useful life greater than one year and fair value is greater than \$1,000. Property and equipment is depreciated over their estimated useful lives of five to fifteen years using a straight line method.

Contributions and Grants

Contributions are recorded at their fair value on the date of donation. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions that increase those net asset classes.

Promises to Give

Unconditional promises to give are recognized as pledges receivable and as revenues in the period the contribution is received. In accordance with GAAP, conditional promises to give are recognized only when the donor-imposed conditions have been substantially met.

Program Services Revenue Receivable and Pledges Receivable

As of December 31, 2021 management determined that no reserve for uncollectible pledges or program service revenue receivable was required. The determination is based on management's evaluation of the current status of existing receivables, evaluation of factors surrounding the credit risk of specific donors, historical trends, and other information.

Fair Value Measurements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Fair Value Measurements (Cont.)

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

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

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

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

Cash: Valued at face value (Level 1)

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

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

Common stock - Valued at face value. (Level 1)

Cash equivalents – certificates of deposit: Valued utilizing benchmark yields, reported trades or broker dealer quotes. (Level 2)

Interest in assets held by others: Value is based on Net Asset Value (NAV) per the most recent audited financial statements and interim information provided by the fund manager. VLT does not have the ability to control or direct the assets held by others and the income and principal is subject to certain restrictions on redemption. (Level 2)

Grants

Grants are received from federal, state, and local agencies, as well as from private organizations and are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions support that increases those net asset classes.

Program Services Revenues

Program services revenues are received from federal, state, and local agencies are recorded as revenue as the related costs are incurred. Costs incurred under the program services contracts are subject to audit by government agencies. Management believes that the disallowance of costs, if any, would not be material to the financial statements. Amounts received prior to VLT providing services required by the grant or contract are recorded as contract liabilities. There were no contract liabilities as of December 31, 2021 and 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Utility Rental Income

VLT rents a small portion of owned land to provide utility companies access to their equipment. Utility rental income is recognized when earned. Refer to Note 14.

Contributed Goods and Services

The VLT recognizes contribution revenue for specialized goods services that would otherwise be purchased by the VLT in an amount equal to the fair value of those goods and services. The following amounts were contributed and recognized as revenue:

<u>Goods and Services Donated</u>	<u>2021 Fair Value</u>	<u>2020 Fair Value</u>	<u>Purpose</u>
Campaign events	7,900	23,600	Fundraising
Accounting	24,800	13,000	General
Engineering services	9,200	-	Program
Legal services	3,100	145,300	Program
Property	-	168,000	Program
Office furniture	500	-	General

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses that can be identified with a program or support service are allocated directly according to their expense classification. Other expenses that are common to several functions have been allocated among the programs and supporting services benefited based on historical time analysis.

Tax Exempt Status

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Uncertain Tax Positions

Financial Accounting Standards Board's ASC 740-10, *Accounting for Uncertainty in Income Taxes*, prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. VLT files tax returns in the U.S. federal jurisdiction and in the state of California. VLT's tax returns from the year 2018 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2017 to the present remain subject to examination by the state of California. Management has evaluated its tax positions for all jurisdictions in which the statute of limitations remains open and has determined that VLT had taken no uncertain tax positions that require adjustment to the financial statements. VLT is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes.

Use of Estimates

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

Reclassifications

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

Subsequent Events and Uncertainties

Management has evaluated subsequent events through January 31, 2023, the date which the financial statements were available to be issued. Refer to Note 20 for subsequent events.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within the next fiscal year, comprise the following as of December 31, 2021:

Cash and cash equivalents	\$ 524,671
Accounts receivable	13,454
Program services revenue receivable	152,469
Property tax receivable	<u>241,306</u>
	<u>\$ 931,900</u>

Additional funds are expected to be received in 2022 from grants, contributions, program services revenue, and utility rental income. VLT management believes they will have sufficient financial assets to fund the operations for the year ending December 31, 2022.

4. PLEDGES RECEIVABLE

Pledges receivable of December 31, 2021, at face value, are estimated to be received as follows:

Year ending December 31,	
2022	\$ 317,429
2023	42,453
2024	41,000
2025	<u>7,000</u>
	407,882
Less present value discount	<u>(2,024)</u>
	<u>\$ 405,858</u>

Pledges receivable due after one year are recorded at the present value of estimated future cash flows using the U.S. Department of Treasury Daily Treasury Yield Curve rates.

5. NOTE RECEIVABLE

In September 2014, VLT issued a secured note receivable of \$65,000 with an interest rate of e5%. The principal amount was to be received in a lump sum payment. In July 2017, the terms of the agreement were modified and the principal amount was to be repaid over 48 months with an interest rate of approximately 5%. Interest payments are received monthly. The maturity date of the note was June 15, 2021. Interest income was approximately \$1,000 for the years ended December 31, 2021 and 2020, respectively.

6. INVESTMENTS

Investments consist of the following as of December 31, 2021:

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value over Cost</u>
Cash equivalents	\$ 453,443	\$ 453,443	\$ -
Common stock	92,981	102,092	9,111
Exchange traded funds	<u>29,570</u>	<u>35,968</u>	<u>6,398</u>
	<u>\$ 575,994</u>	<u>\$ 591,503</u>	<u>\$ 15,509</u>

6. INVESTMENTS (Cont.)

Investments consist of the following as of December 31, 2020:

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess (deficit) of Fair Value Value over Cost</u>
Cash equivalents	\$ 453,338	\$ 453,338	\$ -
Common stock	10,033	11,291	1,258
Exchange traded funds	<u>28,440</u>	<u>27,303</u>	<u>(1,137)</u>
	<u>\$ 491,811</u>	<u>\$ 491,932</u>	<u>\$ 121</u>

Investment income (loss) consists of the following for the year ended December 31,:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 3,537	\$ 6,001
Net realized loss	-	(6,005)
Net change in unrealized gain (loss)	<u>15,388</u>	<u>(4,338)</u>
Total investment income (loss)	<u>\$ 18,925</u>	<u>\$ (4,342)</u>

7. FAIR VALUE MEASUREMENTS

The following sets forth by level, within the fair value hierarchy, VLT's assets measured at fair value as of December 31, 2021:

	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
Cash and cash equivalents	\$ 453,443	\$ -	\$ -
Common stock	102,092	-	-
Exchange traded funds	35,968	-	-
Beneficial Interest in Ventura County Community Foundation	<u>-</u>	<u>249,484</u>	<u>-</u>
	<u>\$ 591,503</u>	<u>\$ 249,484</u>	<u>\$ -</u>

7. FAIR VALUE MEASUREMENTS (Cont.)

The following sets forth by level, within the fair value hierarchy, VLT's assets measured at fair value as of December 31, 2020:

	Fair Value (Level 1)	Fair Value (Level 2)	Fair Value (Level 3)
Cash and cash equivalents	\$ 453,338	\$ -	\$ -
Common stock	11,291	-	-
Exchange traded funds	27,303	-	-
Beneficial Interest in Ventura County Community Foundation	-	222,380	-
	<u>\$ 491,932</u>	<u>\$ 222,380</u>	<u>\$ -</u>

8. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

VLT has beneficiary interests in the Ventura County Community Foundation ("VCCF") Endowment Funds A & B under an Agency Fund Agreement (Fund Agreement). VCCF Fund A is a donor restricted endowment fund that is restricted for the stewardship of land owned and maintained by VLT. VCCF Fund B does not have donor restrictions. VLT attempts to provide stable capital appreciation on a total return basis. Assets of VLT are fully exposed to market risks and may experience market volatility and principal loss. The beneficial interest in the funds is reported by VLT at the estimated fair market value which is based on the reported net asset value of the funds as reported by the VCCF. The estimated fair market value of VLT's interest in the Foundation was \$249,484 and \$222,380 for the years ended December 31, 2021 and 2020, respectively.

The Fund Agreement provides for the distribution of funds to be in accordance with the VCCF spending policy for its endowed funds and consistent with the applicable provisions of the California Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Fund Agreement allows VCCF to seek the to calculate a distribution from the funds consistent with the purposes for which the funds were established in an amount equality to eligible earnings, net of fees and as determined by the Board in accordance with their spending policies. For the year ended December 31, 2021 and 2020, there were no distributions from either fund.

9. CONSERVATION LAND

Land held in fee title ownership by VLT include:

Property Name	Acreage	Date Acquired	Acquisition	Amount
Waldo (Big Rock North)	0.73	February 9, 2009	Donation	\$ 1,000
Moore (Big Rock South)	0.35	December 1, 2009	Donation	500
Bonsall (Big Rock South)	15.37	December 22, 2010	Donation	62,318
County Piano Key (Big Rock North)	0.36	September 4, 2012	Donation	500
Willoughby Preserve	8.74	September 21, 2012	Donation	14,118
Lockwood Park	0.22	December 16, 2013	Donation	5,000
Hayden Preserve	2.11	October 12, 2016	Purchase	240,097
Mariano Rancho	1,645	January 31, 2020	Purchase	4,003,578
Harmon Canyon	2,123.42	June 8, 2020	Purchase	5,724,325
Holser Canyon	<u>80</u>	December 31, 2020	Donation	<u>168,000</u>
Total	<u>3,876.30</u>			<u>\$ 10,219,436</u>

10. PROPERTY AND EQUIPMENT

Equipment is summarized by major classifications as follows at December 31,:

	<u>2021</u>	<u>2020</u>
Office equipment	\$ 12,290	\$ 9,904
Equipment	33,352	24,733
Leasehold improvements	21,086	18,222
Automobile	<u>30,855</u>	<u>6,440</u>
	97,583	59,299
Less accumulated depreciation	<u>(32,398)</u>	<u>(21,056)</u>
	<u>\$ 65,185</u>	<u>\$ 38,243</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was approximately \$16,000 and \$8,700, respectively.

11. OPERATING LEASE

The VLT leases its office on a month-to-month basis and has rent payments of approximately \$2,200 per month.

12. NOTES PAYABLE

In June 2020, VLT received a loan in the amount of \$1,825,000 related to the purchase of Mariano Rancho. The note bears interest at an annual rate of 3.95% and matures in June 2025. The debt issuance costs were \$33,324. Refer to Note 13. Interest expense related to the loan for the year ended December 31, 2021 was approximately \$61,600.

The following is a schedule by year of the maturity of the notes payable:

Year ending December 31,		
	2022	\$ 85,600
	2023	176,300
	2024	183,400
	2025	<u>871,699</u>
		<u>\$1,316,999</u>

13. DEBT ISSUANCE COSTS

Debt issuance cost are presented as a direct deduction for the associated debt liability. As of December 31, 2021 debt issuance costs, net, were \$23,327. Amortization of debt issuance costs is reported at interest expense in the statements of activities.

Debt issuance costs consist of the following costs which are being amortized using the straight-line method over their respective terms as follows:

	<u>2021</u>	<u>Term</u>
Loan acquisition fees	\$ 33,324	5 Years
Less: accumulated amortization	<u>(9,997)</u>	
	<u>\$ 23,327</u>	

Future estimated interest expense resulting from the amortization of debt issuance costs as of December 31, 2021 is as follows:

Year ending December 31,		
	2022	\$ 6,665
	2023	6,665
	2024	6,665
	2025	<u>3,332</u>
		<u>\$ 23,327</u>

Interest expense related to debt issuance costs for the year ended December 31, 2021 was approximately \$6,700.

14. UTILITY RENTAL INCOME

Minimum future rental income to be received on non-cancelable leases as of December 31, 2021 are as follows:

Year ending December 31,		
	2022	\$ 60,734
	2023	<u>53,636</u>
		<u>\$ 114,370</u>

15. CONCENTRATIONS AND RISKS

VLT maintains cash balances at several financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Cash balances held in brokerage accounts are insured by the Securities Investor Protection Corporation (SIPC) up to \$250,000 per institution. Uninsured cash balances at December 31, 2021 and 2020 totaled approximately \$328,700 and \$900, respectively.

The VLT had two donors that accounted for approximately 65% of pledges receivable as of December 31, 2021.

16. CONDITIONAL CONTRIBUTION

In February 2021, the VLT received a \$500,000 pledge contingent upon VLT raising in cash and valid pledges at least \$500,000 from other third parties to support Mariano Rancho.

As the VLT meets the criteria for recognition, it is recognized as contribution income. As of December 31, 2021, the VLT has recognized \$205,000 and will recognize the additional \$295,000 in the year ended December 31, 2022 as the criteria specified by the donor was met during the year ended December 31, 2022.

17. ENDOWMENT FUNDS

VLT's endowment consists of restricted funds established to support operations. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of VLT has interpreted the California adopted 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, VLT classifies as permanently restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the donor gift instrument.

In accordance with California UPMIFA VLT 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 VLT 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 VLT
- (7) The investment policies of VLT

Return Objectives and Risk Parameters

VLT has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to general stewardship by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. VLT expects its endowment funds, over time, to provide an average annual rate of return of approximately five percent. Actual returns in any given year may vary from this amount.

Endowment net asset composition by type of fund as of December 31, 2021, were as follows:

	<u>With Donor Restrictions</u>		
	<u>Accumulated Earnings</u>	<u>Original Gift</u>	<u>Total</u>
General stewardship endowment fund	\$ <u>17,561</u>	\$ <u>447,517</u>	\$ <u>465,078</u>
Total	\$ <u>17,561</u>	\$ <u>447,517</u>	\$ <u>465,078</u>

17. ENDOWMENT FUNDS (Cont.)

Changes in endowment net assets for the year ended December 31, 2021:

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Accumulated Earnings</u>	<u>Original Gift</u>	
Beginning endowment net assets	\$ -	\$ 297,517	\$ 297,517
Net investment return	17,561	-	17,561
Additions	-	150,000	150,000
Appropriation of endowment for expenditure	-	-	-
Ending endowment net assets	<u>\$ 17,561</u>	<u>\$ 447,517</u>	<u>\$ 465,078</u>

Endowment net asset composition by type of fund as of December 31, 2020, were as follows:

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Accumulated Earnings</u>	<u>Original Gift</u>	
General stewardship Endowment fund	\$ -	\$ 247,517	\$ 247,517
Total	<u>\$ -</u>	<u>\$ 247,517</u>	<u>\$ 247,517</u>

Changes in endowment net assets for the year ended December 31, 2020:

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Accumulated Earnings</u>	<u>Original Gift</u>	
Beginning endowment net assets	\$ -	\$ 247,517	\$ 247,517
Net investment return	7,979	-	7,979
Additions	-	50,000	50,000
Appropriation of endowment for expenditure	(7,979)	-	(7,979)
Ending endowment net assets	<u>\$ -</u>	<u>\$ 297,517</u>	<u>\$ 297,517</u>

18. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Total net assets without donor restrictions	\$ <u>9,788,415</u>	\$ <u>9,071,891</u>

19. NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets were restricted to expenditure for specified purposes including pledges and grants and unallocated earnings on endowments are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Harmon Canyon acquisition and stewardship	\$ 937,874	\$ 662,946
Mariano Rancho acquisition and stewardship	125,089	-
Purchase of truck	37,000	-
Wildlife Habitat Improvement Program	27,333	-
Stewardship endowment accumulated earnings	17,561	-
Education programs	<u>-</u>	<u>30,278</u>
Total funds restricted to expenditure for specified projects	\$ <u>1,144,857</u>	\$ <u>693,224</u>
Restricted in perpetuity, original gift amount		
General stewardship endowment	\$ <u>447,517</u>	\$ <u>247,517</u>
Total funds restricted in perpetuity	<u>447,517</u>	<u>247,517</u>
Total net assets with donor restrictions	<u>\$ 1,592,374</u>	<u>\$ 990,741</u>

20. SUBSEQUENT EVENT

In July 2022, the VLT was awarded \$7.2 million from the State of California to complete the acquisition and permanent conservation of the Ventura Hillside properties which consist of the Mariano Rancho Preserve and Harmon Canyon Preserve.