

THE OJAI VALLEY LAND CONSERVANCY

Audit Report and Financial Statements September 30, 2017 With Comparative Totals for 2016

Prepared by:

POINDEXTER AND COMPANY

Certified Public Accountant

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The Ojai Valley Land Conservancy
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September 30, 2017

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POINDEXTER AND COMPANY

Certified Public Accountant

To the Board of Directors
The Ojai Valley Land Conservancy
Ojai, California

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

I have audited the accompanying statement of financial position of The Ojai Valley Land Conservancy (a California nonprofit public benefit corporation) as of September 30, 2017, and the related statements of activities 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.

Auditor's Responsibility

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

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 considered internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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 financial statement presentation.

I believe that audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ojai Valley Land Conservancy as of September 30, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

The prior year summarized comparative information has been derived from the The Ojai Valley Land Conservancy's 2016 financial statements and, in my report dated May 23, 2017; I expressed an unqualified opinion on those financial statements.

Poindexter and Company

Ventura, California
June 26, 2018

The Ojai Valley Land Conservancy
Statement of Financial Position
September 30, 2017
With Comparative Totals for 2016

	2017	2016
	Total Funds	Total Funds
ASSETS		
<u>Current Assets</u>		
Cash (Note 3)	\$ 757,838	\$ 889,773
Investments (Note 3 and 4)	619,904	514,036
Pledges Receivable (Note 3)	50,000	
Grants and Contracts Receivable	248,860	166,490
Other Receivables	16,228	
Prepaid Expenses	4,277	5,400
Total Current Assets	1,697,107	1,575,699
<u>Equipment, Furniture and Software</u>		
Property and Equipment (Note 3 and 6)	7,043,295	7,040,263
Accumulated Depreciation (Note 3 and 6)	(466,677)	(413,617)
Net Equipment, Furniture and Software	6,576,618	6,626,646
<u>Other Assets</u>		
Deposits	2,244	5,963
Total Other Assets	2,244	5,963
TOTAL ASSETS	\$ 8,275,969	\$ 8,208,308
 LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable	\$ 11,744	\$ 46,262
Accrued Payroll and Related Liabilities	18,000	20,918
Credit Cards Payable	6,714	5,091
Other	100	100
Accrued Vacation	19,086	22,335
Deferred Revenue	347,820	384,214
Deposits	3,500	3,500
Total Current Liabilities	406,964	482,420
Total Liabilities	406,964	482,420
Net Assets		
Unrestricted:		
Undesignated	7,402,940	7,358,991
Designated for Easement Defense and Stewardship	60,000	60,000
Unrestricted	7,462,940	7,418,991
Temporarily Restricted	279,233	280,115
Permanently Restricted	126,832	26,782
Total Net Assets	7,869,005	7,725,888
TOTAL LIABILITIES AND NET ASSETS	\$ 8,275,969	\$ 8,208,308

The Ojai Valley Land Conservancy
Statement of Activities
For the Year Ended September 30, 2017
With Comparative Totals for 2016

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE					
Public Support:					
Grants and Contracts	\$ 974,974			\$ 974,974	\$ 575,490
Contributions	405,138	\$ 12,093	\$ 100,050	517,281	422,353
Special Events Income	90,797			90,797	44,863
Donated Services	19,050			19,050	
Release from Restrictions	<u>12,975</u>	<u>(12,975)</u>		<u>0</u>	<u>0</u>
Total Public Support	<u>1,502,934</u>	<u>(882)</u>	<u>100,050</u>	<u>1,602,102</u>	<u>1,042,706</u>
Revenue:					
Rental	44,400			44,400	42,600
Investment	10,370			10,370	7,376
Gain/(Loss) on Sale of Investments	16,660			16,660	16,002
Unrealized Gain/(Loss)	37,730			37,730	38,462
Gain/(Loss) on Sale of Assets	(604)			(604)	
Other Income	<u>5,295</u>			<u>5,295</u>	<u>2,542</u>
Total Revenue	<u>113,851</u>			<u>113,851</u>	<u>106,982</u>
Total Public Support and Revenue	<u>1,616,785</u>	<u>(882)</u>	<u>100,050</u>	<u>1,715,953</u>	<u>1,149,688</u>
EXPENSES					
Program Services	1,409,094			1,409,094	1,072,717
Management and General	103,711			103,711	107,455
Fundraising	<u>60,031</u>			<u>60,031</u>	<u>68,873</u>
Total Expenses	<u>1,572,836</u>			<u>1,572,836</u>	<u>1,249,045</u>
CHANGE IN NET ASSETS	<u>43,949</u>	<u>(882)</u>	<u>100,050</u>	<u>143,117</u>	<u>(99,357)</u>
NET ASSETS AT BEGINNING OF YEAR	7,418,991	280,115	\$ 26,782	7,725,888	8,541,307
Prior Period Adjustment					<u>(716,062)</u>
NET ASSETS AT BEGINNING OF YEAR-RESTATE	<u>7,418,991</u>	<u>280,115</u>	<u>26,782</u>	<u>7,725,888</u>	<u>7,825,245</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,462,940</u>	<u>\$ 279,233</u>	<u>\$ 126,832</u>	<u>\$ 7,869,005</u>	<u>\$ 7,725,888</u>

The Ojai Valley Land Conservancy
Statement of Functional Expenses
For the Year Ended September 30, 2017
With Comparative Totals for 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess/(Deficiency) of Revenues Over Expenses	<u>\$ 143,117</u>	<u>\$ (99,357)</u>
Adjustments to Reconcile Excess/(Deficiency) of Revenues Over Expenses to Net Cash Provided/(Used) by Operating Activities		
Realized (Gain)/Loss	(16,660)	(16,002)
Unrealized (Gain)/Loss	(37,730)	(38,462)
(Gain)/Loss on Sale of Assets	604	
Bad Debts	3,120	4,725
Depreciation	60,612	65,399
(Increase)/Decrease in Assets:		
Pledges Receivable	(50,000)	3,931
Grants and Contracts Receivable	(85,490)	36,280
Other Receivables	(16,228)	
Prepaid Expenses	1,123	(3,365)
Deposits	3,719	(1,751)
Increase/(Decrease) in Liabilities:		
Accounts Payable	(34,518)	25,459
Accrued Payroll and Related Liabilities	(2,918)	20,099
Credit Cards Payable	1,623	(326)
Other		100
Accrued Vacation	(3,249)	3,092
Deferred Revenue	<u>(36,394)</u>	<u>(156,922)</u>
Total Adjustments	<u>(212,386)</u>	<u>(57,743)</u>
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>(69,269)</u>	<u>(157,100)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(11,188)	
Proceeds from the Sale of Investments	50,073	338,025
Purchases of Investments	<u>(101,551)</u>	<u>(341,130)</u>
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	<u>(62,666)</u>	<u>(3,105)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing from Line of Credit	162,152	0
Payments on Line of Credit Payable	<u>(162,152)</u>	<u>0</u>
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	<u>0</u>	<u>0</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(131,935)	(160,205)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>889,773</u>	<u>1,049,978</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	<u><u>\$ 757,838</u></u>	<u><u>\$ 889,773</u></u>
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest	<u><u>\$ 2,224</u></u>	<u><u>\$ 0</u></u>

The Ojai Valley Land Conservancy

Notes to Financial Statements

September 30, 2017

Note 1 - PURPOSE AND NATURE OF ORGANIZATION

The Ojai Valley Land Conservancy ("Organization") is a nonprofit California corporation providing open space preservation for the benefit of the Ojai Valley community. The Organization supports its programs through public contributions as well as grants and contracts with private and governmental institutions.

Note 2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 26, 2018, the date that the financial statements were available to be issued.

Note 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Total Funds Column on Prior Year Financial Statements

The total funds column on prior year financial statements is captioned with comparative totals to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position in conformity with generally accepted accounting principles as each individual fund is not presented.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets in accordance with FASB Accounting Codification (ASC) 958-205 and subsections). In addition, the Organization is required to present the statement cash flows.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Public Support and Revenue

Public and private contracts, grants, and contributions are generally available for unrestricted use in the related fiscal year awarded unless specifically restricted by the funding source. Unconditional promises to give are recorded as received.

Amounts received through contributions that are designated for future periods or restricted by the payee for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a temporary restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Ojai Valley Land Conservancy

Notes to Financial Statements

September 30, 2017

Note 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash in demand deposit accounts at banks and cash in money market accounts. Cash equivalents are considered all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

Fair Value Measurements

Generally accepted accounting principles 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 - estimates using the best information available when there is little or no market

Investments

Investments in equity securities with determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported in unrestricted net assets if the restrictions are met either by passage of time or by use in the period in which the income and gains are recognized. Information about the fair value of investments and the unrealized gains and losses is discussed in note 4.

Pledges Receivable

The Organization recorded unconditional promises to give cash. The fair value of pledges receivable is measured on a nonrecurring basis using an income approach with estimates of future cash flow based on experience with previous promises to give cash (Level 3 inputs).

Income Tax Status

The Internal Revenue Service determined the corporation was exempt from Federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(vi). The Franchise Tax Board request for exempt status has been granted under Section 23701(d) and the Organization is registered as an exempt organization with the Secretary of the State of California.

The Organization's tax filings are subject to audit by various taxing authorities. The Organization's federal returns for 2013, 2014 and 2015 remain open to examination by the Internal Revenue Service; state returns for 2012 2013 2014and 2015 are open to examination. In evaluating the Organization's tax provisions and accruals, the Organization believes that its estimates are appropriate based on current facts and circumstances.

The Ojai Valley Land Conservancy
Notes to Financial Statements
September 30, 2017

Note 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions include, but are not limited to:

- depreciation
- allocation of expenses amongst programs and supporting services

It is at least reasonably possible that the significant estimates used will change within the next year.

Note 4 - INVESTMENTS

Investments in equity securities with determinable fair values and all investments in debt securities are reported at their fair values. The values presented are based on quoted prices in active markets (Level 1 inputs). Available-for-sale securities consist of the following:

	<u>Estimated Fair Value</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>
Exchange-Traded Products	\$ <u>619,904</u>	\$ <u>105,775</u>	\$ <u>0</u>
Total	\$ <u>619,904</u>	\$ <u>105,775</u>	\$ <u>0</u>

The Ojai Valley Land Conservancy

Notes to Financial Statements

September 30, 2017

Note 5 - DONATED MATERIALS, SERVICES AND FACILITIES

The Organization records contributions of donated, non-cash assets at their fair values in the period received if they meet one of two criteria. First, the Organization records donated services if they create or enhance non-financial assets (e.g. donated services to improve a facility), Secondly, the Organization records donated services if, 1) they require specialized skills, 2) are provided by individuals possessing those skills, and 3) would typically need to be purchased if not provided by donation.

The Organization received donated services from a variety of unpaid volunteers assisting the Organization. Those services did not meet the criteria for recording in accordance with generally accepted accounting principles, but included 3,264 hours for programs, 1,373 hours for management and general, and 478 hours for fundraising. However, those services are an integral part of the Organization's ability to sustain the Organization's program (open space preservation) services.

Note 6 - PROPERTY, EQUIPMENT AND DEPRECIATION

The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$2,000. Fixed assets acquired by gift or bequest are recorded at fair value at the date of donation.

The Organization management depreciates using a two hundred percent double declining basis over the estimated useful lives of the assets. As of September 30, 2017, the historical costs and useful lives of such assets were as follows:

	<u>Est. Life</u>	<u>9/30/16</u>	<u>Additions</u>	<u>Disposals</u>	<u>9/30/17</u>
Furniture and Equipment	7 yrs.	\$ 14,888	\$ 11,188	(8,156)	\$ 17,920
Computers and Vehicles	5 yrs.	26,225			26,225
Buildings	27.5 yrs.	580,695			580,695
Land		<u>6,418,455</u>			<u>6,418,455</u>
Total Cost		7,040,263	11,188	(8,156)	7,043,295
Less: Accumulated Depreciation		<u>(413,617)</u>	<u>(60,612)</u>	<u>7,552</u>	<u>(466,677)</u>
Net Fixed Assets		<u>\$ 6,626,646</u>	<u>\$ (49,424)</u>	<u>\$ (604)</u>	<u>\$ 6,576,618</u>

The Ojai Valley Land Conservancy
Notes to Financial Statements
September 30, 2017

Note 7 - LONG-TERM COMMITMENTS

In September 2007, the Organization entered into a non-cancelable lease commitment for office building located at 370 Baldwin Road, Ojai, California. That lease expired on October 1, 2017, and had an option to extend the lease term an additional five years, however the option was not exercised and the lease is on a month to month basis. Total rental expense under the lease for the year-ended September 30, 2017 is \$19,356.

The following are the future minimum lease commitments.

	Annual Lease Commitments
September 30, 2018	\$ 0
September 30, 2019	0
September 30, 2020	0
September 30, 2021	0
September 30, 2022	0
September 30, 2023 and Thereafter	0
Total	\$ 0

The Organization is the lessor of real property and improvements located at 9548 Santa Ana Road, Ventura, California under an operating lease expiring in 2021. Total rental revenue under the lease for the year-ended September 30, 2017 is \$44,400.

Minimum future rentals to be received on non-cancelable leases as of September 30, 2017, for each of the next five years and in the aggregate are:

	Annual Lease Commitments
September 30, 2018	\$ 43,524
September 30, 2019	44,496
September 30, 2020	44,829
September 30, 2021	34,371
September 30, 2022	0
September 30, 2023 and Thereafter	0
Total	\$ 167,220

The Ojai Valley Land Conservancy
Notes to Financial Statements
September 30, 2017

Note 7 - LONG-TERM COMMITMENTS (Continued)

Following is a summary of property on or held for lease at September 30, 2017:

	<u>2017</u>
Building	\$ 1,167,000
Land	802,000
Less: Accumulated Depreciation	<u>(441,847)</u>
Total	<u>\$ 1,527,153</u>

The Organization maintains a line of credit with a local bank. The line of credit is for a maximum of \$100,000 with interest at the prime rate , plus 2.00%, and matures on March 19, 2019. There was \$0 owed at September 30, 2017. The line of credit is secured by a right of setoff against the Organization's accounts at the bank.

Note 8 - FINANCIAL INSTRUMENTS

The Organization's financial instruments include cash, cash and equivalents, and investments. These instruments are carried at fair value at September 30, 2017.

Note 9 - CONCENTRATION OF CREDIT AND MARKET RISKS

Cash and equivalents are maintained at various financial institutions with FDIC insurance of up to \$250,000. The Organizations's balances in these accounts, at times, exceed the federally insured limits.

Note 10 - FUNCTIONAL EXPENSES

Direct expenses are charged to the appropriate program (open space preservation) or supporting services. Certain costs have been allocated to program and supporting services based on management's estimates.

The Ojai Valley Land Conservancy
Notes to Financial Statements
September 30, 2017

Note 11 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs or purposes:

	2017
Bridge	\$ 4,885
Pratt Trailhead Improvement/Signage at Gridley Trailhead	1,752
Cluff Vista Park Renewal Fund	38,799
Valley View Preserve	220,771
Ojai Meadows Ecosystem Restoration Project	38
Environmental Education for Young Adults w/ Moderate to Sever Disabilities	895
Plants and Supplies for Kid's Programs	1,000
Ventura River Preserve	5,000
Trails	5,258
Land Acquisition	835
Total	\$ 279,233

Permanently restricted net assets are available for the following programs or purposes:

	2017
Operational Endowment	\$ 105,872
Ojai Meadows Preserve Endowment	20,960
Total	\$ 126,832

Note 12 - RETIREMENT PLAN

The Organization has a Simple IRA Plan ("Plan") to provide retirement and incidental benefits for its employees. The Organization matches employee contributions dollar for dollar to a maximum of 3% of the employee's income.

Organization matching contributions to the Plan totaled \$11,497 in 2017.

Note 13 - CONDITIONAL PLEDGE RECEIVABLE

The Organization has a conditional promise to receive two personal residential properties as of September 30, 2017, representing a secondary beneficiary interest in an revocable living trust. The value of the properties has not been determined as of September 30, 2017. The transfer of the ownership of the properties is conditional upon the failure to comply with the special trust or the death of the primary beneficiaries.

The Ojai Valley Land Conservancy

Notes to Financial Statements

September 30, 2017

Note 14- CONTINGENCY

The Organization experienced damage and financial losses from a wildfire that burned 1,500 acres of conservation lands owned by the Organization. The losses consist of infrastructure such as signage, fencing, drainage structures and irrigation systems as well as the loss of approximately 40 acres of restored habitats that included the planting of thousands of native plants to mitigate for impacts of local transportation projects and the associated planting supplies, such as mulch and protective screens. Additional losses include the loss of income from habitat restoration projects that are grant or contract funded due to the extensive damage to the projects and staff time re-allocations to infrastructure repairs. Finally, losses include natural resource damages and lost recreational opportunities on Organization preserve lands. The Organization anticipates that partial recovery for these damages will come from a combination of insurance payments, enhanced local fundraising, and additional grants or mitigation payments for restoration projects. Natural resource losses may be recovered via legal action, but at this time no such action has been initiated.