



Financial Statements
and
Independent Auditor's Report

For the Years Ended December 31, 2015 and 2014

Save Mount Diablo

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December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Save Mount Diablo
Walnut Creek, California

We have audited the accompanying financial statements of Save Mount Diablo (a nonprofit organization), which are comprised of the statement of financial position as of December 31, 2015, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Save Mount Diablo as of December 31, 2015, 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.

Prior Period Financial Statements

The financial statements of Save Mount Diablo as of December 31, 2014, were audited by other auditors whose report dated June 1, 2015, expressed an unmodified opinion on those statements.

As part of our audit of the 2015 financial statements, we also audited adjustments described in Note 16 that were applied to restate the 2014 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 financial statements as a whole.



DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

May 20, 2016

Save Mount Diablo

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

ASSETS

| <u>Current Assets:</u> | <u>2015</u> | 2014 (Restated) |
|--|----------------|-----------------|
| Cash and Cash Equivalents | \$ 2,373,915 | \$ 1,445,659 |
| Contributions Receivable | 142,988 | 438,725 |
| Other Receivables | 14,369 | 1,106 |
| Inventory | 9,117 | 10,876 |
| Prepaid Expenses and Other Assets | 33,235 | 52,126 |
| Conservation Land Held for Sale | <u>692,189</u> | |
| Total Current Assets | 3,265,813 | 1,948,492 |
| Contributions Receivable, Net, Noncurrent | 15,200 | 232,914 |
| Charitable Remainder Trust Receivable, Net | 77,868 | 98,625 |
| Investments | 1,002,540 | 2,474,422 |
| Conservation Land | 13,813,168 | 13,813,168 |
| Conservation Land Structures, Net | 1,205,332 | 1,249,417 |
| Property and Equipment, Net | 30,351 | 38,506 |
| Land Purchase Option | 60,000 | |
| Deposits | <u>8,912</u> | <u>8,912</u> |
| Total Assets | \$ 19,479,184 | \$ 19,864,456 |

LIABILITIES AND NET ASSETS

| | | |
|--|----------------------|----------------------|
| <u>Current Liabilities:</u> | | |
| Accounts Payable and Accrued Liabilities | \$ 74,090 | \$ 147,700 |
| Note Payable, Current Portion | <u>1,801,045</u> | <u>12,000</u> |
| Total Current Liabilities | 1,875,135 | 159,700 |
| Notes Payable, Net of Current Portion | | <u>2,351,231</u> |
| Total Liabilities | <u>\$ 1,875,135</u> | <u>\$ 2,510,931</u> |
| <u>Net Assets:</u> | | |
| Unrestricted Net Assets: | | |
| Board Designated | \$ 1,183,792 | \$ 1,166,627 |
| Undesignated | <u>15,990,339</u> | <u>15,028,058</u> |
| Total Net Assets | 17,174,131 | 16,194,685 |
| Temporarily Restricted | <u>429,918</u> | <u>1,158,840</u> |
| Total Net Assets | <u>17,604,049</u> | <u>17,353,525</u> |
| Total Liabilities and Net Assets | <u>\$ 19,479,184</u> | <u>\$ 19,864,456</u> |

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

Save Mount Diablo

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2015 and 2014

| | 2015 | | | 2014 (Restated) | | |
|--|----------------------|------------------------|----------------------|----------------------|------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Support, Revenue and Gains | | | | | | |
| <u>Public Support:</u> | | | | | | |
| Contributions | \$ 1,516,678 | \$ 372,261 | \$ 1,888,939 | \$ 1,466,028 | \$ 905,249 | \$ 2,371,277 |
| In-Kind Contributions | <u>116,202</u> | | <u>116,202</u> | <u>130,522</u> | | <u>\$ 130,522</u> |
| Total Public Support | <u>\$ 1,632,880</u> | <u>\$ 372,261</u> | <u>\$ 2,005,141</u> | <u>\$ 1,596,550</u> | <u>\$ 905,249</u> | <u>\$ 2,501,799</u> |
| <u>Revenue and Gains:</u> | | | | | | |
| Interest and Dividends | \$ 29,691 | \$ | \$ 29,691 | \$ 44,602 | \$ | \$ 44,602 |
| Special Events and Programs | 604,989 | | 604,989 | 722,107 | | 722,107 |
| Land Revenue and Management Fees | 75,154 | | 75,154 | 18,561 | | 18,561 |
| Realized and Unrealized Investment Gains | 41,927 | | 41,927 | 77,016 | | 77,016 |
| Unrealized (Loss) Gain on Charitable Remainder Trust | (20,757) | | (20,757) | 15,772 | | 15,772 |
| Other Income | <u>13,240</u> | | <u>13,240</u> | <u>48,166</u> | | <u>48,166</u> |
| Total Revenue and Gains | <u>\$ 744,244</u> | <u>\$</u> | <u>\$ 744,244</u> | <u>\$ 926,224</u> | <u>\$</u> | <u>\$ 926,224</u> |
| Net Assets Released from Restriction | <u>1,101,183</u> | <u>(1,101,183)</u> | | <u>735,208</u> | <u>(\$ 735,208)</u> | <u>\$ 0</u> |
| Total Support, Revenue and Gains | <u>\$ 3,478,307</u> | <u>(\$ 728,922)</u> | <u>\$ 2,749,385</u> | <u>\$ 3,257,982</u> | <u>\$ 170,041</u> | <u>\$ 3,428,023</u> |
| <u>Functional Expenses:</u> | | | | | | |
| Programs | \$ 2,016,722 | \$ | \$ 2,016,722 | \$ 1,667,356 | \$ | \$ 1,667,356 |
| Management and General | 600,285 | | 600,285 | 454,176 | | 454,176 |
| Fundraising | <u>634,496</u> | | <u>634,496</u> | <u>237,671</u> | | <u>237,671</u> |
| Total Expenses | <u>\$ 3,251,503</u> | <u>\$ 0</u> | <u>\$ 3,251,503</u> | <u>\$ 2,359,203</u> | <u>\$ 0</u> | <u>\$ 2,359,203</u> |
| Changes in Net Assets before Other Items | \$ 226,804 | (\$ 728,922) | (\$ 502,118) | \$ 898,779 | \$ 170,041 | \$ 1,068,820 |
| <u>Other Items:</u> | | | | | | |
| Acquisitions of Conservation Land | <u>752,642</u> | | <u>752,642</u> | | | <u>-</u> |
| Changes in Net Assets | \$ 979,446 | (\$ 728,922) | \$ 250,524 | \$ 898,779 | \$ 170,041 | \$ 1,068,820 |
| Net Assets, Beginning of Year | <u>16,194,685</u> | <u>1,158,840</u> | <u>17,353,525</u> | <u>15,295,906</u> | <u>988,799</u> | <u>16,284,705</u> |
| Net Assets, End of Year | <u>\$ 17,174,131</u> | <u>\$ 429,918</u> | <u>\$ 17,604,049</u> | <u>\$ 16,194,685</u> | <u>\$ 1,158,840</u> | <u>\$ 17,353,525</u> |

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

Save Mount Diablo

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

| | <u>Programs</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>2015 Total</u> |
|--------------------------------------|----------------------------|-----------------------------------|--------------------------|----------------------------|
| Acquisitions of Conservation Land | \$ 752,642 | \$ | \$ | \$ 752,642 |
| Salaries, Payroll Taxes and Benefits | 676,773 | 470,098 | 169,980 | 1,316,851 |
| Bank Charges and Other Fees | 57 | 650 | 13,560 | 14,267 |
| Communications | 31,428 | 3,556 | 9,378 | 44,362 |
| Equipment/Maintenance/Rental | 30,505 | 7,153 | 14,332 | 51,990 |
| Information Technology | 3,111 | 1,561 | 754 | 5,426 |
| Insurance | 17,440 | 5,686 | 2,460 | 25,586 |
| Land Advocacy/Permits/Lobbying | 53,493 | 4,233 | 1,775 | 59,501 |
| Legal and Accounting | 61,859 | 28,468 | 323 | 90,650 |
| Miscellaneous | 30,828 | 176 | 2,794 | 33,798 |
| Occupancy | 97,131 | 46,319 | 23,286 | 166,736 |
| Outside Services | 49,009 | 19,735 | 105,347 | 174,091 |
| Postage and Mailhouse | 13,368 | 728 | 10,533 | 24,629 |
| Printing and Copying | 26,016 | 344 | 11,091 | 37,451 |
| Supplies and Cost of Merchandise | 58,295 | 1,712 | 68,270 | 128,277 |
| Transportation | 16,576 | 167 | 1,617 | 18,360 |
| Travel/Conferences/Meals/Meeting | 21,123 | 5,214 | 2,148 | 28,485 |
| Bad Debt | | | 196,848 | 196,848 |
| Total Expenses Before Depreciation | <u>\$ 1,939,654</u> | <u>\$ 595,800</u> | <u>\$ 634,496</u> | <u>\$ 3,169,950</u> |
| Depreciation | <u>77,068</u> | <u>4,485</u> | | <u>81,553</u> |
| Total Expenses | <u><u>\$ 2,016,722</u></u> | <u><u>\$ 600,285</u></u> | <u><u>\$ 634,496</u></u> | <u><u>\$ 3,251,503</u></u> |

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

Save Mount Diablo

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

| | <u>Programs</u> | <u>Management and General</u> | <u>Fundraising</u> | 2014 <u>Total (Restated)</u> |
|--------------------------------------|----------------------------|-----------------------------------|--------------------------|-------------------------------------|
| Salaries, Payroll Taxes and Benefits | \$ 849,189 | \$ 353,242 | \$ 65,794 | \$ 1,268,225 |
| Bank Charges and Other Fees | 1,296 | 1,454 | 11,824 | 14,574 |
| Communications | 13,072 | 2,798 | 11,332 | 27,202 |
| Equipment/Maintenance/Rental | 20,665 | 2,581 | 11,398 | 34,644 |
| Information Technology | 15,895 | 5,077 | 2,049 | 23,021 |
| Insurance | 30,524 | 9,270 | 170 | 39,964 |
| Land Advocacy/Permits/Lobbying | 66,870 | 3,386 | 736 | 70,992 |
| Legal and Accounting | 96,745 | 27,053 | 115 | 123,913 |
| Miscellaneous | 20,653 | 4,085 | 2,897 | 27,635 |
| Occupancy | 117,636 | 33,496 | 7,786 | 158,918 |
| Outside Services | 183,744 | 3,519 | 18,837 | 206,100 |
| Postage and Mailhouse | 14,056 | 425 | 9,550 | 24,031 |
| Printing and Copying | 38,699 | 432 | 11,094 | 50,225 |
| Supplies and Cost of Merchandise | 51,345 | 981 | 78,799 | 131,125 |
| Transportation | 19,244 | 178 | 1,780 | 21,202 |
| Travel/Conferences/Meals/Meetings | 22,488 | 1,714 | 3,510 | 27,712 |
| Total Expenses Before Depreciation | <u>\$ 1,562,121</u> | <u>\$ 449,691</u> | <u>\$ 237,671</u> | <u>\$ 2,249,483</u> |
| Depreciation | <u>105,235</u> | <u>4,485</u> | <u></u> | <u>109,720</u> |
| Total Expenses | <u><u>\$ 1,667,356</u></u> | <u><u>\$ 454,176</u></u> | <u><u>\$ 237,671</u></u> | <u><u>\$ 2,359,203</u></u> |

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

Save Mount Diablo

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

| <u>Cash Flows from Operating Activities:</u> | <u>2015</u> | <u>2014 (Restated)</u> |
|---|-------------------------|-------------------------|
| Changes in Net Assets | \$ 250,524 | \$ 1,068,820 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities | | |
| Provided by Operating Activities: | | |
| Depreciation | 81,553 | 109,720 |
| Losses on Pledge Receivables | 196,848 | |
| Realized and Unrealized Gains on Investments | (41,927) | (77,016) |
| Unrealized Loss(Gain) on Charitable Remainder Trust | 20,757 | (15,772) |
| (Increase) Decrease in Assets: | | |
| Contribution Receivable | 316,603 | (125,273) |
| Other Receivables | (13,263) | 5,408 |
| Inventory | 1,759 | (207) |
| Prepaid Expenses and Other Current Assets | 18,891 | (49,500) |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable and Accrued Liabilities | (73,610) | 5,501 |
| Net Cash Provided by Operating Activities | <u>\$ 758,135</u> | <u>\$ 921,681</u> |
| <u>Cash Flows from Investing Activities:</u> | | |
| Proceeds from Sales of Investments | \$ 2,362,258 | \$ 242,351 |
| Purchases of Investments | (848,449) | (117,524) |
| Acquisitions of and Improvements to Conservation Land | (777,805) | (97,790) |
| Acquisitions of Property and Equipment | (3,697) | (28,830) |
| Net Cash Provided/(Used) by Investing Activities | <u>\$ 732,307</u> | <u>\$ 1,793</u> |
| <u>Cash Flows from Financing Activities:</u> | | |
| Principal Payments on Conservation Land Purchase Notes | (\$ 562,186) | (286,836) |
| Net Increase in Cash and Cash Equivalents | \$ 928,256 | \$ 633,052 |
| Cash and cash equivalents, Beginning of Year | <u>1,445,659</u> | <u>812,607</u> |
| Cash and cash equivalents, End of Year | <u>\$ 2,373,915</u> | <u>\$ 1,445,659</u> |
| <u>Non-cash Investing and Financing Activities:</u> | | |
| Forgiveness of Rental Income in Lieu of Principal Payments on Debt | \$ 12,186 | \$ 12,186 |
| <u>Supplemental Disclosure of Cash Flows Information:</u> | | |
| Interest Paid During the Year | \$ 3,997 | \$ 5,520 |

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

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 ORGANIZATION BACKGROUND:

Save Mount Diablo (the Organization) is a not-for-profit 501(c)(3) public benefit corporation organized for preserving Mount Diablo's peaks, surrounding foothills and watersheds through land acquisition and preservation strategies designed to protect the mountain's natural beauty, biological diversity and historic and agricultural heritage; enhancing our area's quality of life; and providing recreational opportunities consistent with protection of natural resources. In support of this mission, the Organization:

- Protects natural lands through purchases, gifts, and cooperative efforts with public and private entities.
- Educates the public regarding threats to the mountain's flora, fauna, and rugged beauty and to the history and heritage of the mountain and its surrounding foothills.
- Partners with landowners to preserve their property and to ensure that they receive fair value in any transaction aimed at preserving open space.
- Works in partnership with Mount Diablo State Park, East Bay Regional Park District, and other public and private entities to increase and manage natural lands and to identify mitigation opportunities.
- Participates in the land use planning process for projects that could impact Mount Diablo and its surrounding foothills.
- Aids in the restoration of habitat and the preservation of rare species.
- Offers technical advice to community and neighborhood groups regarding preservation of natural lands.
- Hosts recreational events to build public awareness and to carry out our programs.
- Temporarily owns, and responsibly manages, lands prior to their transfer to a public agency for permanent preservation.
- Encourages recreation and public enjoyment of Mount Diablo's park lands, consistent with the protection of their natural resources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- A. *Basis of Presentation:* The financial statements of the Organization have been prepared on the accrual basis of accounting. Net assets and changes therein are classified as follows:

Unrestricted net assets - net assets not subject to donor-imposed stipulations. The Board of Directors may periodically designate certain funds to be held as reserves for a variety of purposes.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

A. *Basis of Presentation (continued)*

Board-designated net assets - net assets designated by the Board of Directors to be reserved for a sudden unanticipated event beyond the control of the Organization's staff and governing body. Board-designated net assets are available for use in order to sustain the financial operations of the Organization.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization had no permanently restricted net assets at December 31, 2015 and 2014.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Temporarily restricted revenues received that meet the donor-imposed stipulation during the same fiscal period are recorded as temporarily restricted revenue and are released from restriction in the corresponding fiscal period.

B. *Special Events and Program Revenue*: Special events and program revenues are recognized during the fiscal year in which the events and programs occur.

C. *Cash and Cash Equivalents*: The Organization places its cash and temporary cash investments with high credit quality institutions. Periodically, such investments may be in excess of federally insured limits. For purposes of the statement of cash flows, the Organization considers highly liquid investments with original maturities of three months or less to be cash equivalents.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- D. Contributions Receivable: Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions receivable with initial due dates in excess of one year are recorded net of discounts related to the difference between the nominal amount of the receivable and the present value of the receivable at the time the gift is promised. Discounts are amortized monthly and discount amortization is included in contribution revenue. A reserve for potential uncollectible contributions is maintained based on historical credit losses and management's expectations and was **\$20,000** and \$14,000 at December 31, 2015 and 2014, respectively.
- E. Property and Equipment: Property and equipment are capitalized when expenditures are in excess of \$2,500 and have a useful life greater than one year. Property and equipment are depreciated or amortized over the estimated useful lives of the assets, ranging from three to five years. Property and equipment are stated at cost if purchased, or at fair value if donated. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in change in net assets in the year of disposition.
- F. Long-Lived Assets: Management reviews long-lived assets, including property and equipment and conservation land, for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is recognized if the fair value of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value. During the years ended December 31, 2015 and 2014, there were no indications of impairment and therefore no impairment losses were recorded.
- G. Conservation Land and Structures: Capitalized costs for acquisition of conservation land consist of the purchase price and related closing costs. The Organization records the expenditures incurred for the acquisition of conservation land in program expenses and an offsetting item related to the acquisition of conservation land for the same amount on the statements of activities as unrestricted net assets activity. Conservation land is not depreciated; however, structures located on conservation land and all improvements on the conservation land are depreciated over an estimated useful life of ten to twenty years.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- H. Investments: Investments include cash, debt and equity securities. Debt and equity securities with readily determinable fair values are carried at estimated fair value, based on quoted market prices. The Organization has a Finance Committee which has the responsibility for establishing the Organization's return objectives (generally lower rates of return associated with more stable and safer investments) and defining the risk parameters (generally low risk securities, certificates of deposit and mutual funds). Investment in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statements of activities.
- I. Inventory: Inventories, which consist primarily of maps and promotional items, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method.
- J. Conservation Land Held for Sale: The Organization has entered into an agreement to sell the Hanson Hills property to East Bay Regional Park District as of December 31, 2015. The sale price for the land is in excess of carrying amount.
- K. Contributed Property and Services: Contributed property is recorded at estimated fair value at the date of donation. The Organization recognizes contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would need to be purchased if not donated. During the fiscal years ended December 31, 2015 and 2014, contributed property and services were **\$116,202** and \$130,522, respectively.
- L. Split-Interest Agreements: The Organization is a beneficiary of split-interest agreements including charitable remainder trusts. Irrevocable charitable remainder trusts for the benefit of the Organization are recognized as contributions when the Organization is notified of the existence of the trust. When the Organization is not named as the trustee, the Organization's interest in the trust's assets is recognized at its fair value, net of the present value of the estimated investment return and the expected payments to the beneficiaries. The Organization utilizes the discount rate as stipulated in the Internal Revenue Code section 7520's applicable federal rate at the date of recognition, and the Internal Revenue Code's mortality tables. Changes in the estimated value of the charitable remainder trusts during the term of the agreements are reported in the statements of activities. Upon maturity of a

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Split-Interest Agreements (Continued):

split-interest agreement, valuation differences in asset and liability accounts related to the agreement are recognized as changes in permanently restricted, temporarily restricted, or unrestricted net assets, as determined by the donor.

M. Advertising Costs: Advertising costs are expensed in the period incurred and classified as program expenses. Advertising expenses for the fiscal years ended December 31, 2015 and 2014 were **\$32,427** and \$12,192, respectively.

N. Fair Value Measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various valuation approaches. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the assets or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization’s assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 – quoted prices in active markets for identical investments.

Level 2 – significant observable inputs (including quoted prices for similar investments, interest rate, prepayment speeds, credit risk, etc.).

Level 3 – significant unobservable inputs (including the Organization’s own assumptions in determining fair value investments).

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- O. *Income Taxes:* The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and 2370(1)(d) of the State of California Revenue and Taxation Code. However, the Organization is subject to taxes on income, if any, that is unrelated to its exempt purpose. Unrelated business income for the years ended December 31, 2015 and 2014 was **\$52,365** and \$35,945, respectively.

The Organization has evaluated its current tax positions and has concluded that as of December 31, 2015, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

- P. *Functional Expense Allocations:* Expenses are charged to programs, general and administrative activities, and fundraising based on either the purpose of the expense or on an established allocation based on periodic review of personnel time and resource utilization.
- Q. *Use of Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.
- R. *Reclassifications:* Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation.
- S. *Subsequent Events:* The Organization has evaluated subsequent events for recognition and disclosure through the date of the audit report, the date on which these financial statements were available to be issued.

NOTE 3 CONCENTRATION OF CREDIT RISK:

Financial instruments that are exposed to concentrations of credit risk consist of cash and investments. The Organization has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately **\$1,679,124** and \$592,166 at December 31, 2015 and 2014, respectively. The Organization maintains its cash and investments with high quality institutions and companies with high credit ratings which the Organization believes limits these risks.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 4 CONTRIBUTIONS RECEIVABLE:

Contributions receivable were due as follows at December 31:

| | <u>2015</u> | <u>2014</u> |
|------------------------------|-------------------|-------------------|
| Due in Less Than One Year | \$ 142,988 | \$ 438,725 |
| Due in One To Three Years | <u>35,200</u> | <u>246,914</u> |
| Total | \$ 178,188 | \$ 685,639 |
| Less Discounts to Net | <u>(20,000)</u> | <u>(14,000)</u> |
| Net Contributions Receivable | <u>\$ 158,188</u> | <u>\$ 671,639</u> |
| Current | \$ 142,988 | \$ 438,725 |
| Noncurrent ** | <u>15,200</u> | <u>232,914</u> |
| Total | <u>\$ 158,188</u> | <u>\$ 671,639</u> |

** 2015 Balance Adjusted for Bad Debt

NOTE 5 INVESTMENTS:

Investments consist of a variety of instruments on deposit at various financial institutions and brokerage firms. Cost basis and fair value of investments are as follows at December 31, 2015:

| | <u>Cost Basis</u> | <u>Fair Value</u> |
|--|-------------------|---------------------|
| Bonds and Certificates of Deposit | \$ 755,008 | \$ 755,008 |
| Corporate Fixed Income | 67,001 | 67,507 |
| Mutual Funds | <u>145,665</u> | <u>180,025</u> |
| Total Investments | <u>\$ 967,674</u> | <u>\$ 1,002,540</u> |

The following summarizes the total investment return for the year ended December 31, 2015:

| | | |
|-------------------------------|-----------------|------------------|
| Interest and Dividends | | \$ 29,691 |
| Realized Gains | \$ 52,947 | |
| Unrealized Losses | <u>(11,020)</u> | <u>41,927</u> |
| Total Investments | | <u>\$ 71,618</u> |

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 5 INVESTMENTS (Continued):

The following summarizes the total investment return for the year ended December 31, 2014:

| | <u>Cost Basis</u> | <u>Fair Value</u> |
|-----------------------------------|---------------------|---------------------|
| Bonds and Certificates of Deposit | \$ 1,439,696 | \$ 1,443,431 |
| Corporate Fixed Income | 61,422 | 67,642 |
| Mutual Funds | <u>887,631</u> | <u>963,349</u> |
| Total Investments | <u>\$ 2,388,749</u> | <u>\$ 2,474,422</u> |

The following summarizes the total investment return for the year ended December 31, 2014:

| | | |
|------------------------|---------------|-------------------|
| Interest and Dividends | | \$ 44,602 |
| Realized Gains | \$ 1,920 | |
| Unrealized Gains | <u>75,096</u> | <u>77,016</u> |
| Total Investments | | <u>\$ 121,618</u> |

NOTE 6 FAIR VALUE MEASUREMENTS:

The following table summarizes the valuation of the Organization's investments which are measured on a recurring basis at December 31, 2015:

| | Quoted Prices | | Significant | |
|-----------------------------------|-----------------------------------|---|-------------------------------------|---------------------|
| | In Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) | Total |
| Bonds and Certificates of Deposit | \$ 755,008 | \$ | \$ | \$ 755,008 |
| Corporate Fixed Income | 67,507 | | | 67,507 |
| Mutual Funds | <u>180,025</u> | | | <u>180,025</u> |
| Total Investments | <u>\$ 1,002,540</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 1,002,540</u> |

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 6 FAIR VALUE MEASUREMENTS (Continued):

The following table summarizes the valuation of the Organization's investments which are measured on a recurring basis at December 31, 2014:

| | Quoted Prices In Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|-----------------------------------|--|--|--|---------------------|
| Bonds and Certificates of Deposit | \$ 1,443,431 | \$ | \$ | \$ 1,443,431 |
| Corporate Fixed Income | 67,642 | | | 67,642 |
| Mutual Funds | 963,349 | | | 963,349 |
| Total Investments | \$ 2,474,422 | \$ 0 | \$ 0 | \$ 2,474,422 |

NOTE 7 PROPERTY AND EQUIPMENT:

Property and equipment used in operations consisted of the following at December 31:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|-------------------|-------------------|
| Office Furniture | \$ 19,232 | \$ 19,232 |
| Stewardship Equipment | 52,999 | 49,302 |
| Computer Equipment | 97,756 | 97,756 |
| Vehicle | 13,875 | 13,875 |
| Total Cost | \$ 183,862 | \$ 180,165 |
| Less Accumulated Depreciation | (153,511) | (141,659) |
| | \$ 30,351 | \$ 38,506 |

Depreciation expense for property and equipment for the year ended December 31, 2015 and 2014 was **\$11,852** and \$12,666, respectively.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 8 CONSERVATION LAND:

The Organization has acquired various parcels of land which have been funded by contributions and grants. A summary of conservation land is as follows at December 31:

| | | | <u>2015</u> | <u>2014</u> |
|----------------------|--------------------------------------|-------------|----------------------|----------------------|
| 2001: | Wright Canyon | 76 Acres | \$ 521,257 | \$ 521,257 |
| 2005, 2006 and 2007: | Mangini Property | 207 Acres | 1,467,460 | 1,467,460 |
| 2006: | Young Property | 18 Acres | 303,304 | 303,304 |
| 2007: | Marsh Creek 1 | 9 Acres | 316,459 | 316,459 |
| 2008: | Marsh Creek 2 | 17 Acres | 321,518 | 321,518 |
| 2008: | Marsh Creek 4 | 3 Acres | 351,988 | 351,988 |
| 2009: | Viera North Peak | 165 Acres | 988,255 | 988,255 |
| 2010: | Briones Valley, Brentwood | 5 Acres | 84,044 | 84,044 |
| 2010: | Oak Hill Lane, Morgan Territory | 40 Acres | 352,595 | 352,595 |
| 2011: | Thomas Home Ranch | 11 Acres | 12,300 | 12,300 |
| 2011: | Marsh Creek 5 | 7 Acres | 126,081 | 126,081 |
| 2011: | Marsh Creek 6 | 6 Acres | 433,174 | 433,174 |
| 2011: | Marsh Creek 7 | 8 Acres | 494,950 | 494,950 |
| 2012: | Highland Springs | 105 Acres | 497,024 | 497,024 |
| 2012: | Lot 25 | 5 Acres | 178,150 | 178,150 |
| 2013: | Curry Canyon Ranch | 1,081 Acres | 6,670,392 | 6,670,392 |
| 2013: | Curry Creek 2 | 5 Acres | 329,345 | 329,345 |
| 2013: | Marsh Creek 8 | 8 Acres | 364,872 | 364,872 |
| 2015: | Hanson Hills | 76 Acres | <u>692,189</u> | |
| | Conservation Land | | \$ 14,505,357 | \$ 13,813,168 |
| | Less Conservation Land Held for Sale | | <u>(692,189)</u> | |
| | Total Conservation Land | | <u>\$ 13,813,168</u> | <u>\$ 13,813,168</u> |

A summary of structures and capital improvements related to conservation land is as follows at December 31:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|---------------------|---------------------|
| Structures | \$ 1,332,397 | \$ 1,332,397 |
| Capital Improvements | <u>39,690</u> | <u>13,967</u> |
| Total Cost | \$ 1,372,087 | \$ 1,346,364 |
| Less Accumulated Depreciation | <u>(166,755)</u> | <u>(96,947)</u> |
| | <u>\$ 1,205,332</u> | <u>\$ 1,249,417</u> |

Depreciation expense for structures on conservation land for the year ended December 31, 2015 and 2014 was \$69,701 and \$55,657, respectively.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 8 CONSERVATION LAND (Continued):

North Peak Ranch

The Organization has signed a ten-year option agreement to purchase the 88.5 acre North Peak Ranch for a total purchase price of approximately \$1.1 million. The beautiful property rises from Marsh Creek Road just east of Clayton onto the slopes of North Peak, Mt. Diablo's second tallest and more rugged peak. It shares a boundary with Mt. Diablo State Park. The property is beautiful, and mostly heavily wooded. Two tributary creeks drop down the steep slopes over moss covered rocky cataracts and small grottos then meet Mt. Diablo Creek just off site. Payments made toward the option agreement are classified as Land Purchase Option on the statement of financial position. At December 31, 2015, total option payments are \$60,000.

Hanson Hills

The Organization went into escrow in October 2014 for the purchase of the Hanson Hills property and paid \$45,000 to the escrow account as of December 31, 2014. The purchase of the property was finalized in 2015 for \$692,189. The property is 76.46 acres and rises from Marsh Creek Road. It includes two woodland ridges, one with a 755-foot peak and the other rising to over 900 feet, and a section of Long Canyon with a very nice creek that has water even in October of a dry year. The property includes oak woodland, grassland, riparian habitat, and some small rock outcroppings. The property's robust trail system renders all of it accessible though much of it is steep slopes. The Hanson Hills property is currently in escrow to transfer to the East Bay Regional Parks District in mid-2016. The land is classified as held for sale as of December 31, 2015 on the statement of financial position.

Wright Canyon

The Wright Canyon property was purchased in 2001 for \$640,000 (plus closing costs). In connection with the purchase of the Wright Canyon property, the Organization had granted a life estate to Dorothy Wright, which allowed Ms. Wright and her caretaker to remain in the house until her passing. Ms. Wright passed away in October 2012.

Mangini Property

In connection with the purchase of the Mangini property, the Organization was awarded a grant in the amount of \$905,000 by the State Coastal Conservancy to assist with the acquisition of the property. This amount was recorded as a

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 8 CONSERVATION LAND (Continued):

Mangini Property (Continued)

temporarily restricted net asset during 2006 in the statement of financial position and was then released from restriction in 2007 when the purchase escrow was concluded. The final purchase closed escrow in January 2007 for a total acquisition price of \$1,454,530 (plus closing costs). Subsequent to December 31, 2006, the Organization agreed to the sale of trail and emergency access and maintenance easements (for the California Riding and Hiking Trail and the Lime Ridge Trail) to the East Bay Regional Park District for \$50,000. The easement transfer occurred after the close of escrow on the acquisition of the property in January 2007.

Young Property

In 2006, the Organization acquired 18 acres of Young Canyon for \$300,000 (plus closing costs). It is located between Mount Diablo State Park and the Concord – Mount Diablo Trail Ride Association property on North Peak’s slopes. It’s small, but very rich botanically and crossed by a heavily used horse trail. It drops from a high 1420 foot knoll near an area called Cardinet Oaks into a mossy, fern-filled stream canyon, then slopes back up to a rocky meadow of wildflowers. Breezes there never seem to stop. Hawks call and turkey vultures float by on thermals.

Marsh Creek 1

As a result of contributions from numerous supporters, the Organization acquired the Marsh Creek 1 property for \$315,000 (plus closing costs) in November 2007. Marsh Creek 1 is a strategic purchase because it is located in a priority acquisition zone, which is an area almost completely surrounded by public land and wildlife.

Marsh Creek 2

The Organization acquired the Marsh Creek 2 property for \$320,000 (plus closing costs) in May 2008. Marsh Creek 2 is a 17 acre property at the entrance to the narrowest part of Marsh Creek Canyon. The property is highly visible, with grassland slopes above Marsh Creek Road, a steep wooded canyon and a large oak-covered knoll.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 8 CONSERVATION LAND (Continued):

Marsh Creek 4

The Organization acquired the Marsh Creek 4 property for \$325,000 (plus closing costs) in December 2008. Marsh Creek 4 is a 2.65 acre parcel across from Marsh Creek 2. The creek crosses the property maintaining a healthy riparian habitat with high resource values. The culvert connects the property and creek with Marsh Creek 2.

Viera North Peak

The Organization acquired the Viera North Peak property for \$975,000 (plus closing costs) in September 2009. Viera North Peak is a 165 acre parcel on the southeastern slopes of Mount Diablo's second highest peak. The parcel contains abundant high quality habitat, rare plants, exotic geology and soils, and elevations ranging from 1,000 to 2,300 feet.

Briones Valley, Brentwood

The Organization acquired the Briones Valley property (also known as "Dry Creek") in Brentwood for \$84,000 (plus closing costs) in August 2010. Dry Creek is a 5.18-acre property within a half mile of Brentwood subdivisions. The parcel backs up to the new 3,695 acre Marsh Creek State Park and is at the heart of the East Contra Costa County Habitat Conservation Plan's highest priority acquisition zone. The parcel is surrounded by high quality endangered species habitat for the San Joaquin kit fox, burrowing owls and California tiger salamander, and is a transitional zone from the seasonal wetlands of Briones Valley to the State Park's oak savannah.

Oak Hill Lane - Morgan Territory

The Organization acquired the Oak Hill Lane property for \$350,000 (plus closing costs) in December 2010. Oak Hill consists of four 10 acre parcels on the northern slope of Mount Diablo and is close to the Wright Canyon and Viera-North Peak properties. Oak Hill climbs from 960 to 1,240 feet in elevation allowing for 40 acres of spectacular views in all directions. It possesses resources including grassland, chaparral, blue and live oak woodlands, riparian vegetation, and the unique blue oak/narrowleaf goldenbush-California juniper (which is locally rare). Once Oak Hill is restored it will fill a critical gap area between protected lands and improve species movement in the Marsh Creek-Morgan Territory area.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 8 CONSERVATION LAND (Continued):

Thomas Home Ranch

The Organization acquired the Thomas-North property for \$1,376,000 (plus closing costs) in September 2011. The property is a 145.5 acre grassland parcel, and is the gateway to both Kirker Pass and to Nortonville Canyon, part of the very significant Concord Naval Weapons Station to Black Diamond Mines corridor, and adjacent to Keller Landfill protected open space. It includes a major canyon and creek intersection, including two major branches of Kirker Creek. The Organization sold 134.98 acres of the property in 2012. The Organization's Board of Directors knowingly entered into an auction for the highly strategic property in order to compete with a developer, and in full knowledge bid at above the appraised value, fully recognizing that when the Organization transferred the property to the East Bay Regional Park District a year later, it would be reimbursed at appraised value and thereby the Organization would take a loss on the sale. The Organization preserved and defended this property in accordance with its mission.

Marsh Creek 5

The Organization acquired the Marsh Creek 5 property for \$125,000 (plus closing costs) in July 2011. Marsh Creek 5 is a 7.4 acre parcel located in Morgan Territory and is near the western end of the Dark Canyon section of the riparian corridor. The property includes most of a steep volcanic knoll, rising more than 300 degrees in one tenth of a mile. Acquisition of the property prevents development and enhances previously preserved areas and will expand access to the regional trail system.

Marsh Creek 6

The Organization acquired the Marsh Creek 6 parcel for \$395,000 (plus closing costs) in October 2011. The property is a wooded 5.74 acres, mostly consisting of steep volcanic knolls and visible from a variety of protected lands from both directions of Marsh Creek. Along with Marsh Creek 5, this property is a part of six small extrusions of Coast Range Ophiolite rhyodacite, the only such mineral deposits in Central or Eastern Contra Costa County. It supports botanical richness, including heaps of large, rare, manzanita which preserves hop tree, toyon, bay, gray pines, live oak, blue oak, and buckeyes. The property is rich with birds, and Marsh Creek possibly supports California red-legged frogs and Alameda whipsnakes.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 8 CONSERVATION LAND (Continued):

Marsh Creek 7

The Organization acquired the Marsh Creek 7 parcel for \$574,000 (plus closing costs) in October 2011. The parcel is part of important wildlife corridors between Clayton Ranch and Black Diamond Mines to Round Valley. The property includes oak woodland, grassland, Marsh Creek riparian habitat and some large rock outcroppings. Marsh Canyon likely supports ground squirrels, California tiger salamanders, burrowing owls, American badgers and possibly San Joaquin kit foxes, among other species.

Highland Springs

The Organization acquired the Highland Springs property for \$495,000 (plus closing costs) in September 2012. Highland Springs is a dramatic property in the Tassajara area on the rugged west face of Highland Ridge just below the peak. It's location and high visibility are just as much of a preservation priority as the property's natural resources, which represents the first acquisition in this area by Save Mount Diablo. Highland Springs is 105 acres carved by two beautiful steep stream canyons on the western face of Highland Ridge just below the peak. Its location and high visibility are just as much as of a preservation priority as the property's natural resources. Highland Springs is near the lovely natural Tassajara Valley which is being threatened by nearby urban development.

Lot 25 at Diablo Estates

In March 2012, the Organization accepted a dedication offer of Petar Court/Lot 25 from the City of Clayton. Lot 25 is 5 acres of woodland and canyon near Mount Diablo State Park including 500 feet of previously unprotected Mount Diablo Creek with intact riparian vegetation including maple, cottonwood, sycamore, oak, buckeye and willow trees. The old house site and flat area along the creek are now studded with 150 live and valley oak trees planted to restore the corridor.

Curry Canyon Ranch

Curry Canyon Ranch has been at the top of the Organization's priority list of lands to protect since the Organization's founding more than 40 years ago. This 1,081 acre property has incredible topography from Curry Creek to steep wooded and shaded canyon walls and grassland ridges. It has more than a mile of exposed sandstone cliffs – the most significant exposed rock habitats left unprotected in the county. Surrounded by Mount Diablo State Park on three sides, Curry Canyon Ranch is a key wildlife corridor and trail connector. Save Mount Diablo purchased the Ranch for \$7.2 million (plus closing costs), with the help of a

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 8 CONSERVATION LAND (Continued):

Curry Canyon Ranch (Continued):

generous grant from the Coastal Conservancy and a loan, making it the largest and most expensive purchase in the Organization's history.

Curry Creek 2

Curry Creek 2 was purchased in May 2013 for \$536,000 (plus closing costs). It is a 4.9 acre property with a 635 foot high quality gravel bottomed segment of Curry Creek, with sycamores and other riparian vegetation. There are confirmed records of Alameda whipsnakes.

Marsh Creek 8

In July 2013, 14350 Marsh Creek Road, aka "Big Bend," was purchased for \$690,684 (plus closing costs). It is a 51 acre property located in a beautiful part of Marsh Creek's Dark Canyon. The property is one of the rare locations along Marsh Creek with a large, relatively undeveloped flood plain. The property's dominant feature is a large U-shaped bend in the creek, 3,100 feet in length, that provides high value creek habitat with a water source for wildlife and is also critical habitat for threatened species like the Western pond turtle and California red-legged frog which have already been confirmed on the site. Because of Big Bend's history and diverse habitats, it has high potential to be restored to its natural state. The Organization plans to eventually turn Big Bend over to a park district for public access where it will hopefully provide connections for recreation and wildlife travel.

NOTE 9 NOTES PAYABLE:

In December 2011, the Organization entered into a \$4,760,000 term loan agreement in connection with a planned acquisition of certain parcels of conservation land. The loan bears interest at a fixed rate of 0.2% per annum, which is payable on a monthly basis. The payment of principal is due in June 2016 with payment amounts payable throughout the loan period to the extent the Organization raises funds to pay down the loan. As of December 31, 2015 and 2014, the outstanding balance on the note payable was **\$1,796,525** and \$2,346,525, respectively.

In conjunction with the acquisition of the Curry Creek 2 property, the Organization issued a note payable in May 2013 in the amount of \$36,000. The note payable bears interest at a fixed rate of 1.0% per annum and matures in June 2016. The Organization is leasing the Curry Creek 2 property back to the former owners for a period of three years. In lieu of receiving principal and interest payments on the note payable, the Organization is forgiving the lease payments over the term of the lease.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 NOTES PAYABLE (Continued):

The Organization forgave \$12,186 of lease income in 2015 and 2014, which is recorded in other income on the statements of activities. As of December 31, 2015 and 2014, the outstanding balance on the note payable was **\$4,520** and \$16,706, respectively.

NOTE 10 CAPITAL CAMPAIGN:

In 2013, the Organization began a three-year Forever Wild campaign – The Campaign for the Diablo Wilderness fundraising initiative to raise \$15 million to acquire and permanently protect critical open space, plant and wildlife habitat, wildlife corridors, and trail connectors on Mount Diablo. Funds will be used to purchase lands, undertake land restoration and management, hire stewardship staff, and support all cost of the campaign and to repay the note to purchase Curry Canyon Ranch and replenish land acquisition funds.

NOTE 11 LEASING ACTIVITIES:

The Organization's leasing activities consist primarily of operating leases that include grazing leases and rental leases for two conservation land structures over the next 12 months. Total income from leasing activities for the year ended December 31, 2015 was \$68,957.

NOTE 12 COMMITMENTS:

The Organization leases its corporate office space and certain equipment under noncancelable operating leases expiring through fiscal year 2020. The future rental payments on the leases as of December 31, 2015 are as follows:

| <u>Year Ending December 31</u> | |
|--------------------------------|-------------------|
| 2016 | \$ 150,959 |
| 2017 | 153,946 |
| 2018 | 50,918 |
| 2019 | 1,620 |
| 2020 | <u>1,485</u> |
| Total | <u>\$ 358,928</u> |

Office space, storage and equipment lease expense was **\$177,226** and \$169,946 for the years ended December 31, 2015 and 2014, respectively.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 13 TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets as of December 31, 2015 and net assets released from restriction during the year ended December 31, 2015 are as follows:

| | Temporarily Restricted Net Assets | Net Assets Released from Restriction |
|----------------------------|---|--|
| Forever Wild Campaign | \$ 341,703 | \$ 872,792 |
| Beacon Restoration | 63,702 | 1,940 |
| Curry Canyon Ranch | | 61,325 |
| Stewardship | 7,499 | 39,769 |
| Trail Guide | 2,182 | 1,422 |
| Other Program Restrictions | 14,832 | 123,935 |
| | <u>\$ 429,918</u> | <u>\$ 1,101,183</u> |

Temporarily restricted net assets as of December 31, 2014 and net assets released from restriction during the year ended December 31, 2014 are as follows:

| | Temporarily Restricted Net Assets | Net Assets Released from Restriction |
|-------------------------------|---|--|
| Forever Wild Campaign | \$ 1,031,131 | \$ 248,565 |
| Beacon Restoration | 65,517 | 901 |
| Curry Canyon Ranch | 31,290 | 226,999 |
| Stewardship | 9,195 | 107,774 |
| Trail Guide | 2,805 | 907 |
| Membership Campaign | | 43,286 |
| Time Restricted Contributions | | 26,000 |
| Land Acquisition | | 28,409 |
| Land Improvements | | 769 |
| Other Program Restrictions | 18,902 | 51,598 |
| | <u>\$ 1,158,840</u> | <u>\$ 735,208</u> |

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 14 IN-KIND PROPERTY AND SERVICES:

The Organization received the following contributed property and services during the years ended December 31:

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Outside Services | \$ 250 | \$ 8,654 |
| Legal | 50,330 | 53,733 |
| Supplies | 15,483 | 36,666 |
| Food | 19,903 | 21,014 |
| Advertising | 30,236 | 10,455 |
| Total Contributed Property and Services | <u>\$ 116,202</u> | <u>\$ 130,522</u> |

NOTE 15 RETIREMENT PLAN:

The Organization offers employees the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 403(b) as an Employer Contributory Plan (the "Retirement Plan"). The Retirement Plan is operated by Lincoln Financial Group and provides employees with the opportunity to defer a portion of their salary subject to annual statutory limitation.

In January 2006, the Board of Directors modified the Retirement Plan requiring employees be employed six months in order to be eligible to participate in the Retirement Plan. The Organization will match employee contributions dollar for dollar up to a maximum discretionary amount to be set by the Board of Directors each year. For 2015 and 2014, the maximum match was 5.5% of employee's annual salary. The Organization contributed **\$47,834** and \$47,749 to the plan for the years ended December 31, 2015 and 2014, respectively.

NOTE 16 RESTATEMENTS:

The Organization has restated its previously issued statement of financial position, statement of activities and changes in net assets, statement of functional expenses, and cash flows for the year ended December 31, 2014 to correct an error in its calculation of depreciation for conservation land structures and improvements. The Organization's depreciation calculation included only structures and improvements that had corresponding rental income. In accordance with FASB Accounting Standard Codification 958-360-35, depreciation on buildings and capitalized costs of major preservation efforts should be recognized on the capitalized asset regardless of whether depreciation is recognized on the

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 16 RESTATEMENTS (Continued):

asset being protected. Depreciation expenses for the year ended December 31, 2014 should have included \$86,499 of expense related to structures and improvements. The effects of the restatements for the year ended December 31, 2014 are as follows:

| | <u>Before</u> | | <u>Restated</u> |
|--|--------------------|-------------------|-----------------|
| | <u>Restatement</u> | <u>Adjustment</u> | |
| Total Expense | \$ 2,272,704 | \$ 86,499 | \$ 2,359,203 |
| Total Program Expense | 1,580,857 | 86,499 | 1,667,356 |
| Depreciation | 23,221 | 86,499 | 109,720 |
| Change in Net Assets | 1,155,319 | (86,499) | 1,068,820 |
| Conservation Land | 15,149,084 | (1,335,916) | 13,813,168 |
| Conservation Land Structures, Net | | 1,249,417 | 1,249,417 |
| Net Assets, End of Year - Unrestricted | 16,281,184 | (86,499) | 16,194,685 |