



Financial Statements  
and  
Independent Auditor's Report

For the Years Ended December 31, 2017 and 2016

Save Mount Diablo

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December 31, 2017 and 2016

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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 comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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.

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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



DAMORE, HAMRIC & SCHNEIDER, INC.  
Certified Public Accountants

Sacramento, CA

July 30, 2018, except for Notes 15 and 18, as to which the date is August 31, 2018.

Save Mount Diablo

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS

<u>Current Assets:</u>	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 2,962,937	\$ 2,526,348
Contributions Receivable, Net	794,758	44,125
Other Receivables	16,688	70,685
Prepaid Expenses and Other Assets	46,095	34,554
Conservation Land Held for Sale	12,300	1,322,073
Total Current Assets	<u>\$ 3,832,778</u>	<u>\$ 3,997,785</u>
Contributions Receivable, Non-current	486,833	429,425
Charitable Remainder Trust Receivable, Net	1,020,393	75,356
Investments	1,492,123	1,611,370
Conservation Land	12,976,314	12,161,750
Conservation Land Structures, Net	919,778	1,005,707
Property and Equipment, Net	58,041	24,758
Land Purchase Option	195,549	125,549
Deed of Conservation Easement	3	1
Deposits	8,892	8,892
Total Assets	<u>\$ 20,990,704</u>	<u>\$ 19,440,593</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>		
Accounts Payable	\$ 41,072	\$ 71,285
Accrued Liabilities	119,412	92,784
Distribution from Charitable Remainder Trust, Current Portion	47,399	
Note Payable, Current Portion		447,926
Total Current Liabilities	<u>\$ 207,883</u>	<u>\$ 611,995</u>
<u>Non-Current Liabilities:</u>		
Distribution from Charitable Remainder Trust, Net of Current Portion	<u>\$ 360,566</u>	<u>\$</u>
Total Liabilities	<u>\$ 568,449</u>	<u>\$ 611,995</u>

<u>Net Assets:</u>		
Unrestricted Net Assets:		
Board-Designated	\$ 1,491,656	\$ 1,202,348
Undesignated	16,238,731	16,495,775
Total Unrestricted Net Assets	<u>\$ 17,730,387</u>	<u>\$ 17,698,123</u>
Temporarily Restricted Net Assets	2,143,348	1,130,475
Permanently Restricted Net Assets:		
Stewardship Endowment Fund	<u>548,520</u>	<u></u>
Total Net Assets	<u>\$ 20,422,255</u>	<u>\$ 18,828,598</u>
Total Liabilities and Net Assets	<u>\$ 20,990,704</u>	<u>\$ 19,440,593</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 Year Ended December 31, 2017

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support, Revenue and Gains				
<u>Public Support:</u>				
Contributions	\$ 1,210,593	\$ 1,592,206	\$ 548,520	\$ 3,351,319
In-Kind Contributions	<u>66,224</u>			<u>66,224</u>
Total Public Support	<u>\$ 1,276,817</u>	<u>\$ 1,592,206</u>	<u>\$ 548,520</u>	<u>\$ 3,417,543</u>
<u>Revenue and Gains:</u>				
Interest and Dividends	\$ 23,780	\$	\$	\$ 23,780
Special Events and Programs	587,217			587,217
Land Revenue and Management Fees	14,993			14,993
Realized and Unrealized Investment Gains	30,715			30,715
Unrealized Loss on Charitable Remainder Trust	( 2,948)			( 2,948)
Other Income	<u>24,230</u>			<u>24,230</u>
Total Revenue and Gains	<u>\$ 677,987</u>	<u>\$</u>	<u>\$</u>	<u>\$ 677,987</u>
Net Assets Released from Restriction	<u>\$ 579,333</u>	<u>(\$ 579,333)</u>	<u>\$</u>	<u>\$</u>
Total Support, Revenue and Gains	<u>\$ 2,534,137</u>	<u>\$ 1,012,873</u>	<u>\$ 548,520</u>	<u>\$ 4,095,530</u>
<u>Functional Expenses:</u>				
Programs	\$ 1,984,370	\$	\$	\$ 1,984,370
Management and General	558,151			558,151
Fundraising	<u>736,008</u>			<u>736,008</u>
Total Functional Expenses	<u>\$ 3,278,529</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,278,529</u>
Changes in Net Assets before Other Items	(\$ 744,392)	\$ 1,012,873	\$ 548,520	\$ 817,001
<u>Other Items:</u>				
Acquisitions of Conservation Land	884,564			884,564
Loss on Disposal of Conservation Land Structure	( 80,992)			( 80,992)
Loss on Sale of Conservation Land	<u>( 26,916)</u>			<u>( 26,916)</u>
Changes in Net Assets	\$ 32,264	\$ 1,012,873	\$ 548,520	\$ 1,593,657
Net Assets, Beginning of Year	<u>17,698,123</u>	<u>1,130,475</u>		<u>18,828,598</u>
Net Assets, End of Year	<u>\$ 17,730,387</u>	<u>\$ 2,143,348</u>	<u>\$ 548,520</u>	<u>\$ 20,422,255</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 Year Ended December 31, 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support, Revenue and Gains				
<u>Public Support:</u>				
Contributions	\$ 1,581,688	\$ 1,340,037	\$	\$ 2,921,725
In-Kind Contributions	<u>79,837</u>			<u>79,837</u>
Total Public Support	<u>\$ 1,661,525</u>	<u>\$ 1,340,037</u>	<u>\$</u>	<u>\$ 3,001,562</u>
<u>Revenue and Gains:</u>				
Interest and Dividends	\$ 15,911	\$	\$	\$ 15,911
Special Events and Programs	566,607			566,607
Land Revenue and Management Fees	57,922			57,922
Realized and Unrealized Investment Gains	29,313			29,313
Unrealized Loss on Charitable Remainder Trust	( 2,512)			( 2,512)
Other Income	<u>48,579</u>			<u>48,579</u>
Total Revenue and Gains	<u>\$ 715,820</u>	<u>\$</u>	<u>\$</u>	<u>\$ 715,820</u>
Net Assets Released from Restriction	<u>\$ 639,480</u>	<u>(\$ 639,480)</u>	<u>\$</u>	<u>\$</u>
Total Support, Revenue and Gains	<u>\$ 3,016,825</u>	<u>\$ 700,557</u>	<u>\$</u>	<u>\$ 3,717,382</u>
<u>Functional Expenses:</u>				
Programs	\$ 1,437,658	\$	\$	\$ 1,437,658
Management and General	555,520			555,520
Fundraising	<u>545,561</u>			<u>545,561</u>
Total Functional Expenses	<u>\$ 2,538,739</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,538,739</u>
Changes in Net Assets before Other Items	\$ 478,086	\$ 700,557	\$	\$ 1,178,643
<u>Other Items:</u>				
Acquisitions of Conservation Land	65,549			65,549
Loss on Disposal of Conservation Land Structure				
Loss on Sale of Conservation Land	( 19,643)			( 19,643)
Changes in Net Assets	\$ 523,992	\$ 700,557	\$	\$ 1,224,549
Net Assets, Beginning of Year	<u>17,174,131</u>	<u>429,918</u>		<u>17,604,049</u>
Net Assets, End of Year	<u>\$ 17,698,123</u>	<u>\$ 1,130,475</u>	<u>\$</u>	<u>\$ 18,828,598</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, 2017

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Total</u>
Acquisitions of Conservation Land	\$ 884,564	\$	\$	\$ 884,564
Salaries, Payroll Taxes and Benefits	573,819	467,928	373,663	1,415,410
Bank Charges and Other Fees	360	1,166	13,621	15,147
Communications	23,461	2,208	3,442	29,111
Equipment/Maintenance/Rental	18,301	9,604	27,890	55,795
Information Technology	475	163	11,699	12,337
Insurance	30,692	3,787	5,104	39,583
Land Advocacy/Permits/Lobbying	46,595	2,642	3,454	52,691
Legal and Accounting	23,075	19,343	1,103	43,521
Miscellaneous	12,274	839	2,060	15,173
Occupancy	62,461	39,566	55,062	157,089
Outside Services	116,662	240	93,813	210,715
Postage and Mailhouse	5,445	910	8,238	14,593
Printing and Copying	27,637	520	26,757	54,914
Supplies and Cost of Merchandise	38,697	1,690	103,066	143,453
Transportation	17,942	252	1,298	19,492
Travel/Conferences/Meals/Meeting	18,217	2,888	5,738	26,843
Total Expenses Before Depreciation	<u>\$ 1,900,677</u>	<u>\$ 553,746</u>	<u>\$ 736,008</u>	<u>\$ 3,190,431</u>
Depreciation	<u>83,693</u>	<u>4,405</u>	<u></u>	<u>88,098</u>
Total Functional Expenses	<u>\$ 1,984,370</u>	<u>\$ 558,151</u>	<u>\$ 736,008</u>	<u>\$ 3,278,529</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, 2016

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2016 Total</u>
Acquisitions of Conservation Land	\$ 65,549	\$	\$	\$ 65,549
Salaries, Payroll Taxes and Benefits	652,370	466,899	202,170	1,321,439
Bank Charges and Other Fees	459	1,236	11,735	13,430
Communications	21,061	2,787	7,945	31,793
Equipment/Maintenance/Rental	38,283	4,039	16,230	58,552
Information Technology	4,519	1,530	4,493	10,542
Insurance	27,018	5,206	4,474	36,698
Land Advocacy/Permits/Lobbying	102,067	6,871	5,599	114,537
Legal and Accounting	22,469	16,200	978	39,647
Miscellaneous	11,727	175	418	12,320
Occupancy	90,860	41,205	34,046	166,111
Outside Services	186,665	2,459	139,817	328,941
Postage and Mailhouse	5,571	772	8,311	14,654
Printing and Copying	19,693	608	12,664	32,965
Supplies and Cost of Merchandise	70,528	1,488	91,287	163,303
Transportation	17,944	326	1,329	19,599
Travel/Conferences/Meals/Meetings	14,046	2,898	3,715	20,659
Bad Debt			350	350
Total Expenses Before Depreciation	<u>\$ 1,350,829</u>	<u>\$ 554,699</u>	<u>\$ 545,561</u>	<u>\$ 2,451,089</u>
Depreciation	<u>86,829</u>	<u>821</u>		<u>87,650</u>
Total Functional Expenses	<u>\$ 1,437,658</u>	<u>\$ 555,520</u>	<u>\$ 545,561</u>	<u>\$ 2,538,739</u>

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

Save Mount Diablo

STATEMENTS OF CASH FLOWS

December 31, 2017 and 2016

<u>Cash Flows from Operating Activities:</u>	<u>2017</u>	<u>2016</u>
Changes in Net Assets	\$ 1,593,657	\$ 1,224,549
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
<u>Provided by Operating Activities:</u>		
Depreciation	88,098	87,650
Losses on Pledge Receivables		350
Loss on Sale of Conservation Land	26,916	19,643
Loss on Disposal of Conservation Land Structure	80,992	
Net Realized and Unrealized Gains on Investments	( 27,766)	( 29,313)
Unrealized Loss on Charitable Remainder Trust	2,948	2,512
<u>(Increase) Decrease in Assets:</u>		
Charitable Remainder Trust Receivable	( 947,985)	
Contributions Receivable	( 808,041)	( 315,712)
Other Receivables	53,997	( 56,316)
Inventory		9,117
Prepaid Expenses and Other Current Assets	( 11,541)	( 1,299)
<u>Increase (Decrease) in Liabilities:</u>		
Accounts Payable	( 30,213)	55,643
Accrued Liabilities	26,628	34,336
Distribution from Charitable Remainder Trust	407,965	
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 455,655</u>	<u>\$ 1,031,160</u>
 <u>Cash Flows from Investing Activities:</u>		
Proceeds from Sale of Investments	\$ 2,355,213	\$ 4,124,002
Purchases of Investments	( 2,208,200)	( 4,703,519)
Proceeds from Sale of Conservation Land	1,282,855	1,177,887
Acquisitions of and Improvements to Conservation Land	( 949,250)	( 113,069)
Acquisitions of Property and Equipment	( 51,758)	( 10,909)
<u>Net Cash Provided by Investing Activities</u>	<u>\$ 428,860</u>	<u>\$ 474,392</u>
 <u>Cash Flows from Financing Activities:</u>		
Principal Payments on Conservation Land Purchase Notes	(\$ 447,926)	(\$ 2,899,644)
Issuance of Conservation Land Purchase Notes		1,546,525
<u>Net Cash Used by Financing Activities</u>	<u>(\$ 447,926)</u>	<u>(\$ 1,353,119)</u>
 Net Increase in Cash and Cash Equivalents	\$ 436,589	\$ 152,433
Cash and Cash Equivalents, Beginning of Year	<u>2,526,348</u>	<u>2,373,915</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 2,962,937</u>	<u>\$ 2,526,348</u>

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

Save Mount Diablo

STATEMENTS OF CASH FLOWS

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Non-cash Investing and Financing Activities:</u>		
Forgiveness of Rental Income in Lieu of Principal Payments on Debt	<u>\$</u>	<u>\$ 4,520</u>
<u>Supplemental Disclosure of Cash Flows Information:</u>		
Interest Paid During the Year	<u>\$ 4,769</u>	<u>\$ 19,774</u>
Taxes Paid During the Year	<u>\$</u>	<u>\$ 4,899</u>

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

# Save Mount Diablo

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

### NOTE 1 ORGANIZATION BACKGROUND:

Save Mount Diablo (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 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, 2017 and 2016

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 permanently restricted net assets at December 31, 2017 and 2016 of **\$548,520** and \$0, respectively.

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, 2017 and 2016

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. The applicable rate was 2% and 3% at December 31, 2017 and 2016, respectively. 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 **\$21,000** and \$27,000 at December 31, 2017 and 2016, 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, 2017 and 2016, 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.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- H. Deed of Conservation Easement: A perpetual conservation easement is a voluntary legal agreement between a landowner and a qualified organization, such as a land trust, to protect the natural or cultural resources of that land forever. The conservation easement will protect the resources the Organization purchased the property to save, by having the landowner help steward the land while also allowing them to live on the land they love when applicable. The agreement limits the landowners' rights on the property in order to protect the land's conservation values. In 2017, the Organization acquired two conservation easements in connection with the sale of the Marsh Creek 2 and Viera North Peak properties. The easements have no financial value since zoning permits a minimum parcel size of 5 acres, limiting development value to the existing, single home site. The Organization has valued the easements as \$1 in the financial statements.
- I. 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.
- J. Conservation Land Held for Sale: The Organization entered into agreements to sell the Marsh Creek 2 and the Viera North Peak properties. The sale of the Marsh Creek 2 property closed escrow in April 2017. The sale price was less than the carrying amount and the Organization recorded a loss on disposal. The sale of the Viera North Peak property closed escrow in July 2017. The sales price was greater than the carrying amount and the Organization recorded a gain on disposal. In 2017, the East Bay Regional Park District entered into an option, purchase and sale agreement to purchase the remaining acres of the Thomas Kirker Creek property. The sale price for the land is in excess of carrying amount.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- 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, 2017 and 2016, contributed property and services were **\$66,224** and \$79,837, 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 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, 2017 and 2016 were **\$17,341** and \$18,458, 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.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

N. Fair Value Measurements (Continued):

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.

- 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, 2017 and 2016 was **\$393** and \$47,249, respectively.

The Organization has evaluated its current tax positions and has concluded that as of December 31, 2017 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.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- 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 2016 financial statements to conform to the 2017 financial statement presentation.
- S. Subsequent Events: Management has evaluated subsequent events for recognition and disclosure through July 30, 2018, 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 **\$2,123,698** and \$1,333,916 at December 31, 2017 and 2016, 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.

NOTE 4 CONTRIBUTIONS RECEIVABLE:

Contributions receivable were due as follows at December 31:

	<u>2017</u>	<u>2016</u>
Due in Less Than One Year	\$ 794,758	\$ 44,125
Due in One To Four Years	507,833	456,425
Total	\$ 1,302,591	\$ 500,550
Less Discounts to Net	( 21,000)	( 27,000)
Net Contributions Receivable	<u>\$ 1,281,591</u>	<u>\$ 473,550</u>
Current	\$ 794,758	\$ 44,125
Non-current	<u>486,833</u>	<u>429,425</u>
Total	<u>\$ 1,281,591</u>	<u>\$ 473,550</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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, 2017:

	<u>Cost Basis</u>	<u>Fair Value</u>
<b>Certificates of Deposit</b>	\$ 1,238,000	\$ 1,236,841
<b>Exchange Traded Funds</b>	29,395	49,175
<b>Mutual Funds</b>	132,303	196,541
<b>Equities</b>	<u>9,582</u>	<u>9,566</u>
<b>Total Investments</b>	<u>\$ 1,409,280</u>	<u>\$ 1,492,123</u>

The following summarizes the total investment return for the year ended December 31, 2017:

<b>Interest and Dividends</b>		\$ 23,800
<b>Realized Loss</b>	(\$ 982)	
<b>Unrealized Gains</b>	<u>28,748</u>	<u>27,766</u>
<b>Total Investments</b>		<u>\$ 51,566</u>

Cost basis and fair value of investments are as follows at December 31, 2016:

	<u>Cost Basis</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 1,333,024	\$ 1,339,654
Corporate Fixed Income	67,000	67,365
Exchange Traded Funds	27,948	42,825
Mutual Funds	<u>124,329</u>	<u>161,526</u>
<b>Total Investments</b>	<u>\$ 1,552,301</u>	<u>\$ 1,611,370</u>

The following summarizes the total investment return for the year ended December 31, 2016:

<b>Interest and Dividends</b>		\$ 15,911
<b>Realized Gains</b>	\$ 2,971	
<b>Unrealized Gains</b>	<u>26,342</u>	<u>29,313</u>
<b>Total Investments</b>		<u>\$ 45,224</u>

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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, 2017:

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Certificates of Deposit	\$ 1,236,841	\$	\$	\$ 1,236,841
Exchange Traded Funds	49,175			49,175
Mutual Funds	196,541			196,541
Equities	<u>9,566</u>			<u>9,566</u>
<b>Total Investments</b>	<u>\$ 1,492,123</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,492,123</u>

The following table summarizes the valuation of the Organization's investments which are measured on a recurring basis at December 31, 2016:

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Certificates of Deposit	\$ 1,339,654	\$	\$	\$ 1,339,654
Corporate Fixed Income	67,365			67,365
Exchange Traded Funds	42,825			42,825
Mutual Funds	<u>161,526</u>			<u>161,526</u>
<b>Total Investments</b>	<u>\$ 1,611,370</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,611,370</u>

NOTE 7 PROPERTY AND EQUIPMENT:

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

	<u>2017</u>	2016
Office Furniture	\$ 19,232	\$ 19,232
Stewardship Equipment	52,999	52,999
Computer Equipment	119,615	97,756
Vehicle	<u>40,808</u>	<u>24,784</u>
Total Cost	\$ 232,654	\$ 194,771
Less Accumulated Depreciation	( <u>174,613</u> )	( 170,013 )
	<u>\$ 58,041</u>	<u>\$ 24,758</u>

Depreciation expense for property and equipment for the year ended December 31, 2017 and 2016 was \$18,475 and \$16,502, respectively.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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>2017</u>	<u>2016</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
2008:	Marsh Creek 4	3 Acres	351,988	351,988
2009:	Viera North Peak	165 Acres		988,255
2010:	Dry Creek	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:	Marsh Creek 8	51 Acres	364,872	364,872
2017:	Anderson Ranch - Pacini	96 Acres	<u>814,564</u>	
	Conservation Land		\$ 12,988,614	\$13,483,823
	Less Conservation Land Held for Sale		( 12,300)	( 1,322,073)
	Total Conservation Land		<u>\$ 12,976,314</u>	<u>\$ 12,161,750</u>

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

	<u>2017</u>	<u>2016</u>
Structures	\$ 1,030,398	\$ 1,121,202
Capital Improvements	<u>143,455</u>	<u>87,210</u>
Total Cost	\$ 1,173,853	\$ 1,208,412
Less Accumulated Depreciation	( 254,075)	( 202,705)
	<u>\$ 919,778</u>	<u>\$ 1,005,707</u>

Depreciation expense for structures on conservation land for the year ended December 31, 2017 and 2016 was \$69,623 and \$71,148, respectively.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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, 2017, total option payments and related acquisition costs are \$195,549.

Hanson Hills

The Organization completed the purchase of the Hanson Hills property 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 through much of it is steep slopes. The Hanson Hills property was transferred to the East Bay Regional Parks District in August 2016 for \$730,000 and will become part of the future Deer Valley Regional Park.

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 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 conlued.

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Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 8 CONSERVATION LAND (Continued):

Mangini Property (Continued):

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 is 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. On May 2017, the Organization sold the property for \$220,000. Per the terms of the sale agreement the Organization placed a conservation easement on the property which will be held at the value of \$1.

## Save Mount Diablo

### NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

#### 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. On July 24, 2017 the Organization sold the property for \$1,080,000. Per the terms of the sale agreement the Organization placed a conservation easement on the property which will be held at the value of \$1.

##### Dry Creek

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, 2017 and 2016

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. In 2017, the Organization entered into an option agreement to sell the remaining 10.50 acres for \$204,200 to the East Bay Regional Park District.

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 feet 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. 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, 2017 and 2016

#### 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, the first acquisition in this area by the Organization, on the rugged west face of Highland Ridge just below the peak. Its location and high visibility are just as much of a preservation priority as the property's natural resources. Highland Springs is 105 acres carved by two beautiful steep stream canyons on the western face of Highland Ridge. 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 generous grant from the Coastal Conservancy and a loan, making it the largest and most expensive purchase in the Organization's history.

## Save Mount Diablo

### NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

#### NOTE 8 CONSERVATION LAND (Continued):

##### 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. In October 2016, the Organization sold the property to a private party for \$490,000. Per the terms of the sale agreement the Organization placed a perpetual conservation easement on the property which is held at the value of \$1 as of December 31, 2017.

##### 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.

##### Anderson Ranch - Pacini

In 2017, the Organization acquired 95 acres of Anderson Ranch for \$800,000 (plus closing costs). Anderson Ranch is located adjacent to the Contra Costa County Marsh Creek Detention Facility and close to SMD’s Marsh Creek 4 and 6 properties. It is visible from Marsh Creek Road and rises to a beautiful plateau on the north end of Morgan Territory Ridge. The property includes a 2100 foot section of Marsh Creek and two beautiful ponds. California red-legged frog has been verified on-site and small volcanic domes are found on the north end of Morgan Territory Ridge.

#### NOTE 9 ACCRUED COMPENSATED ABSENCES:

Accrued but unused employees’ paid time off (PTO) benefits are recognized as liabilities of the Organization. The amount of accumulated PTO at December 31, 2017 and 2016 was **\$71,183** and \$66,385, respectively.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 10 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 bore interest at a fixed rate of 0.2% per annum. The loan was repaid in May 2016 through the issuance of a bridge loan. In May 2016, the Organization entered into a \$1,546,525 bridge loan agreement to repay the balance of the term loan agreement the Organization entered into in December 2011. The loan bore interest at a fixed rate of 2.8% per annum. The principal balance of the loan was due in November 2017. The conservation land was mortgaged as collateral for the note. As of December 31, 2017 and 2016, the outstanding balance on the note payable in connection with acquisition of conservation land was \$0 and \$447,926, respectively. On March 2, 2017, the outstanding balance of the bridge loan was paid, extinguishing the remaining portion of the Organization's notes payable.

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 bore interest at a fixed rate of 1.0% per annum and matured in June 2017. The Organization was 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.

The Organization forgave \$0 and \$4,520 of lease income in 2017 and 2016, respectively, which is recorded in other income on the statements of activities. As of December 31, 2017 and 2016, the outstanding balance on the note payable was \$0.

NOTE 11 CAPITAL CAMPAIGN:

The Organization launched the quiet phase of its Forever Wild capital campaign in 2013 with a campaign goal of \$15 million. By the end of 2015, generous donors had contributed \$6.6 million. With that sum, the Organization was able to acquire the extraordinary 1,080-acre Curry Canyon Ranch. Campaign donors made it possible to purchase additional properties as well, including Big Bend and Hanson Hills in the Marsh Creek Area. At the end of the 2015, as planned, the longtime Executive Director transitioned into retirement. In that same year, the Organization hired a new Executive Director, a veteran land conservation leader. With new staff leadership and strong programs, the Organization's Board of Directors approved Phase II of the Forever Wild campaign. The Organization's goal is to raise the remaining \$8.4 million of the \$15 million required to meet their objectives, to be completed by 2019.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 12 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, the Organization's leasing activities includes grazing leases. During 2017, the leases on the two conservation land structures ended and will not be renewed in the same fashion. At this time, there are no leases of conservation land structures. Total income from leasing activities for the year ended December 31, 2017 was \$14,993.

NOTE 13 COMMITMENTS:

The Organization leases its corporate office space and certain equipment under noncancelable operating leases expiring through fiscal year 2023. The future rental payments on the leases as of December 31, 2017 are as follows:

<u>Year Ending December 31:</u>	
2018	\$ 179,692
2019	196,051
2020	201,991
2021	206,544
2022	211,660
Thereafter	<u>69,689</u>
Total	<u>\$ 1,065,627</u>

Office space, storage and equipment lease expense was **\$178,455** and \$181,217 for the years ended December 31, 2017 and 2016, respectively.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 14 TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets as of December 31, 2017 and net assets released from restriction during the year ended December 31, 2017 are as follows:

	<b>Temporarily Restricted Net Assets</b>	<b>Net Assets Released from Restriction</b>
<b>Forever Wild Campaign</b>	<b>\$ 2,010,622</b>	<b>\$ 504,273</b>
<b>Beacon Restoration</b>	<b>62,855</b>	<b>899</b>
<b>Stewardship</b>	<b>10,000</b>	<b>4,000</b>
<b>Trail Guide</b>	<b>3,371</b>	<b>1,087</b>
<b>Legal/Advice</b>	<b>15,000</b>	<b>5,000</b>
<b>Other Program Restrictions</b>	<b>41,500</b>	<b>64,074</b>
	<b><u>\$ 2,143,348</u></b>	<b><u>\$ 579,333</u></b>

Temporarily restricted net assets as of December 31, 2016 and net assets released from restriction during the year ended December 31, 2016 are as follows:

	Temporarily Restricted Net Assets	Net Assets Released from Restriction
Forever Wild Campaign	\$ 1,029,662	\$ 502,829
Beacon Restoration	63,704	659
Curry Canyon Ranch		16,000
Stewardship	4,000	104,587
Trail Guide	3,109	473
Legal/Advice	20,000	5,100
Other Program Restrictions	10,000	9,832
	<b><u>\$ 1,130,475</u></b>	<b><u>\$ 639,480</u></b>

NOTE 15 PERMANENTLY RESTRICTED NET ASSETS:

In 2017, the Organization created the Stewardship Endowment Fund to ensure a sustainable source of funding to properly manage conserved lands in perpetuity. The Organization's Stewardship Endowment Fund consists of both net assets permanently restricted by donors and temporarily restricted and unrestricted net assets that have been designated by the Board of Directors to be invested and reinvested. Permanently restricted donations received were \$548,520 for 2017.

Save Mount Diablo

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 16 IN-KIND CONTRIBUTIONS:

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

	<u>2017</u>	<u>2016</u>
Outside Services	\$ 17,940	\$
Legal		11,821
Supplies	4,076	12,478
Food	29,708	37,883
Advertising	14,500	17,655
Total Contributed Property and Services	<u>\$ 66,224</u>	<u>\$ 79,837</u>

NOTE 17 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 2017 and 2016, the maximum match was 5.5% of employees' annual salary. The Organization contributed \$46,398 and \$39,035 to the plan for the years ended December 31, 2017 and 2016, respectively.

NOTE 18 DISCOVERY OF PERMANENTLY RESTRICTED CONTRIBUTIONS AFTER THE REPORT AND FINANCIAL STATEMENTS WERE ISSUED:

Subsequent to the original report issuance date it was discovered that a few of the donations received during the year were permanently restricted by the donor. As a result, the financial statements have been restated to reflect those permanent donations in the amount of \$548,520. See Note 15 for additional information.