

Financial Statements  
December 31, 2020

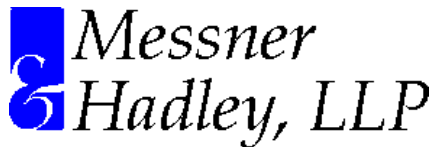
## Transition Habitat Conservancy

# Transition Habitat Conservancy

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December 31, 2020

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*Certified Public Accountants*

Paul S. Messner, CPA  
Cindra J. Hadley, CPA  
James M. Quinn, CPA, CFE

## **Independent Auditors' Report**

The Board of Directors  
Transition Habitat Conservancy  
Pinon Hills, California

### **Report on the Financial Statements**

We have audited the accompanying financial statement of Transition Habitat Conservancy, which comprise the statement of financial position as of December 31, 2020, 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 audit. We conducted our audit 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Transition Habitat Conservancy as of December 31, 2020, 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.

**Emphasis of Matter-New Accounting Pronouncement**

As discussed in notes to the financial statements, Transition Habitat Conservancy adopted the provisions of Accounting Standards Update ASU No. 2018-08, Not-For-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The adoption of this ASU did not result in a change to the accounting for any of Transition Habitat Conservancy's revenue streams; as such, no cumulative effect adjustment was recorded. Our opinion is not modified with respect to this matter.

**Emphasis of Matter-Prior Period Restatement**

As discussed in Note 11 to the financial statements, restatements resulting in changes of amounts previously reported for net assets with donor restrictions and net assets without donor restrictions were discovered during the audit. Accordingly, the amounts reported for these items have been restated in the financial statements. Our opinion is not modified with respect to these matters.

*Messner & Hadley, LLP.*

Messner & Hadley, LLP  
Certified Public Accountants

Apple Valley, California  
August 18, 2021

Transition Habitat Conservancy  
Statement of Financial Position  
December 31, 2020

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Assets	
Cash and cash equivalents	\$ 596,096
Restricted cash	267,046
Accounts receivable, net	22,462
Restricted investments	5,426,390
Property and equipment, net	300,548
Conservation lands	15,289,150
Conservation easements	<u>1,749,948</u>
Total assets	<u><u>\$ 23,651,640</u></u>
Liabilities and Net Assets	
Accounts payable and accrued expenses	\$ 6,658
Taxes payable	3,959
Funds held in escrow	5,000
Deferred revenues	<u>4,969</u>
Total liabilities	<u>20,586</u>
Net Assets	
Without donor restrictions, as restated	
Undesignated	597,972
Net property and equipment	<u>300,548</u>
Total without donor restrictions	898,520
With donor restrictions, as restated	<u>22,732,534</u>
Total net assets	<u>23,631,054</u>
Total liabilities and net assets	<u><u>\$ 23,651,640</u></u>

Transition Habitat Conservancy  
Statement of Activities  
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Grants and contributions	\$ 168,087	1,900,073	\$ 2,068,160
SBA Grant-Paycheck protection program	63,692		63,692
Memberships	4,880	-	4,880
Fundraising income	5,335	-	5,335
Service fees	-	57,063	57,063
In-kind labor	224,823	-	224,823
Interest	5		5
Return on investments		(35,849)	(35,849)
Other	4,396	109,943	114,339
Net assets released from restrictions	123,912	(123,912)	-
Total revenue, support, and gains	595,130	1,907,318	2,502,448
Expenses			
Program services expense			
Land acquisition and conservation	572,031	-	572,031
Supporting services expense			
Management and General	373,801	-	373,801
Total expenses	945,832	-	945,832
Change in Net Assets	(350,702)	1,907,318	1,556,616
Net Assets, Beginning of Year, as previously reported	1,403,028	20,671,410	22,074,438
Restatement	(153,806)	153,806	-
Net Assets, Beginning of Year, as restated	1,249,222	20,825,216	22,074,438
Net Assets, End of Year	\$ 898,520	\$ 22,732,534	\$ 23,631,054

Transition Habitat Conservancy  
Statement of Functional Expenses  
Year Ended December 31, 2020

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	<u>Program Services Land Conservation</u>	<u>Management and General</u>	<u>Total</u>
Administrative	\$ 4,662	\$ 10,168	\$ 14,830
Payroll	305,879	251,819	557,698
Professional Fees	122	15,816	15,938
Insurance	72	8,205	8,277
Occupancy	12,124	65,353	77,477
Depreciation	5,989	-	5,989
Stewardship and acquisition	<u>243,183</u>	<u>22,440</u>	<u>265,623</u>
 Total expenses by function	 <u>\$ 572,031</u>	 <u>\$ 373,801</u>	 <u>\$ 945,832</u>

Transition Habitat Conservancy  
Statement of Cash Flows  
Year Ended December 31, 2020

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Cash flows from Operating Activities	
Change in net assets	\$ 1,556,616
Adjustments to reconcile change in net assets to net cash from (used for) operating activities	
Depreciation	5,989
Gain on disposal of assets	(3,212)
Realized and unrealized (gain) loss on investments	35,849
Changes in operating assets and liabilities	
Accounts receivable, net	49,150
Accounts payable and accrued expenses	(6,901)
Deferred revenues	(8,326)
Taxes payable	(2,180)
Net Cash from (used for) Operating Activities	<u>\$ 1,626,985</u>
 Cash Flows from Investing Activities	
Purchases of investments	(5,889,223)
Proceeds from sales of investments	4,917,162
Purchases of property and equipment	(40,943)
Proceeds from sales of property and equipment	14,000
Purchases of conservation lands and easements	(1,050,434)
Net Cash used for Investing Activities	<u>(2,049,438)</u>
 Net Change in Cash, Cash Equivalents, and Restricted Cash	(422,453)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>1,285,595</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 863,142</u>
 Supplemental Disclosure of cash Flow Information	
Cash paid during the year for interest	<u>\$ -</u>

**Note 1 - Principal Activity and Significant Accounting Policies**

**Organization**

Transition Habitat Conservancy (the Organization) is a nonprofit corporation operating in San Bernardino and Los Angeles Counties, California. The Organization's mission is to manage and restore lands and to enforce any prohibitions of use.

The Organization's primary sources of revenue are government grants, contributions from the public, and fees from businesses requiring environmental mitigation services. These resources are spent restoring and managing land and acquiring conservation land and easements.

**Cash, Cash Equivalents, and Restricted Cash**

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for mitigation, acquisition of property, or other long-term purposes are excluded from this definition.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows:

Cash in checking	\$ 753,676
Cash in savings and money markets	109,818
Cash on hand	<u>(352)</u>
	<u>\$ 863,142</u>
Cash and equivalents	\$ 596,096
Restricted cash and equivalents	<u>267,046</u>
	<u>\$ 863,142</u>

**Receivables and Deferred Revenue**

The Organization charges fees for mitigation and other land management services. Generally, a retainer is received in advance of the performance of services, and charges are billed against the retainer. From time to time, services are performed before a new retainer is received. When the charges for services exceed the retainer, the Organization reports a receivable. When the balance of the retainer exceeds the charges for services, deferred revenue is reported. The Organization does not believe any of the receivables at December 31, 2020 are uncollectible.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of net assets. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized

**Note 1 - Principal Activity and Significant Accounting Policies (continued)**

**Property and Equipment**

We record property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2020.

**Conservation Lands and Easements**

The Organization records land and land interests at cost if purchased or at fair value at the date of acquisition, if all or part of the land was received as a donation. Fair value is generally determined by appraisal at the time of acquisition and is not subsequently adjusted. Costs related to the acquisition of land and land interests, such as appraisals, surveys, and initial restoration, are included in the total cost of the land or land interest.

Conservation land is real property with significant ecological value. The Organization's portfolio of conservation land includes land it intends to own and maintain in perpetuity and land it intends to transfer to other organizations who will manage the lands in a similar fashion.

Conservation easements are comprised of listed rights and/or restrictions over the owned property that grant the Organization the right to protect and or mitigate the property.

**Acquisition Expenses**

Costs associated with unsuccessful attempts to acquire land or land interests are expensed as program expenses as soon as the Organization is notified that the acquisition will not be completed.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Note 1 - Principal Activity and Significant Accounting Policies (continued)**

**Revenue and Revenue Recognition**

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08, *Not-For-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The new guidance helps distinguish if grants and contracts with resource providers are exchange transactions or contributions. Once a transaction is deemed to be a contribution, the ASU also provides guidance to help determine when a contribution is conditional and evaluates the possibility that a condition will not be met is remote. Unconditional contributions are recognized immediately and classified as either net assets with or without donor restrictions, while conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without restrictions. Results for reporting the year ending December 31, 2020 are presented under ASU No. 2018-08.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**In-Kind Contributions**

Contributions of donated goods and services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market value in the period received. In-kind contributions for the year ended December 31, 2020 was \$224,823.

**Advertising Costs**

Advertising costs are expensed as incurred, and approximated \$603 during the year ended December 31, 2020.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation, insurance and interest, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, which are allocated on the basis of estimates of time and effort.

**Income Taxes**

Transition Habitat Conservancy is organized as California nonprofit corporations and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. We are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. We have determined that we are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS

**Note 1 - Principal Activity and Significant Accounting Policies (continued)**

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

**Financial Instruments and Credit Risk**

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by us and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

**New Accounting Standards**

Financial Accounting Standards Board (FASB) has issued ASU No. 2014-09, Revenue from Contracts with Customers, as amended by ASU No. 2015-14, which supersedes or replaces nearly all USGAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and will expand disclosures about revenue. ASU No. 2014-09, as amended by ASU No. 2020-05, is effective for nonpublic entities for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. The Organization is currently assessing the impact of this new standard.

**New Accounting Standards (continued)**

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842), to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02, as amended by ASU No. 2019-10, is effective for nonpublic entities for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Organization is currently assessing the impact of this new standard, including the two optional transition methods. On June 3, 2020, FASB issues ASU No. 2020-05, Revenue from contract with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities which moved the effective date of this standard back to fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022.

**Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Financial assets at year end:	
Cash and cash equivalents	863,142
Investments	<u>5,426,390</u>
Total financial assets	6,289,532
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>5,693,436</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 596,096</u>

**Note 3 - Fair Value Measurements**

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments, none of which are held for trading purposes approximate carrying values of such components.

**Note 4 - Property and Equipment**

Property and equipment consists of the following at December 31, 2020:

Land and improvements	\$ 55,000
Buildings and improvements	222,136
Vehicles	117,749
Furniture and equipment	<u>37,604</u>
	432,489
Less accumulated depreciation	<u>(131,941)</u>
	<u>\$ 300,548</u>

Depreciation expense totaled \$5,989 for the year ended December 31, 2020.

**Note 5 - Conservation Lands**

Conservation lands consisted of the following at December 31, 2020:

Completed acquisitions	\$ 15,289,150
Acquisitions in progress	<u>-</u>
	<u>\$ 15,289,150</u>

**Note 6 - Conservation Easements**

Conservation easements consisted of the following at December 31, 2020:

Completed acquisitions	\$ 1,747,875
Acquisitions in progress	<u>2,073</u>
	<u>\$ 1,749,948</u>

**Note 7 - Paycheck Protection Program Loan**

On April 10, 2020, the Organization was granted a loan from Chase Bank in the amount of \$63,692 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), and as amended by the Paycheck Protection Program Flexibility Act of 2020 (the PPP Flexibility Act), provides for funds to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The proceeds are forgivable as long as the borrower uses the proceeds during the covered period for eligible purposes, including payroll, benefits, rent and utilities, spends a minimum amount of the proceeds for payroll costs, and maintains its payroll levels. The amount of forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period, with certain exceptions. The unforgiven portion of PPP proceeds issued under the CARES Act is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

The Organization has accounted for the loan as a conditional contribution and has recognized the loan forgiveness of \$63,692 as a contribution for the year ended June 30, 2020 as management has determined that all conditions for forgiveness were met before year end.

**Note 8 - Fair Value Measurements and Disclosures**

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

**Note 8 - Fair Value Measurements and Disclosures (continued)**

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost per share as a practical expedient as identified in the following, at December 31, 2020

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	Level 1	Level 2	Level 3
Cash and money market (at cost)	\$ 683,871	\$ 683,871	\$ -	\$ -
Equities	1,551,366	1,551,366	-	-
Fixed Income and preferreds	3,086,822	3,086,822	-	-
Alternative investments	104,331	104,331	-	-
	<u>\$ 5,426,390</u>	<u>\$ 5,426,390</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 9 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2020

Subject to expenditure for specified purpose:	
Cash and equivalents	\$ 267,046
Restricted investments	424,663
Endowment funds	5,001,727
Conservation lands	<u>17,039,098</u>
	<u>\$ 22,732,534</u>

**Note 10 - Endowment Funds**

The Organization's permanently restricted endowments were established with contributions for the perpetual management of a conservation lands and easements. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization, in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization has adopted investment and spending policies for endowment assets that attempt to subject the funds to low investment risk and provide the earnings needed for the established purposes. Endowment assets are invested in equities, exchange-traded and closed-end funds, mutual funds, and unit investment trusts.

The endowments for the perpetual management of conservation land and easements were established by contributions subject to restrictions, so they are classified as permanently restricted. A PECAR + Property Cost Analysis Report was developed to establish the expected per-acre cost of providing perpetual management of the conservation easements and the present value of the original endowments based on an expected 3.50% return per annum. In keeping with donors' intents, earnings from endowments will accumulate in the permanent fund for three years. Subsequent earnings will be recorded as temporarily restricted net assets until they are appropriated for spending.

**Note 10 - Endowment Funds (continued)**

The composition of endowment net assets and the changes in endowment net assets are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, January 1, 2020	\$ -	\$ 4,372,843	\$ 4,372,843
Contributions	-	688,989	688,989
Investment income, net of expenses	-	(30,900)	(30,900)
Net appreciation		163,246	163,246
Amounts appropriated for transfers	<u>-</u>	<u>(192,451)</u>	<u>(192,451)</u>
Endowment net assets, December 31, 2020	<u>\$ -</u>	<u>\$ 5,001,727</u>	<u>\$ 5,001,727</u>

**Note 11- Prior Period Restatement**

The statement of financial position and statement of activities have been restated to correct errors in prior years relating to the classification of net assets. The effect of the net asset restatement was an increase in net assets with restrictions at December 31, 2019 of \$153,806 and a corresponding decrease to net assets without restrictions of \$153,806.

**Note 12- Subsequent Events**

We have evaluated subsequent events through August 18, 2021, the date the financial statements were available to be issued.