

**TRUCKEE DONNER LAND TRUST
A NONPROFIT ORGANIZATION**

**FINANCIAL STATEMENT WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
MARCH 31, 2022 AND 2021**

TRUCKEE DONNER LAND TRUST

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Truckee Donner Land Trust
Truckee, California**

Opinion

We have audited the accompanying financial statements of Truckee Donner Land Trust (the "Land Trust"), which comprise the statements of financial position as of March 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Land Trust as of March 31, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Gilbert CPAs

GILBERT CPAs
Sacramento, California

September 6, 2022

TRUCKEE DONNER LAND TRUST

STATEMENTS OF FINANCIAL POSITION MARCH 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS:		
Cash and cash equivalents	\$ 938,325	\$ 3,105,697
Restricted cash	350,000	350,000
Investments	13,591,440	13,424,944
Prepaid expenses and other assets	175,478	101,451
Contributions and pledges receivable, net	693,799	1,566,533
Bequests receivable, net	4,944,338	1,969,247
Grants receivable, net	834,562	3,259,630
Furniture, equipment and depreciable land projects, net	6,594,381	4,520,597
Operating lease right-of-use assets, net	34,200	57,000
Land and related:		
Land holdings	56,796,976	35,619,982
Acquisitions in progress	14,174	1,500,000
Assets held for sale		900,000
Total land and related	<u>56,811,150</u>	<u>38,019,982</u>
TOTAL ASSETS	<u>\$ 84,967,673</u>	<u>\$ 66,375,081</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 63,383	\$ 21,479
Accrued and other liabilities	491,234	368,340
Operating lease liability	35,400	57,600
Total liabilities	<u>590,017</u>	<u>447,419</u>
Net assets:		
Without donor restrictions:		
General fund	484,356	1,132,505
Conservation fee fund	680,825	2,720,820
Board designated	8,477,360	9,588,026
Used for furniture, equipment and depreciable land projects	6,594,381	4,695,014
Used for land and related	56,811,150	37,119,982
Total without donor restrictions	73,048,072	55,256,347
With donor restrictions	11,329,584	10,671,315
Total net assets	<u>84,377,656</u>	<u>65,927,662</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 84,967,673</u>	<u>\$ 66,375,081</u>

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

TRUCKEE DONNER LAND TRUST

STATEMENTS OF ACTIVITIES YEARS ENDED MARCH 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
PUBLIC SUPPORT:		
Land contributions	\$ 2,778,600	
Contributions	1,351,466	\$ 6,189,137
Contributions in-kind	109,150	
Grant income	22,000	10,000
Total public support	<u>4,261,216</u>	<u>6,199,137</u>
REVENUE:		
Conservation fees	787,085	1,027,660
Investment income	336,840	1,527,842
Increase in value of land donated to the public		279,900
Other revenue	354,103	221,720
Net assets released from restriction	<u>14,849,671</u>	<u>5,531,929</u>
Total revenue	<u>16,327,699</u>	<u>8,589,051</u>
Total public support and revenue	<u>20,588,915</u>	<u>14,788,188</u>
EXPENSES:		
Program services	1,755,529	968,712
General and administrative	627,865	464,617
Fundraising	<u>313,796</u>	<u>399,387</u>
Subtotal expenses	2,697,190	1,832,716
Donation of land and easements to the public	<u>100,000</u>	<u>2,721,829</u>
Total expenses	<u>2,797,190</u>	<u>4,554,545</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>17,791,725</u>	<u>10,233,643</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Grant income	8,097,107	9,584,079
Contributions	5,610,219	2,217,205
Endowment contributions	1,775,000	
Contributions in-kind	25,614	
Net assets released from restriction	<u>(14,849,671)</u>	<u>(5,531,929)</u>
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>658,269</u>	<u>6,269,355</u>
INCREASE IN NET ASSETS	18,449,994	16,502,998
NET ASSETS, Beginning of the Year	<u>65,927,662</u>	<u>49,424,664</u>
NET ASSETS, End of the Year	<u>\$ 84,377,656</u>	<u>\$ 65,927,662</u>

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

TRUCKEE DONNER LAND TRUST

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED MARCH 31, 2022 AND 2021

	2022				2021			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:								
Salaries, wages and benefits	\$ 492,585	\$ 403,185	\$ 226,628	\$ 1,122,398	\$ 375,507	\$ 331,043	\$ 302,927	\$ 1,009,477
Professional services, land	418,119	789	600	419,508	223,731	2,657	153	226,541
Professional services, other	149,122	124,639	15,994	289,755	63,266	49,762	11,359	124,387
Property taxes	239,155			239,155	31,192	19	18	31,229
Depreciation	148,524	5,768	3,132	157,424	51,784		69	51,853
Capital improvements	126,897	750	1,356	129,003	76,481	1,335	1,364	79,180
Insurance	50,151	2,614	972	53,737	41,990	2,696	1,584	46,270
Rent	17,825	16,815	7,473	42,113	22,215	14,869	13,360	50,444
Marketing and appeals	808	1,685	31,990	34,483	2,429	1,578	25,276	29,283
Contributions & grants		19,000		19,000		16,500		16,500
Miscellaneous	112,343	52,620	25,651	190,614	80,117	44,158	43,277	167,552
Subtotal expenses	<u>1,755,529</u>	<u>627,865</u>	<u>313,796</u>	<u>2,697,190</u>	<u>968,712</u>	<u>464,617</u>	<u>399,387</u>	<u>1,832,716</u>
Donation of land and easements to the public	<u>100,000</u>			<u>100,000</u>	<u>2,721,829</u>			<u>2,721,829</u>
Total expenses	<u>\$ 1,855,529</u>	<u>\$ 627,865</u>	<u>\$ 313,796</u>	<u>\$ 2,797,190</u>	<u>\$ 3,690,541</u>	<u>\$ 464,617</u>	<u>\$ 399,387</u>	<u>\$ 4,554,545</u>

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

TRUCKEE DONNER LAND TRUST

STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 18,449,994	\$ 16,502,998
Adjustments:		
Depreciation expense	157,424	51,853
Donated investments	(94,286)	(74,083)
Donated land	(2,778,600)	
Proceeds from sale of donated investments	90,308	75,538
Restricted endowment	(1,775,000)	
Net realized and unrealized gain on investments	(190,052)	(1,401,749)
Reduction in carrying amount of right-of-use asset	22,800	(57,000)
Increase in value of land donated to the public		(279,900)
Changes in Prepaid expenses and other assets	(74,027)	43,702
Changes in Contributions and pledges receivable, net	872,734	(902,620)
Changes in Bequests receivable, net	(2,975,091)	(49,155)
Changes in Grants receivable, net	2,425,068	(3,041,456)
Changes in Accounts payable	41,904	(54,578)
Changes in Accrued and other liabilities	122,894	195,420
Changes in Acquisitions in progress	(1,049,388)	(595,000)
Changes in Operating lease liability	(22,200)	57,600
Total adjustments	<u>(5,225,512)</u>	<u>(6,031,428)</u>
Net cash and cash equivalents provided by operating activities	<u>13,224,482</u>	<u>10,471,570</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments and certificates of deposit	(10,365,569)	(9,306,597)
Proceeds from sale of investments and certificates of deposit	10,393,103	2,984,260
Acquisition of land and related holdings	(14,963,180)	(6,646,166)
Proceeds on conveyance of land and related holdings		3,200,000
Additions to furniture, equipment and depreciable land projects	(2,231,208)	(2,485,250)
Conveyance/disposal of land		2,721,829
Net cash and cash equivalents used by investing activities	<u>(17,166,854)</u>	<u>(9,531,924)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Endowment contributions	<u>1,775,000</u>	
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(2,167,372)	939,646
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH,		
Beginning of year	<u>3,455,697</u>	<u>2,516,051</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, End of year	<u>\$ 1,288,325</u>	<u>\$ 3,455,697</u>
CASH AND CASH EQUIVALENTS	\$ 938,325	\$ 3,105,697
RESTRICTED CASH	<u>350,000</u>	<u>350,000</u>
TOTAL	<u>\$ 1,288,325</u>	<u>\$ 3,455,697</u>
SUPPLEMENTAL DISCLOSURE:		
Noncash Investing and Financing Activities		
Right-of-use asset acquired through operating lease liability	<u>\$</u>	<u>\$ 68,400</u>
The accompanying notes are an integral part of these financial statements.		

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

1. NATURE OF ACTIVITIES

The Truckee Donner Land Trust (the “Land Trust”) was organized in 1990 and works to preserve and protect important scenic, historic, and recreational open spaces in the greater Truckee Donner area of California. The Land Trust acquires land and conservation easements through donation and purchases and manages recreational activities on these lands in a sustainable manner. Some acquired lands are eventually passed on to public entities for permanent stewardship.

In addition to direct acquisition of land interests, the Land Trust plays an instrumental role in acquisition of lands where title may not pass through the Land Trust. This may occur because contracts or options held by the Land Trust are assigned to partners or public entities for direct acquisition, or land acquired in partnership with others is processed through a partner. Although not included in these financial statements, the Land Trust may include such lands in other reports or statistics.

The Land Trust also actively stewards all lands still under its control - managing for issues such as forest health, watershed health and wildfire resilience. Trails are constructed and maintained by the Land Trust for sustainable public recreation and access. The Land Trust also manages a public campground and backcountry huts for overnight access and recreation at specific properties.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with U.S. generally accepted accounting principles. The Land Trust reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent the portion of net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Land Trust’s Board of Directors has internally designated the use of a portion of these net assets. These funds are used or reserved primarily for stewardship activities, operational reserve, and land purchases (see Note 13).

Net assets with donor restrictions represent the portion of net assets subject to donor-imposed 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 (see Note 13).

Revenue recognition – Contributions and grants are recognized in full when received or unconditionally promised or granted and when supported by written support or contract, in accordance with professional standards. All contributions and grants are available for general operations unless specifically restricted by donors or grantors for future periods or specific purposes. Donor or grantor-restricted amounts are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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 restriction.

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

Conditional promises to give – that is, those with measurable performance or other barriers and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Land Trust's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Land Trust has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures, if any, are reported as refundable advances in the statement of financial position. The Land Trust received cost-reimbursable grants of \$826,571 and \$899,881 that have not been recognized at March 31, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred.

The Land Trust's revenue from contracts with customers consists of conservation fees, which represent funds paid to the Land Trust by buyers and/or sellers of certain real property, unrelated to the Land Trust, at the time of closing. The amount is based on the value of the transaction.

Funds received in advance of being earned are recorded as deferred revenue, which represents a contract liability.

The Land Trust frequently pursues projects jointly with other conservation entities. During such projects, each partner involved may make expenditures and raise funds. The Land Trust records these amounts as refundable advances and other interests in land until the project is complete. Once completed, a settlement between the parties occurs and the project is primarily reflected in the financial statements of one of the partners.

Income generated from net assets with donor restrictions is unrestricted unless the donor stipulates otherwise.

Donated materials, equipment, and professional services are recorded as contributions in-kind and recognized at the estimated fair value as of the date of donation or service. Contributed services that do not meet the criteria for recognition are not reflected in the financial statements.

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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents – For financial statement purposes, the Land Trust considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents, unless held for long term purposes. Cash and highly liquid financial instruments restricted in perpetuity, or other long-term purposes are excluded from this definition.

The Land Trust minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Land Trust's deposits held with financial institutions in excess of federal depository insurance limits were \$538,475 and \$1,913,827 as of March 31, 2022 and 2021, respectively. The Land Trust has not experienced any losses in such accounts and management believes the Land Trust is not exposed to any significant credit risk related to cash.

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

Restricted cash – The Land Trust has a letter of credit. As part of the sale of the Lake Van Norden Property in 2017, the Land Trust was required to obtain a \$350,000 letter of credit from Bank of the West to the Pacific Gas and Electric Company (PG&E). The letter of credit is to maintain the Pollution Insurance Coverage that the Land Trust entered into as part of the purchase and sale agreement with the United States Forest Service. The letter of credit can only be drawn upon by PG&E and the Land Trust has no access to this letter of credit.

Certificates of deposit are recorded at cost. It is the intent of the Land Trust to hold these certificates of deposits until maturity.

Investments are stated at fair value.

Contributions and pledges receivable are considered to be available for general operations unless specifically restricted by the donor. Pledges receivable are recognized when supported by a written contract to make a contribution. Contributions and pledges receivable are reported net of the allowance for uncollectible accounts. However, management has determined that no allowance was necessary at March 31, 2022 and 2021, based on their conclusion that all pledges were collectible.

Discounts on pledges are computed using interest rates applicable to the years in which the promises are received.

Grants receivable, net are amounts due from other nonprofits and government entities which are supported by a written contract and are considered current. Management believes that all outstanding receivables are collectible in full and therefore, an allowance for uncollectible accounts was not considered necessary.

Bequests receivable, net are contractually irrevocable promises to pay the Land Trust a specified sum of money upon a donor's death, subject to a reasonable period of time for the orderly administration of the donor's estate.

Furniture and equipment are stated at cost or, if donated, at the estimated fair value at the date of donation. The Land Trust capitalizes all expenditures for furniture and equipment in excess of \$5,000. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from 3 to 7 years.

Substantial improvements to properties include developing a public water system at Webber Lake Campground, structural improvements to the historic Webber Lake Hotel, development of a back country ski hut system at Frog Lake, new trail heads, or new trails are capitalized. Campgrounds, roads and trail heads are depreciated over 20 years while new trails are capitalized with their respective property and not depreciated due to their indeterminable life.

Construction-in-progress represents costs incurred on the construction of asset that have not been completed or placed into service as of the end of the year.

Land holdings are stated at fair value at the date of purchase or gift. If an appraisal is not available, the fair value is estimated by the Land Trust based on a comparable price of similar property and other market factors. As proper stewards of the land are identified, lands are sold or donated to the public through the appropriate public agency resulting in a decrease in assets.

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

Easements are conservation easements and represent numerous restrictions over the use and development of land not owned in fee by the Land Trust. These easements generally provide that the land will be maintained unimpaired in its current natural, agricultural, scenic, or recreational state. Easements once granted have no market value, no future economic benefit and require the use of Land Trust resources to maintain them; therefore, they are not capitalized as an asset, but are expensed at fair value as a donation of lands to the public. When easements are received through donation, they are recognized as revenue at fair value when the land holdings are received and as an expense at the same value to “Donation of easements to the public”.

Income taxes – The Land Trust is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. None of the Land Trust’s present or anticipated future activities are subject to taxation as unrelated business income; therefore, no provision for federal or California income taxes has been recorded. The Land Trust had applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements.

Direct project expenses are costs directly related to program projects that are not capitalized as fixed assets or land holdings. With respect to existing land holdings, they include such costs as stewardship, maintenance, and taxes. They also include appraisals, feasibility studies, evaluations of project suitability, and other activities relating to lands.

Functional allocation of expenses – The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements 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 financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses, such as salaries and benefits, rent and office expense, and other supporting services have been allocated among program services, fundraising and general and administrative classifications based primarily on employee ratios and on estimates made by the Land Trust.

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same; to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

- | | |
|----------------|---|
| Level 1 Inputs | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. |
| Level 2 Inputs | Inputs other than quoted prices in active markets that are observable either directly or indirectly. |
| Level 3 Inputs | Unobservable inputs for the assets or liabilities. |

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

Subsequent events have been reviewed through September 6, 2022, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since March 31, 2022, that require recognition or disclosure in the financial statements.

3. LIQUIDITY

The Land Trust's working capital and cash flows have seasonal variation during the year attributable to 50% of annual donations historically received in the last three months of the calendar year and stewardship work and capital improvements taking place generally between June and October. To manage liquidity and maximize investment returns, the Land Trust maintains cash and investments in three pools of funds for short-term needs (one to two years), intermediate needs (three to five years) and long-term needs (over five years.) The short-term needs are generally maintained in checking, savings and short-term investment funds. Funds necessary to meet three years of the 5-Year Stewardship Plan, operational needs and funds received for land acquisitions are maintained in these short-term funds. Funding needs beyond three-years are maintained in the intermediate funds and long-term funds as appropriate.

The following reflects the Land Trust's financial assets as of March 31, 2022 and 2021, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include Board-approved appropriation of Board designated funds for the following year as well as donor-restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the board of directors approves that action.

	<u>2022</u>	<u>2021</u>
Financial assets at March 31,	\$ 21,402,464	\$ 23,688,786
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Contractually restricted funds	(680,825)	(2,720,820)
Donor charitable remainder trust	(4,944,338)	(1,968,761)
Donor restricted endowments	(1,877,777)	(102,777)
Donor restricted other funds	(4,507,469)	(8,695,129)
Plus donor restricted funds to be used in the following year	2,243,032	3,260,354
Board designated restrictions:		
Quasi-endowment fund for long-term stewardship	(3,127,143)	(2,993,891)
Amounts set aside for liquidity reserve	(533,823)	(511,722)
Amounts set aside for emergency defense/stewardship	(245,329)	(203,314)
Other board designated funds and reserves	(4,635,723)	(5,879,099)
Plus other board designated funds and reserves that can be used if needed in the following year	<u>2,579,512</u>	<u>1,542,955</u>
Total funds available for operations	<u>\$ 5,672,581</u>	<u>\$ 5,416,582</u>

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at March 31:

	<u>2022</u>	<u>2021</u>
Cash and savings	\$ 2,064	\$ 19,103
Sweep investments and checking	368,339	1,652,105
Money market funds - short-term	<u>567,922</u>	<u>1,434,489</u>
Total	<u>\$ 938,325</u>	<u>\$ 3,105,697</u>

The Land Trust maintains an automatic daily sweep account between checking and sweep investments whereby the bank maintains a minimum cash balance per the bank and transfers funds from the sweep investments as checks clear the bank.

5. INVESTMENTS

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

Corporate equities, mutual funds, and money market funds are valued using quoted market prices (Level 1 Input).

Corporate bonds, Government securities are valued using a matrix pricing model (Level 2 Input).

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

Investments consisted of the following at March 31:

	<u>2022</u>	<u>2021</u>
Corporate bonds	\$ 299,583	\$ 4,546,161
Corporate equities	3,691,003	3,051,792
Government securities	368,160	549,990
Money market	881,618	
Mutual funds – equity:		
Large growth	1,424,279	2,247,668
Large value	1,009,510	1,108,967
Large blend	903,304	637,506
Medium growth	584,261	
Medium blend	181,017	
Medium value	243,447	
Mid-cap growth		489,892
Small value		325,293
Foreign large growth	6,556	6,703
Mutual funds – fixed income:		
Intermediate core-plus bond	198,307	207,909
Short-term bond	169,554	175,872
Ultrashort bond	1,478,918	77,191
Corporate bond	1,397,343	
High yield bond	348,440	
Intermediate government	261,555	
Intermediate – term bond	144,585	
Total	<u>\$ 13,591,440</u>	<u>\$ 13,424,944</u>

6. FURNITURE, EQUIPMENT AND DEPRECIABLE LAND PROJECTS

Furniture, equipment and depreciable land projects consisted of the following at March 31:

	<u>2022</u>	<u>2021</u>
Land improvements	\$ 1,584,158	\$ 534,770
Leasehold improvements	13,160	13,160
Building and improvements	4,565,540	
Roads and parking	71,584	164,798
Furniture and equipment	226,829	79,845
Construction in progress	464,951	3,902,441
Total	<u>6,926,222</u>	<u>4,695,014</u>
Accumulated depreciation	<u>(331,841)</u>	<u>(174,417)</u>
Total	<u>\$ 6,594,381</u>	<u>\$ 4,520,597</u>

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

7. BEQUESTS RECEIVABLE

In 2015, the Land Trust received an irrevocable donation agreement for \$2,000,000 from a donor's estate. This bequest is primarily restricted for acquisition and stewardship in open space lands in the greater Donner Summit and Royal Gorge regions. A discount rate of 1.74% and 0.62% using applicable actuarial data resulted in a discount of \$84,075 and \$30,753 and present value of \$1,915,925 and \$1,969,247 at March 31, 2022 and 2021, respectively, and is recorded in net assets with donor restrictions.

In 2022, the Land Trust received an irrevocable donation agreement for \$4,100,000 from a donor's estate. This bequest is primarily restricted to preserve and protect scenic, historic, and recreational lands with high natural resource values in the Truckee Donner region. A discount rate of 1.74% using applicable actuarial data resulted in a discount of \$1,097,360 and present value of \$3,028,413 at March 31, 2022 and is recorded in net assets with donor restrictions.

In 2020, the Land Trust was notified that it had been named a beneficiary in a Charitable Remainder unit Trust established in 2018. The Land Trust elected to delay recognition of the donation until the amount is determinable.

8. CONTRIBUTIONS AND PLEDGES RECEIVABLE

The Land Trust recognizes contributions and pledges receivable at their estimated fair value, on a nonrecurring basis, at the time the contribution or pledge is made. Fair value is determined by calculating the net present value of estimated future cash flows. The discount rate used in determining the net present value of contributions and pledges receivable was 0.62% at March 31, 2021. The receivables are included within level 3 of the fair value hierarchy because determination of the net present value of future cash flows is based on little or no market data and requires management to develop their own assumptions.

Contributions and pledges receivable consisted of the following at March 31:

	<u>2022</u>	<u>2021</u>
Contributions and pledges receivable	\$ 693,799	\$ 1,569,772
Less: Unamortized discount		<u>(3,239)</u>
Total	<u>\$ 693,799</u>	<u>\$ 1,566,533</u>

Contributions and pledges receivable as of March 31 are expected to be collected as follows:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 486,411	\$ 1,152,820
In one to five years	<u>207,388</u>	<u>413,713</u>
Total	<u>\$ 693,799</u>	<u>\$ 1,566,533</u>

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

9. LAND AND RELATED

Land and related consist of the following as of March 31:

	<u>2022</u>	<u>2021</u>
Canyon Springs	\$ 11,960,000	
Royal Gorge	8,643,420	\$ 8,643,420
Webber Lake, Johnson	8,000,000	8,000,000
Truckee Springs	6,240,000	
Perazzo Meadows, Siller	3,704,696	3,704,696
Red Mtn Sagehan, CV Ridge, Crabtree Canyon, SPI, Frog Lake	3,379,999	3,379,999
Airport Flats	1,625,000	1,625,000
Carpenter Valley – 80 Acres	1,517,000	
Pine Forest	1,500,000	1,500,000
Truckee Springs – DFW	1,460,000	
Billy Mack, Foss	1,200,000	1,200,000
Johnson Canyon, RHB	985,000	985,000
Carpenter Valley	950,965	950,971
Croman II (SnwMtn/Carp Ridge)	896,235	896,235
Billy Mack, Cadjew	850,000	850,000
Coppins Meadow	826,384	826,384
Elizabethtown Meadows, MCE	800,000	800,000
Hopkins Ranch	440,000	440,000
Floriston East and West, Croman II	377,000	377,000
Coldstream Valley, LaPlante	330,000	330,000
Creekside Woods	250,000	250,000
Old Greenwood	190,000	190,000
Black Wall	188,120	188,120
Billy Mack, Johnson	150,000	150,000
Martis Valley, Kielhofer	100,000	100,000
Donner Lake Rim Trail	85,157	85,157
Elizabethtown Meadows, Jones	70,000	70,000
Wintercreek, Grossman	60,000	60,000
Truckee River Revitalization, Hoesit	18,000	18,000
Total land holdings	<u>\$ 56,796,976</u>	<u>\$ 35,619,982</u>

Other interests in land consist of the following as of March 31:

	<u>2022</u>	<u>2021</u>
Acquisitions in process	<u>\$ 14,174</u>	<u>\$ 1,500,000</u>
Assets held for sale	<u>\$</u>	<u>\$ 900,000</u>

In June 2018, the Land Trust entered into a purchase sale agreement to acquire Frog Lake constituting approximately 680 acres in Nevada County. Escrow closed July 15, 2020. As part of the original campaign related to the purchase of Frog Lake, Red Mountain, and Carpenter Ridge, on

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

May 27, 2020 the Land Trust sold Carpenter Ridge at 640 acres to the US Forest Service. Furthermore, on August 25, 2020, the Land Trust sold 478 acres of Frog Lake to the US Forest Service. The proceeds of both the Carpenter Ridge and Frog Lake sale to the US Forest service will help fund stewardship activities and the creation of a backcountry hut system beginning at Frog Lake. On June 15, 2020, the Land Trust entered into a purchase agreement for a historical house on Donner Summit and escrow closed July 15, 2020. The Land Trust established a conservation easement on this property to preserve its appearance and minimize environmental impacts and sold the property on July 16, 2021.

In July 2019, the Land Trust entered into a purchase sale agreement to acquire Truckee Springs consisting of approximately 24 acres in the Town of Truckee in Nevada County. The property was acquired in May 2021.

10. CONSERVATION EASEMENTS

Conservation easements held by the Land Trust as of March 31, 2022 consist of the following:

<u>Name</u>	<u>Year Acquired</u>	<u>Acres</u>	<u>Method of Acquisition</u>
Oliveri	2001	37	Donation
Northstar - Trimont	2004	40	Donation
Windin Trail	2004	0 *	Donation
NPOA	2005	14	Donation
Billy Mack	2005	52	Purchase
Sierra College	2006	73	Purchase
SPP-Truckee River	2007	91	Donation
SC Warming Hut	2007	23	Purchase
Waddle Ranch	2007	1,482	Donation
Ponderosa GC	2008	53	Purchase
Martis Camp DMB	2008	412	Donation
SPI Sierra Crest Phase 2	2010	2,800	Purchase
SPI Sierra Crest Phase 1	2010	1,565	Purchase
Bucknam Tract	2010	240	Purchase
SPI Sierra Crest Phase 3	2012	2,720	Purchase
Sugar Bowl	2013	2	Donation
CNL Northstar	2015	29	Donation
Northstar 236	2015	236	Donation
Carpenter Valley	2016	638	Purchase
Trimont Northstar SPOD	2017	56	Donation
17718 Donner Pass Rd	2021	5	Donation

*This is an easement to build a trail across the Wendin property.

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

11. CONTINGENCIES

The Land Trust has received funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under the terms of the grants, it is believed that any required reimbursements will not be material.

12. RETIREMENT PLAN

The Land Trust maintains a Savings Incentive Match Plan for Employees (SIMPLE IRA), whereby employees may elect to contribute gross wages upon meeting age and length of service requirements. The Land Trust has made a matching contribution, up to 3% of each eligible employee's contribution. Plan expense for the years ended March 31, 2022 and 2021 were \$19,210 and \$21,712, respectively.

13. NET ASSETS

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

Net Assets Without Donor Restrictions

A portion of the Land Trust's net assets without donor restrictions are designated by the Board of Directors as listed in the table on the following pages as of March 31, 2022 and 2021. The Board retains the power to remove or modify such designations at any time.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of contributions, pledges receivable, and irrevocable bequests and unexpended funds from contributions and grants and were restricted for the purposes listed in the tables beginning on the following pages as of March 31, 2022 and 2021.

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by Land Trust actions. The restrictions stipulate that resources be maintained permanently but permit the Land Trust to expend the income generated in accordance with the provisions of the agreements.

	Net Assets With Donor Restrictions 2022	Board Designated 2022	Total
Stewardship & Trail Building Funds:			
Truckee Springs-Bright		\$ 1,937,462	\$ 1,937,462
Royal Gorge-Stew		757,094	757,094
Canyon Springs	\$ 500,913		500,913
Martis Valley-Stew	50,000		50,000
Billy Mack Canyon-Stew		8,765	8,765
General Stewardship	75,556		75,556
Other	166,748	171,466	338,215
Total Stewardship	<u>793,217</u>	<u>2,874,787</u>	<u>3,668,005</u>
Land Acquisition Funds:			
Truckee Springs-Bright	1,998,968		1,998,968
Other	47,486		47,486
Total Land Acquisition Funds	<u>2,046,454</u>		<u>2,046,454</u>
Long-term Stewardship & Endowment Funds:			
Donor Restricted Endowment-Funds	1,877,777		1,877,777
Carpenter Valley-Long-Term Fund	921,584	664,869	1,586,453
Royal Gorge-Long-Term Funds		1,225,829	1,225,829
General Stewardship Long-Term Fund		1,171,788	1,171,788
Frog Lake Long-Term Fund	620,196		620,196
Spending Distribution	44,086	64,657	108,743
Total Long-term Stewardship & Endow Funds	<u>3,463,643</u>	<u>3,127,143</u>	<u>6,590,786</u>
Other Funds:			
Irrevocable Bequests for Land Acquisition or Stewardship	4,944,338		4,944,338
Operations		533,823	533,823
Emergency & Defense	60,852	245,329	306,181
Board Projects to be Determined		1,129,488	1,129,488
Board Projects TBD-CV Bridge		423,194	423,194
Board Designated Major Gifts		143,596	143,596
Other	21,080		21,080
Total Other Funds	<u>5,026,270</u>	<u>2,475,430</u>	<u>7,501,700</u>
Total	<u>\$ 11,329,584</u>	<u>\$ 8,477,360</u>	<u>\$ 19,806,945</u>

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

	Net Assets With Donor Restrictions 2021	Board Designated 2021	Total
Stewardship & Trail Building Funds:			
Truckee Springs-Bright		\$ 2,000,000	\$ 2,000,000
Royal Gorge	\$ 38,222	772,164	810,386
Frog Lake Acquisition & Huts	518,158	47,676	565,834
Webber Lake	43,832	141,076	184,908
Martis Valley	50,244		50,244
Other	236,574	47,537	284,111
Total Stewardship	887,030	3,008,453	3,895,483
Land Acquisition Funds:			
Truckee Springs-Bright	6,094,216		6,094,216
Other	47,342		47,342
Total Land Acquisition Funds	6,141,558		6,141,558
Long-term Stewardship & Endowment Funds:			
Carpenter Valley Long-term Fund	916,463	661,177	1,577,640
Royal Gorge Long-term Fund		1,204,090	1,204,090
Stewardship General Long-term Fund		1,128,624	1,128,624
Frog Lake Long-term Fund	1,088,350		1,088,350
Donor Restricted Endowment-Funds	102,777		102,777
Total Long-term Stewardship & Endow Funds	2,107,590	2,993,891	5,101,481
Other Funds:			
Irrevocable Bequest for Land Acquisition or Stewardship	1,468,757		1,468,757
Operations	5,500	511,722	517,222
Emergency & Defense	60,880	235,172	296,052
Board Projects to be Determined		2,668,935	2,668,935
Board Designated Major Gifts		169,853	169,853
Total Other Funds	1,535,137	3,585,682	5,120,819
Total	\$ 10,671,315	\$ 9,588,026	\$ 20,259,341

14. ENDOWMENTS AND LONG-TERM FUNDS

The endowment consists of three individual funds established by donors to provide annual funding for specific activities and general operations. The endowment also includes certain net assets without donor restrictions designated for long-term funds by the Board of Directors that are managed similar to endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

The Land Trust's Board of Directors has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At March 31, 2022, there were no such donor stipulations. As a result of this interpretation, the Land Trust classifies as perpetual in nature (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment (including promises to give net of discount and allowance for doubtful accounts and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. The Land Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The composition of investments held in endowments and long-term funds as of March 31 was as follows:

March 31, 2022	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Board-designated long-term funds	\$ 3,127,143	\$ 921,584	\$ 4,048,727
Donor-restricted endowment		1,877,777	1,877,777
Donor-restricted long-term funds		664,282	664,282
Total	<u>\$ 3,127,143</u>	<u>\$ 3,463,643</u>	<u>\$ 6,590,786</u>

March 31, 2021	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Board-designated long-term funds	\$ 2,993,891	\$ 916,463	\$ 3,910,354
Donor-restricted endowment		102,777	102,777
Donor-restricted long-term funds		1,088,350	1,088,350
Total	<u>\$ 2,993,891</u>	<u>\$ 2,107,590</u>	<u>\$ 5,101,481</u>

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

Investment and Spending Policies

The Land Trust adopted investment and spending policies for the endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. The target minimum rate of return is the Consumer Price Index plus 4% on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The Land Trust uses an endowment spending-rate formula to determine the maximum amount to spend from the endowment each year. The rate, determined and adjusted from time to time by the Board Finance Committee, is applied to the average fair value of the endowment investments for the prior 12 quarters at March 31 of each year to determine the spending amount for the upcoming year. During 2022 and 2021, no spending from the endowment was made. The maximum spending rate is established at 4.0%. In establishing this policy, the Land Trust considered the long-term expected return on the endowment, and set the rate with the objective of maintaining the purchasing power of the endowment over time.

15. CONSERVATION FEES

The Land Trust receives payments of conservation fees derived from the sales of parcels in certain subdivisions. These fees are to be used for preservation of lands for open space in the Truckee area and are contractually restricted. There are no time constraints, but projects are in the planning stage. Once the properties are acquired, the Land Trust can keep and maintain the properties or transfer them to other agencies or governmental entities. Since the fees are contractually restricted and not donor restricted, they have been classified as unrestricted in accordance with professional standards.

16. OPERATING LEASE

In November 2013, the Land Trust executed a lease agreement with Sugar Bowl Corporation covering a portion of lands that are held jointly by the Land Trust and the Trust for Public land. The lease was granted to Sugar Bowl Corporation for the purpose of operating a cross country ski business maintaining seasonal Nordic ski trails and warming huts. Leasehold payments are calculated using a formula based on a percentage of the lease holder, Sugar Bowl Corporation's adjusted gross revenues derived from sales of Nordic ski passes, ski school operations and ancillary facilities, prorated for the revenue attributable to the usage of Land Trust owned land. The lease expires in December 2027; however, part of the leased trails were transferred when the ownership of Van Norden Meadow was conveyed to the United States Forest Service.

TRUCKEE DONNER LAND TRUST

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021

17. LEASING ARRANGEMENTS

The Land Trust accounts for the lease of office facilities as an operating lease. Total lease expense amounted to \$39,245 and \$27,384 for the years ended March 31, 2022 and 2021, respectively. This lease will expire on October 1, 2023. The following is a schedule of future minimum lease payments under this operating lease:

For the year ending March 31:

2023	\$	23,400
2024		<u>12,000</u>
Total	\$	<u>35,400</u>

18. CONTRIBUTED SERVICES

Pro-bono realtor and other professional services valued at \$109,150 as of March 31, 2022, were provided for consulting and property services.

The Land Trust receives services from a number of volunteers who give generous amounts of their time to trail building and maintenance, hiking tours, and other Land Trust programs, fund-raising, and management. No amounts have been reflected for these types of donated services, as they do not meet the criteria for recognition in the financial statements.

19. CONDITIONAL CONTRIBUTION

The Land Trust is party to an agreement to purchase approximately 60 acres in the Squaw Valley wilderness area within ten years if specific property becomes available. The Land Trust is to receive \$50,000 annually for nine years beginning March 31, 2020 towards this acquisition if mutually agreed upon by two other parties. Receipt of these funds are subject to return to the payor if the property is not acquired. The Land Trust records the receipt of these payments as refundable advances and are recorded in accrued and other liabilities in the statements of financial position until such time as the property is purchased and the conditions are met. In addition, grant funds received in advance of incurring approved expenses that are subject to refund to the grantor are reported as refundable advances.