PENINSULA OPEN SPACE TRUST

Financial Statements
June 30, 2020 and 2019

Together with
Independent Auditors' Report

PENINSULA OPEN SPACE TRUST

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June 30, 2020

Robert Lee & Associates, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Peninsula Open Space Trust
Palo Alto, California

We have audited the accompanying financial statements of Peninsula Open Space Trust (the "Organization"), a California non-profit, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, 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 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors of
Peninsula Open Space Trust
Palo Alto, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Robert Lee + Associates, LLP

San Jose, California
November 5, 2020

PENINSULA OPEN SPACE TRUST

Statements of Financial Position

ASSETS

	June 30, 2020	June 30, 2019
Assets:		
Cash and cash equivalents	$ 388,570	$ 255,810
Funds held on behalf of public agencies	-	279,984
Accounts receivable	1,109,982	1,369,147
Pledges, grants and bequests receivable, net	4,700,839	2,204,576
Financing receivables, net	24,202,799	24,236,657
Interest receivable related to investments	1,071	9,607
Prepaid expenses and other assets	420,156	339,519
Investments	152,123,980	175,619,818
Residual interest in charitable remainder trusts	600,945	533,433
Investments held in charitable remainder trusts	6,357,497	6,451,443
Land held-for-conservation	116,295,693	99,286,707
Property and equipment, net	6,833,133	5,188,381
Total assets	$ 313,034,665	$ 315,775,082

LIABILITIES AND NET ASSETS

	June 30, 2020	June 30, 2019
Liabilities:		
Accounts payable and other liabilities	$ 2,069,663	$ 1,840,604
Stewardship liabilities	471,191	471,191
Notes payable	8,083,008	3,851,099
Asset retirement obligations	1,760,215	2,288,635
Funds held in agency trust funds	-	279,984
Liabilities under remainder trusts	2,911,529	3,053,790
Total liabilities	15,295,606	11,785,303
Commitments and Contingencies		
Net assets:		
Without donor restrictions	23,904,401	23,651,044
Without donor restrictions - Board-designated	264,830,689	271,433,226
Total without donor restrictions	288,735,090	295,084,270
With donor restrictions	9,003,969	8,905,509
Total net assets	297,739,059	303,989,779
Total liabilities and net assets	$ 313,034,665	$ 315,775,082

The accompanying notes are an integral part of these financial statements

PENINSULA OPEN SPACE TRUST

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains:			
Contributions and grants	$ 10,516,900	$ 12,398,856	$ 22,915,756
Contributions of land and easements	1,825,000	-	1,825,000
Interest and dividends	3,706,766	204,290	3,911,056
Realized and unrealized gains (loss) on investments, net	1,535,002	(15,364)	1,519,638
Rental and other income	505,172	-	505,172
Net assets released from restrictions	12,489,322	(12,489,322)	-
Total revenue, support and gains	30,578,162	98,460	30,676,622
Operating expenses:			
Program services	31,535,717	-	31,535,717
Fundraising	3,219,525	-	3,219,525
Management and support services	2,172,100	-	2,172,100
Total operating expenses	36,927,342	-	36,927,342
Change in net assets	(6,349,180)	98,460	(6,250,720)
Net assets, beginning of year	295,084,270	8,905,509	303,989,779
Net assets, end of year	$ 288,735,090	$ 9,003,969	$ 297,739,059

PENINSULA OPEN SPACE TRUST
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains:			
Contributions and grants	$ 6,608,166	$ 10,864,116	$ 17,472,282
Contributions of land and easements	3,740,000	-	3,740,000
Interest and dividends	4,021,861	281,020	4,302,881
Realized and unrealized gains (loss) on investments, net	2,607,565	(64,847)	2,542,718
Rental and other income	935,553	-	935,553
Net assets released from restrictions	14,572,734	(14,572,734)	-
Total revenue, support and gains	32,485,879	(3,492,445)	28,993,434
Operating expenses:			
Program services	21,726,248	-	21,726,248
Fundraising	2,873,227	-	2,873,227
Management and support services	2,253,964	-	2,253,964
Total operating expenses	26,853,439	-	26,853,439
Change in net assets	5,632,440	(3,492,445)	2,139,995
Net assets, beginning of year	289,451,830	12,397,954	301,849,784
Net assets, end of year	$ 295,084,270	$ 8,905,509	$ 303,989,779

The accompanying notes are an integral part of these financial statements

PENINSULA OPEN SPACE TRUST
Statements of Functional Expense

	For the Year Ended June 30, 2020			
	Program Services	Fundraising	Management and Support Services	Total
Land and easement transactions	$ 13,400,631	$ -	$ -	$ 13,400,631
Grants and contributions	8,373,587	-	5,000	8,378,587
Salaries and benefits	3,481,200	2,291,777	1,468,806	7,241,783
Professional services	5,274,282	400,418	226,524	5,901,224
Other operating	515,730	286,076	363,422	1,165,228
Printing and postage	46,319	196,429	11,778	254,526
Property taxes	213,197	-	1,113	214,310
Depreciation	64,282	44,825	21,863	130,970
Insurance	75,473	-	49,747	125,220
Interest expense	91,016	-	23,847	114,863
Total expenses	$ 31,535,717	$ 3,219,525	$ 2,172,100	$ 36,927,342

	For the Year Ended June 30, 2019			
	Program Services	Fundraising	Management and Support Services	Total
Land and easement transactions	$ 12,125,399	$ -	$ -	$ 12,125,399
Grants and contributions	990,019	-	-	990,019
Salaries and benefits	3,239,901	1,959,190	1,421,369	6,620,460
Professional services	4,395,603	377,462	631,574	5,404,639
Other operating	404,173	279,404	98,427	782,004
Printing and postage	37,348	198,644	8,972	244,964
Property taxes	288,492	3,335	1,410	293,237
Depreciation	83,360	55,192	29,637	168,189
Insurance	66,704	-	26,944	93,648
Interest expense	95,249	-	35,631	130,880
Total expenses	$ 21,726,248	$ 2,873,227	$ 2,253,964	$ 26,853,439

PENINSULA OPEN SPACE TRUST

Statements of Cash Flows

	For the Years Ended June 30, 2020	For the Years Ended June 30, 2019
Cash flows from operating activities:		
Change in net assets	$ (6,250,720)	$ 2,139,995
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	130,970	168,189
Accretion related to asset retirement obligation	79,366	85,522
Net loss on settlement of asset retirement obligations	(12,644)	(29,148)
In-kind land grants to public agencies	13,413,275	260,888
Conservation easements retained on transferred land	-	8,428,082
Realized and unrealized gain on investments	(1,888,660)	(3,419,573)
Loss on disposal of fixed assets	222,958	-
Impairment loss on land held-for-sale	-	473,918
Impairment of financing receivable	-	279,709
Amortization of discount on promises to give	253,158	36,748
Forgiveness of notes payable	(20,000)	(150,000)
Change in value in non-controlling interest in LLMWC	2,257	6,923
Residual interest in charitable remainder trusts	(67,512)	(45,746)
Interest payable	35,117	44,927
In-kind contributions received - land	(1,825,000)	(1,445,000)
Changes in operating assets and liabilities:		
Funds held on behalf of public agencies	279,984	(5,343)
Accounts receivable	259,165	486,873
Interest receivable related to investments	8,536	15,479
Pledges, grants and bequests receivable	(2,749,421)	4,111,049
Prepaid expenses and other assets	(80,637)	96,842
Proceeds from sale of land held-for-conservation	19,424,970	7,214,881
Proceeds from sale of property held-for-sale	-	4,096,082
Acquisition of land held-for-conservation	(48,302,250)	(14,656,000)
Accounts payable and other liabilities	193,942	119,077
Stewardship liabilities	-	(71,641)
Settlement of asset retirement obligations	(317,380)	(49,364)
Funds held in agency trust funds	(279,984)	5,343
Liabilities under remainder trusts	(330,290)	(330,716)
Net cash provided (used) by operating activities	(27,820,800)	7,867,996

The accompanying notes are an integral part of these financial statements

PENINSULA OPEN SPACE TRUST

Statements of Cash Flows (Continued)

	For the Years Ended June 30, 2020	For the Years Ended June 30, 2019
Cash flows from investing activities:		
Issuance of financing receivable	$ -	$ (2,916,366)
Proceeds from sale of investments	127,526,993	79,246,724
Acquisition of investments	(102,095,106)	(84,319,990)
Proceeds from sale of investments held in charitable remainder trusts	2,734,319	1,591,262
Payments received on note receivable	33,858	-
Acquisition of investments held in charitable remainder trusts	(2,499,733)	(1,369,969)
Acquisition of property and equipment	(1,998,680)	(31,415)
Net cash provided (used) by investing activities	23,701,651	(7,799,754)
Cash flows from financing activities:		
Payments on notes payable	(8,985)	(3,107)
Borrowings of notes payable	4,260,894	108,672
Net cash provided by financing activities	4,251,909	105,565
Increase in cash and cash equivalents	132,760	173,807
Cash and cash equivalents, beginning of year	255,810	82,003
Cash and cash equivalents, end of year	$ 388,570	$ 255,810

Supplemental disclosure of cash flow information:

	2020	2019
Cash paid during the year for interest	$ 23,846	$ 35,631

Supplemental disclosure of non-cash investing and financing information:

	2020	2019
Capitalization of asset retirement obligation related to acquisition of land held-for-conservation	$ 154,350	$ -
Receipt of investment against pledge receivables	$ -	$ 30,500
Disposal of fully depreciated property and equipment	$ 44,161	$ 19,526

The accompanying notes are an integral part of these financial statements

Note 1 - Organization:

Peninsula Open Space Trust (the "Organization") was incorporated in California as a not-for-profit corporation in 1977. The mission of the Organization is to protect open space on the Peninsula and in the South Bay for the benefit of all. This purpose is accomplished through gifts and purchases of land, transfer to public agencies, placement of conservation easements or deed restrictions on land, cooperation with private land owners, active stewardship of owned lands and monitoring of transferred lands to ensure natural and agricultural values are maintained.

The Organization has been classified as a publicly supported, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d). The Organization's support and revenues are primarily from contributions and investment returns.

Note 2 - Summary of significant accounting policies:

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation - The Organization presents its financial statements in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP"), which requires the Organization to report information regarding its financial position and activities according to two classes of net assets:

- *Without donor restrictions* consist of net assets which are available to support all activities of the Organization without restrictions and include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation.

- *With donor restrictions* represent contributions where use is limited to donor-imposed stipulations that expire through the passage of time or other restrictions and for which the applicable restriction was not met as of the end of the current fiscal period. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds to be maintained in perpetuity.

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in these financial statements relate primarily to include the discount for present value on pledges receivable, the useful lives of property and equipment, the allocation of expenses by function, the valuation of land and conservation easements acquired by or donated to the Organization and the future asset retirement obligations.

Note 2 - Summary of significant accounting policies (continued):

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Certain costs are allocated between programmatic and support services based on estimates of time, space, or other factors. Salaries and fringe benefits are allocated on a percentage basis between functional categories based on job description or time estimates. Salary allocation percentages are also used to allocate certain indirect costs, including but not limited to facilities expenses, office supplies and equipment, information technology expenses and depreciation.

Revenue recognition - The Organization recognizes contributions received including unconditional pledges and promises to give as revenue at their fair value in the period the contribution or pledge is received. Contributed support that is restricted by the donor is reported as an increase in net assets with donor restrictions and released from restrictions if the restriction expires in the reporting period in which the support is recognized. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and the reported amounts released from restriction. All other contributed support is recognized as revenue without restrictions when received or unconditionally promised.

Contributions that are expected to be collected in future years are recorded at the net present value using an appropriate discount rate commensurate with the risks involved. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The Organization did not have any conditional promises to give during the years ended June 30, 2020 and 2019.

In-kind contributions - Significant donated property and equipment are recorded at estimated fair value at the time of receipt. Donated land is recorded at fair value on the date of receipt. In-kind contributions of land totaled $1,825,000 and $1,445,000 for the years ended June 30, 2020 and 2019, respectively. Donated marketable securities are recorded at fair value on the date the securities are received. In-kind contributions of securities totaled $2,003,735 and $1,572,484 for the years ended June 30, 2020 and 2019, respectively. There were no in-kind contributions of securities held in charitable remainder trusts for the years ended June 30, 2020 and 2019. Contributed services, which require a specialized skill and which the Organization would have paid for if not contributed, have been recorded at their estimated fair market value as appropriate. In-kind legal and professional services and donated goods for program services were recognized in the amount of $2,200 and $88,344 for the years ended June 30, 2020 and 2019, respectively. These amounts have been recorded as both revenue and expenses in the statement of activities and changes in net assets. Numerous other volunteers donate significant amounts of their time to the Organization’s fundraising and other activities. No amounts have been recorded for these donated services since they do not meet the criteria noted above.

Note 2 - Summary of significant accounting policies (continued):

Rental income - The Organization leases land and property under multiple lease agreements expiring at various dates through 2024.

Cash and cash equivalents - Cash and cash equivalents consist of cash and money market funds. For purposes of reporting cash flows, the Organization considers all highly liquid investments with a maturity of 90 days or less at the date of purchase to be cash equivalents. Cash balances held in managed investment accounts are excluded from cash and cash equivalents.

Funds held on behalf of public agencies - From time to time, the Organization enters into agreements with government agencies whereby the Organization holds funds in a fiduciary capacity that can be disbursed only upon authorization from the respective agencies.

Accounts receivable and allowance for doubtful accounts - Accounts receivable consists primarily of amounts due to the Organization in conjunction with the Organization's program operations. An allowance reserve for uncollectible accounts receivables, if any, is determined based on management's evaluation of each outstanding accounts receivable for collectability. Management has determined the outstanding accounts receivable to be fully collectible for the fiscal years ended June 30, 2020 and 2019, respectively.

Pledges receivable - Pledges receivable are either unconditional or conditional. Unconditional pledges receivable are pledges that depend only on the passage of time or the demand by the donor for performance. A conditional pledge receivable is a pledge that depends on the occurrence of a specified future and uncertain event to bind the donor.

Contributions that are promised in one year but are expected to be received after the end of that year (or over a number of years) are considered pledges. Pledges are discounted at a reasonable rate of interest (3% for the years ended June 30, 2020 and 2019) and are stated at their fair value. An allowance reserve for uncollectible pledges, if any, is determined based on management's evaluation of each outstanding pledge for collectability. The financial statements reflect these pledges net of the discount and allowance.

Grants receivable - The Organization receives grants which may be granted and paid within the same year granted or payable to the Organization over multiple years. The Organization discounts the multi-year grants receivable at a reasonable rate of interest, 3% for the year ended June 30, 2020. The financial statements reflect grants receivable net of the discount.

Bequests receivable - The Organization records a bequest receivable when it receives written notification that it has been named as a beneficiary of an irrevocable trust or estate for which the amount to be received can be reasonably estimated. If appropriate, the amount is adjusted for fair value measurements, if measurable.

Note 2 - Summary of significant accounting policies (continued):

Financing receivables and related allowance for credit losses - The Organization has financing receivables, which consist of three portfolio segments as of June 30, 2020 and 2019. A portfolio segment is defined as the level at which the Organization develops and documents a systematic methodology to determine the allowance for credit losses.

The allowance for financing receivables represents management's estimate of probable losses inherent in the Organization's financing activities. Credit exposures deemed to be uncollectible are charged against these accounts. Cash recovered on previously charged-off amounts is recorded as a recovery to these accounts. Management evaluates the adequacy of the allowance for financing receivables by performing periodic and systematic detailed reviews of its portfolio segment. The detailed reviews to identify credit losses and to assess the overall collectability of these portfolios are based on historical loss experience, economic conditions, payment activity, credit quality indicators, performing or nonperforming aspects and bankruptcies, as discussed further in Note 6.

Non-performing financing receivables include financing receivables that have been placed on nonaccrual status or are impaired. The Organization assesses performance of financing receivables on an individual basis based on payment activity and knowledge of the financial state of third party obligors. Accrued interest receivable is expensed when a financing receivable is placed on nonaccrual status. Interest collections on nonaccrual status financing receivables are credited when collected.

Interest receivable - Interest receivable includes accrued interest from notes receivable and investment related receivables including interest receivable from bonds and other dividend and interest earnings outstanding at year-end.

Publicly traded investments - The Organization invests in marketable securities and corporate bonds. All debt securities and equity securities are carried at quoted market prices as of the last trading date of the Organization's fiscal year. The Organization's Investment Committee has established an investment policy and has engaged the services of an outside investment advisor to assist in such matters. Contributions of investments are recorded at estimated fair value at the date of donation and are sold as soon as reasonably possible, unless otherwise directed by the Organization's financial advisors or the Investment Committee of the Board of Directors. Unrealized gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains and losses resulting from the sales or maturities is the difference between the investments' cost basis and the sale or maturity settlement of the investment. Dividend and interest income are accrued when earned.

Note 2 - Summary of significant accounting policies (continued):

Investments in private equity funds - To the extent that these funds invest in publicly traded investments, they are carried at quoted market prices as described above. The remaining investments are carried at estimated fair values as determined by the investment manager of these securities after giving consideration to operating results, financial condition, recent sales prices of issuers' securities and other pertinent information. These investments are valued at the Organization's percentage interest owned in these investment companies. Because of the inherent uncertainty of valuations, these estimated fair values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

Fair value of financial instruments - Financial instruments included in the Organization's statement of financial position as of June 30, 2020 and 2019 include cash and cash equivalents, investments, receivables, accounts payable and other liabilities. For cash and cash equivalents, receivables, accounts payable, and other liabilities, the carrying amounts represent a reasonable estimate of the corresponding fair values. Investments are reflected in the accompanying statement of financial position at their estimated fair values using methodologies described above.

Investments held in charitable remainder trusts - The Organization is the remainder beneficiary of certain charitable remainder trusts. When the Organization acts as the trustee of the charitable trust, the Organization records the investment assets held in the trust and records a corresponding liability for the present value of the estimated payments to be made to the lifetime beneficiaries. When the Organization is not the trustee, it records a contribution receivable for the present value of added expected future benefit to be received by the Organization. Certain charitable remainder trust notifications that are not measurable or for which the added fair value is not determinable are not recorded until such time that they become measurable.

Life interest in real estate - The Organization occasionally receives contributions of real estate which the donor retains the right to use for the remainder of the donor's life. During the donor's lifetime, the donor is responsible for executory costs related to the property. The Organization records the fair value of the real estate as an asset and records a corresponding liability for the life interest based upon the actuarial life of the donor using IRS guidance. There were no life interests in real estate as of June 30, 2020 and 2019, respectively.

Property held-for-sale - The Organization occasionally receives donations of real property with no significant ecological value but which can be sold to provide funds for the Organization to carry out its conservation work. These properties are carried at the lower of the Organization's original book value or fair value less cost to sell. There were no properties held-for-sale as of June 30, 2020 and 2019, respectively.

Note 2 - Summary of significant accounting policies (continued):

Land held-for-conservation - The term "land" is used throughout these financials statements to represent real property which includes amongst other things, land, structures, improvements, easements and various other rights. Land held-for-conservation is reported at the original book value. The Organization records such land at cost, if purchased, or at estimated fair value at the date of acquisition if all or part of the land was received as a donation. Contributed revenue is recognized for the difference, if any, between the purchase price and the estimated fair value. Fair value is predominantly determined by an independent appraisal. During the time that the Organization is holding the land, all improvements and maintenance costs are recorded as part of program expenses.

As part of its program, the Organization sells or donates these lands to various government entities for permanent protection. In instances where the Organization sells or donates the land for an amount below the original book value, in-kind grant expense is recognized for the difference between the selling price and the original book value. Grants of land totaled $13,413,275 and $260,888 in the fiscal years ending June 30, 2020 and 2019, respectively.

Non-controlling interest - The Organization holds a 39.44% non-controlling interest in Lake Lucerne Mutual Water Company ("LLMWC"), at June 30, 2020 and 2019, respectively. LLMWC is a California nonprofit corporation formed to administer the water rights of several properties bordering the Little Butano Creek and the Bean Hollow Watershed in accordance with a court judgment. The investment is recorded under the equity method of accounting, which approximates fair value, and is recorded as part of land held-for-conservation on the accompanying statement of financial position. The investment in LLMWC as of June 30, 2020 and 2019 was $77,988 and $80,245, respectively.

Conservation easements - The Organization periodically receives or purchases conservation easements which limit the allowable uses of the related property to open space uses consistent with the Organization's mission. Contributed conservation easements received are recorded as land contributions based on the estimated value given up by the land owner by restricting the use of the property with an easement. The Organization received no donated conservation easements in the fiscal years ending June 30, 2020 and 2019. Conservation easements purchased bear no future benefit to the Organization and are therefore included as part of land and easement transactions expense in the year they are acquired. In connection with the transfer or sale of land, the Organization may retain a conservation easement on the land. Because these easements bear no possible future economic benefit to the Organization, they are not recorded on the Organization's statement of financial position. Sometimes, the Organization may sell a conservation easement to a nonprofit or public agency partner while retaining ownership of the property. No easements were purchased in the year ending June 30, 2020. The Organization purchased or received easements totaling $11,598,082 as of June 30, 2019.

Note 2 - Summary of significant accounting policies (continued):

Property, equipment, amortization, and depreciation - Purchased property and equipment used in the Organization's operations are stated at cost. Significant donated property and equipment are recorded at their estimated fair value on the date of receipt. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years. Building improvements are amortized using the straight-line method over the assets' estimated useful lives. The Organization capitalizes property and equipment with a value over $5,000. Expenditures for maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Long-lived assets - The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any assets may not be recoverable. No such impairments have been identified to date.

Stewardship liabilities - During the year ended June 30, 2011, the Organization and Sempervirens Fund jointly established a $1,300,000 stewardship fund as part of the transfer of the Little Basin property to California State Parks. The fund is being used to improve the property to enhance public use and recreation and had $82,431 remaining at June 30, 2020 and 2019, respectively. Additionally, the Organization has a liability of $388,760 related to active remediation efforts on a separate property for the years ended June 30, 2020 and 2019, respectively.

Asset retirement obligations - Asset retirement obligations are mitigation obligations related to the Organization's land holdings. The Organization recognizes a liability for obligations as of the date the obligation is identified, which is generally upon acquisition of the asset. The Organization has conditional asset retirement obligations related to removal of in-stream structures, asbestos cleanup related to structures on property held for conservation, and removal of soil contamination. The retirement obligation is based on the present value of management's estimates of the costs of in-stream structure, asbestos, and soil contamination removal. This liability will be adjusted in future periods based on period-to-period changes in the liability resulting from (a) the passage of time and (b) revisions to either the timing or the amount of the original estimate of undiscounted cash flows. Asset retirement obligations were estimated at $1,760,215 and $2,288,635 for fiscal years ending June 30, 2020 and 2019, respectively.

Note 2 - Summary of significant accounting policies (continued):

Endowment accounting and interpretation of relevant law - The Organization's endowment consists of two donor-restricted endowment funds established to advance the mission. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), the provisions of which apply to its endowment funds. As required by UPMIFA and GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Advertising - Advertising costs are expensed as incurred. Advertising and promotion expenses were $507,851 and $420,599 for the years ended June 30, 2020 and 2019, respectively.

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. These reclassifications have no effect on previously reported change in unrestricted net assets.

Accounting for uncertainty in income taxes - The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2020 and 2019 management did not identify any uncertain tax positions.

Recently adopted accounting principles - During the year, the Organization adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standard Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution.

Note 2 - Summary of significant accounting policies (continued):

Recently adopted accounting principles (continued) - ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending June 30, 2020 are presented under FASB ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

In 2019, the Organization adopted the provisions of FASB ASU 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires that a Statement of Cash Flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Statement of Cash Flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The Organization has applied the provisions of ASU 2016-18 retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

Effective for the Organization in 2019, FASB ASU 2016-01, *Financial Instruments – Overall Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825-10)* allows a not-for-profit to choose, on an investment-by-investment basis, to report an equity investment without a readily determinable fair value, that does not qualify for the practical expedient fair value in accordance with FASB ASC 820-10-35-59, at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issue. The FASB ASU requires additional disclosures about those investments. Adoption of this accounting pronouncement had no effect on the Organization's 2019 and 2020 financial statements.

Recent accounting pronouncements - In August 2018, FASB issued ASU 2018-13 "Fair Value Measurements: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements". This ASU modifies the disclosure requirements for fair value measurements. Those modifications include the removal and addition of disclosure requirements as well as clarifying specific disclosure requirements. The ASU is effective for fiscal years beginning after December 15, 2019. Certain provisions of the ASU will be applied prospectively while the rest of the provisions will be applied retrospectively. The Organization's management does not believe that this ASU will have an impact on the Organization's financial statements.

Note 2 - Summary of significant accounting policies (continued):

Recent accounting pronouncements (continued) - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the Statement of Financial Position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the Statement of Activities and changes in net assets and the Statement of Cash Flows will be substantially unchanged from the existing lease accounting guidance. In 2019, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2020. Early adoption is permitted. The Organization's management has not yet determined the impact that implementation of this ASU will have on the Organization's financial statements.

In May 2014, the FASB issued ASU No. 2014-09 "Revenue from Contracts with Customers (Topic 606)." The ASU provides guidance over the core principle of recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. ASU 2014-09 will supersede the revenue recognition requirements in FASB Accounting Standard Codification (ASC) 605, "Revenue Recognition," and most industry-specific guidance throughout the Industry Topics of the FASB ASC. The purpose of the new standard is to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). In August 2015, the FASB issued ASU 2015-14 "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date" which will defer the effective date of ASU No. 2014-09 "Revenue from Contracts with Customers" for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08 "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations." The ASU improves operability and understandability of Topic 606 in principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10 "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing." The ASU expands on Topic 606 with clarification over identifying performance obligations and licensing. For non-public entities, the effective date will be effective for annual reporting periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted under several options, the earliest for a year beginning after December 15, 2016 and interim periods within that year. Various retrospective application methods are available. The Organization's management has not yet determined the impact that implementation of this ASU will have on the Organization's financial statements.

Note 2 - Summary of significant accounting policies (continued):

Recent accounting pronouncements (continued) - In September 2020, FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU is meant to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profit entities ("NFP"), including additional disclosure requirements for recognized contributed services. This ASU requires that all NFP receiving nonfinancial assets must present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires further disclosure on the contributed nonfinancial assets in the notes to the financial statements. The ASU will be applied retrospectively and is effective for fiscal years beginning after June 15, 2021, and interim periods beginning after June 15, 2022. Early adoption is permitted. The Organization's management has not yet determined the impact that implementation of this ASU will have on the Organization's financial statements.

Subsequent events - Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued and it has been determined that there are no material subsequent events that require an estimate to be recorded or disclosed as of June 30, 2020, except as described in Note 21.

Note 3 - Liquidity and availability of funds:

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	$ 388,570	$ 255,810
Accounts receivable	1,109,982	1,369,147
Pledges, grants and bequests receivable, net	4,700,839	2,204,576
Financing receivable, net	24,202,799	24,236,657
Interest receivable related to investments	1,071	9,607
Investments	152,123,980	175,619,818
Total financial assets	182,527,241	203,695,615
Less those not available for general expenditures within within one year, due to:		
Donor pledges receivable due in more than one year	2,392,853	1,267,647
Donor restrictions for easement monitoring and defense	1,320,134	1,287,823
Donor restrictions to maintain as an endowment	550,500	550,500
Board designations for land & easement acquisition and stewardship obligations	141,701,863	166,958,138
Financial assets available to meet general expenditures over the next twelve months	$ 36,561,891	$ 33,631,507

The organization regularly monitors liquidity in order to meet its operating needs and other contractual obligations as they come due, generally maintaining a two-year operating reserve. The Board designates all other net assets for longer-term use, including conservation easement monitoring, land acquisition and stewardship needs. Amounts not available for general operating use due to Board designations could be drawn upon with Board approval if needed.

Note 4 - Cash held on behalf of public agencies:

As of June 30, funds were held in trust for the following public agencies:

	July 01, 2019	Fund Additions	Income Credited	Fund Expenditures	June 30, 2020
United States Department of Interior	$ 279,984	$ -	$ 2,003	$ (281,987)	$ -

	July 01, 2018	Fund Additions	Income Credited	Fund Expenditures	June 30, 2019
United States Department of Interior	$ 274,641	$ -	$ 5,343	$ -	$ 279,984

Note 5 - Pledges, grants and bequests receivable:

Pledges, grants and bequests receivable consisted of the following at June 30:

Pledges, grants and bequests receivable:	2020	2019
Pledges receivable, net	$ 3,409,573	$ 1,398,517
Bequests receivable	1,291,266	609,524
Grants receivable, net	-	196,535
Pledges, grants and bequests receivable, net	$ 4,700,839	$ 2,204,576

Note 5 - Pledges, grants and bequests receivable (continued):

Pledges receivable

Pledges receivable at June 30, 2020, are expected to be received as follows:

Year Ending June 30,		
2021	$	934,975
2022		644,093
2023		468,513
2024		375,000
2025		350,000
Thereafter		1,000,000
Total pledges receivable		3,772,581
Less discount		(336,008)
Less allowance for doubtful accounts		(27,000)
Pledges receivable, net	$	3,409,573

When the Organization is aware of circumstances that may impair a specific donor's ability to meet financial obligations, the Organization records a specific allowance, and thereby reduces the net receivable to the amount reasonably believed to be collectible. Write-offs have historically been within management's expectations. Allowance for doubtful accounts balance as of June 30, 2020 and 2019 is $27,000. No change to the allowance was considered necessary during the years ended June 30, 2020 and 2019, respectively.

Bequests receivable

The Organization had total bequests receivable of $1,291,266 and $609,524 at June 30, 2020 and 2019, respectively. All amounts are expected to be collected during the year ended June 30, 2020.

Grants receivable

There are no grants receivable as of June 30, 2020. Grants receivable net of discount as of June 30, 2019 were $196,535 and were collected in the fiscal year ending June 30, 2020.

Note 6 - Financing receivables and allowance for credit losses:

Financing receivables consist of the following at June 30:

		2020		2019
Note A	$	26,743,961	$	26,743,961
Note B		2,548,181		2,569,919
Note C		54,618		66,739
Total financing receivables		29,346,760		29,380,619
Less: allowance for credit losses		(5,143,961)		(5,143,962)
Financing receivable, net	$	24,202,799	$	24,236,657

Note A is an advance to an individual land owner with the objective of facilitating protection of certain land. The note, originally due July 1, 2019 with an option to extend to July 1, 2049, was extended to the current due date of July 1, 2025 as per contract options. This note bears interest at 8.5% per annum (compound). The note is fully secured, after the credit allowance described below, by a deed of trust. Per the terms of the loan agreement, assuming all conditions were met, the loan increased annually beginning in the year ended June 30, 2015 by $250,300 (plus closing costs) until the loan balance was $26,743,962.

Note B is a participation loan with an external lender in which the lender will originate and service purchase money loans on designated properties the Organization owns and sells. There are two loans as of June 30, 2020. One loan is due May 2049 with a loan amount of $1,820,839 and bears interest at 1.75% per annum (compound). The second loan is due May 2049 with a loan amount of $727,342 and bears interest at 1.75% per annum (compound).

Note C is an undivided 11.24% interest in a private financing arrangement which the Organization received as part of a larger bequest. The loan originally matured in December 2015 and is in default. Bankruptcy proceeding are underway, but the loan is currently under active repayment with an interest rate of 11.27%. The loan amount of $54,618 is secure by deed of trust.

The Organization did not have any interest receivable related to the financing receivables for the years ended June 30, 2020 and 2019. It is the Organization's intention to receive a property in consideration for Note A. The estimated fair value of the property to be received is approximately $21,600,000.

Note 6 - Financing receivables and allowance for credit losses (continued):

Credit quality indicators - The Organization's credit quality indicators consist of credit risk profiles based upon payment activity. Payment activity is either performing or nonperforming. Note A is considered to be performing. The Organization has placed Note A on nonaccrual status based on the most recent property valuation.

Ending allowance for credit losses and analysis of past due financing receivables - The Organization recorded an allowance for credit losses for Note A of $5,143,962 for the years ending June 30, 2020 and 2019, respectively. The allowance was determined by comparing the loan balance, and subsequent $250,300 annual loan increase, with the estimated fair value of the property securing the note. There are no amounts past due and the Organization considers the ending recorded value to be fully collectible.

Note 7 - Investments:

The Organization follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

An investment's classification within a level in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The categorization of the investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

Note 7 - Investments (continued):

The following are major categories of investments measured at fair value on a recurring basis:

- Level 1: Quoted prices in active markets for identical assets
- Level 2: Significant other observable inputs
- Level 3: Significant unobservable inputs

	Year Ended June 30, 2020			
	Level 1	Level 2	Level 3	Total
Investment cash and cash equivalents	$ 12,873,167	$ -	$ -	$ 12,873,167
Marketable equity securities	77,597,751	-	-	77,597,751
Marketable absolute return funds	4,683,873	-	-	4,683,873
Real estate, gold and commodities funds	4,479,133	-	-	4,479,133
Corporate bond funds	51,796,082	-	-	51,796,082
Corporate bonds	-	176,346	-	176,346
Private equity fund	-	-	517,628	517,628
Total	$ 151,430,006	$ 176,346	$ 517,628	$ 152,123,980

	Year Ended June 30, 2019			
	Level 1	Level 2	Level 3	Total
Investment cash and cash equivalents	$ 9,513,785	$ -	$ -	$ 9,513,785
Marketable equity securities	80,681,123	-	-	80,681,123
Marketable absolute return funds	7,162,216	-	-	7,162,216
Real estate, gold and commodities funds	5,498,483	-	-	5,498,483
Corporate bond funds	70,566,318	-	-	70,566,318
Corporate bonds	-	1,008,060	-	1,008,060
Private equity fund	-	-	1,189,833	1,189,833
Total	$ 173,421,925	$ 1,008,060	$ 1,189,833	$ 175,619,818

Note 7 - Investments (continued):

The following is a reconciliation of the beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Private Equity Fund 2020	Private Equity Fund 2019
Beginning balance	$ 1,189,833	$ 1,073,922
Total gains or losses (realized or unrealized), net	(672,205)	169,089
Purchases, issuances, and settlements	-	(53,178)
Ending balance	$ 517,628	$ 1,189,833

The underlying assets of the investment company are valued based on quoted market prices as available. When fair value is not readily determinable, other methods, including independent valuations, are utilized to determine fair value.

The following table lists investments in other investment companies by major category at June 30, 2020:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity fund (a)	$ 517,628	$ 148,500	N/A	N/A

The following table lists investments in other investment companies by major category at June 30, 2019:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity fund (a)	$ 1,189,833	$ 148,500	N/A	N/A

(a) This category includes a private equity fund that focused on buyout and venture capital. This investment is not redeemable. Instead, the nature of the investments in this category are distributions that are received through the liquidation of the underlying assets in the fund. The term for these investments range from 10 to 15 years. The fair values of these investments have been estimated using capital statements as of June 30, 2020 and 2019.

Note 7 - Investments (continued):

The following schedule summarizes total net realized and unrealized gains and losses on investments for the years ended June 30:

		2020		2019
Realized gains	$	2,001,796	$	5,366,433
Unrealized losses		(113,136)		(1,946,860)
Loss on property-held-for-sale		-		(473,918)
Management fees and trust expenses		(369,022)		(402,937)
Total net realized and unrealized gains on investments	$	1,519,638	$	2,542,718

Note 8 - Investments and remainder interests in charitable remainder trusts and gift annuities:

The Organization is a trustee and remainder beneficiary of seven irrevocable charitable remainder trusts. Provisions of the trusts require distribution of a percentage of the net fair market value or a fixed amount of the trusts to designated beneficiaries on a quarterly basis during their lifetimes. At the end of the trusts' terms, after payments to other remainder beneficiaries, the remaining assets will be available for the Organization's unrestricted use. The portion of the trusts attributable to the present value of the estimated future benefits to be received by the Organization was recorded as contributions with donor restrictions in the period the trust was established. On an annual basis, the Organization revalues and records a liability for the present value of required distributions to the designated beneficiaries based on actuarial assumptions.

The present value of the estimated future payments ($2,911,529 and $3,053,790 at June 30, 2020 and 2019, respectively) is calculated assuming investment returns of 5% to 7%, discount rates of 2.4% to 5.11% and life expectancies based on applicable mortality tables. At June 30, 2020 and 2019, investments held in charitable remainder trusts were recorded at fair value. All investments are at quoted prices in active markets for identical assets (level 1 inputs) as follows:

		2020		2019
Cash and cash equivalents	$	76,788	$	78,975
Marketable equity securities		3,872,371		3,798,362
Corporate bond funds		1,969,638		1,974,725
Real estate, gold and commodites funds		212,807		236,065
Marketable absolute return funds		225,893		363,316
Total	$	6,357,497	$	6,451,443

Note 8 - Investments and remainder interests in charitable remainder trusts and gift annuities (continued):

The Organization is also a remainder beneficiary of three irrevocable charitable remainder trusts for which the Organization does not serve as the trustee, twelve charitable gift annuities, and one irrevocable bequest. Provisions of the charitable remainder trusts require distribution of a fixed percentage of the net fair market value of the trust's assets to the named beneficiaries on a quarterly basis during their lifetime. Provisions of the charitable gift annuities require distribution of a fixed dollar amount to the named beneficiaries on a quarterly basis during their lifetime. The assets remaining after the death of the beneficiaries will be available for the Organization's use. The Organization records as contributions with donor restrictions the present value of the estimated future benefits to be received discounted at a rate of 1.4% to 4.37% as established by the IRS and applicable mortality tables, noted on the statement of financial position as residual interest in charitable remainder trusts. There is no further liability beyond the asset balance for the trusts, gift annuities or bequest.

The present value of the estimated future benefits of all remainder trusts based on IRS guidance and the actuarial life expectancy of the donor are presented below:

	2020	2019
Charitable Remainder Trusts with third party trustees, time restricted	$ 100,537	$ 103,534
Charitable Gift Annuities, time restricted	397,957	327,389
Charitable Gift Annuities, time and purpose restricted	15,935	16,757
Irrevocable bequest, time and purpose restricted	86,516	85,753
Total Residual Interest in charitable remainder trusts	$ 600,945	$ 533,433

Note 9 - Land held-for-conservation and related asset retirement obligations:

The current year activity of land held-for-conservation was comprised of the following:

Balance, June 30, 2018	$	103,760,981
Purchased land		12,225,000
Donations of land received		1,445,000
Change in asset retirements, net		515,899
Change in land related deposits		(110,250)
Change in LLWMC POST interest		(6,923)
Dispositions of land		(18,543,000)
Balance, June 30, 2019		99,286,707
Purchased land		47,095,000
Change in land related deposits		140,250
Change in asset retirements, net		(323,891)
Change in LLWMC POST interest		(2,257)
Donations of land received		1,825,000
Dispositions of land		(31,725,116)
Balance, June 30, 2020	$	116,295,693

Included within land held-for-conservation are costs recorded for future asset retirement obligations of $1,279,889 and $1,603,780 as of June 30, 2020 and 2019, respectively.

Assets subject to conditional retirement obligations are comprised of the following:

Balance, June 30, 2018	$	2,376,125
Liabilities removed in the current period through transfer of land		(123,648)
Liabilities settled in the current period		(49,364)
Accretion expense		85,522
Balance, June 30, 2019		2,288,635
Liabilities removed in the current period through transfer of land		(444,756)
Liabilities settled in the current period		(317,381)
Liabilities added in the current period through acquisition		154,350
Net gain on settlement of asset retirement obligation		79,367
Balance, June 30, 2020	$	1,760,215

Note 10 - Property and equipment:

Property and equipment consisted of the following at June 30:

	2020	2019
Building and improvements	$ 3,653,942	$ 3,953,265
Furniture	-	11,721
Equipment	144,670	177,760
Vehicles	142,564	142,564
Total property and equipment	3,941,176	4,285,310
Less: accumulated depreciation and amortization	(1,461,301)	(1,466,364)
Land	2,351,899	2,351,899
Construction-in-progress	2,001,359	17,536
Total property and equipment, net	$ 6,833,133	$ 5,188,381

Depreciation and amortization expense, included in other operating expenses, for the years ended June 30, 2020 and 2019 was $130,970 and $168,189, respectively.

Note 11 - Accounts payable and other liabilities:

Accounts payable include the Organization's operating expenses which have been billed but not paid. Other liabilities include the Organization's vacation accrual due to employees, life estate obligations, and other accrued expenses incurred in the normal course of business. Vacation accrues based on the number of years of service of each employee, ranging from 10 to 20 working days per year. Vacation regularly accrues up to a maximum of 1.5 times the employee's annual accrual rate. In response to COVID-19 travel limitations, vacation accrual caps were suspended through June 30, 2020. Life estate obligations are calculated according to IRS guidance and life expectancy tables.

Accounts payable and other liabilities consisted of the following at June 30:

	2020	2019
Accounts payable	$ 1,185,867	$ 777,593
Vacation accrual	420,560	294,837
Interest payable	43,334	43,417
Other liabilities	419,902	724,757
Accounts payable and other liabilities	$ 2,069,663	$ 1,840,604

Note 12 - Notes payable:

Notes payable consisted of the following at June 30:

	2020	2019
Capital lease - copier	$ 12,302	$ 6,430
Program related investment loan	3,520,000	3,520,000
Loan and credit agreement	4,025,000	-
Farm labor housing note A	280,000	300,000
Farm labor housing note C	245,706	24,669
Total notes payable	$ 8,083,008	$ 3,851,099

As of June 30, 2020, the notes payable balance includes one program-related investment loan obtained as part of a land transaction and three forgivable loans. On July 16, 2014, the Organization borrowed $3,520,000 with a maturity date of July 16, 2020. This loan accrues 1% interest with payments due annually. During the fiscal year, the maturity date was extended to July 16, 2021 and the accrual of interest was ceased for the months of March through August of 2020. Additionally, payment of accrued interest is suspended until July 2021. The loan is subject to certain covenants related to programmatic use, reporting and overall debt carried by the Organization. As of June 30, 2020, the Organization was in compliance with all loan covenants.

On June 9, 2020, the Organization borrowed $4,025,000 with a maturity date no later than the two year anniversary of the closing of the supported land transaction. Upon successful acquisition of the subject property, $2,025,000 of this loan is subject to forgiveness. Unless forgiven or repaid before January 1, 2021, this loan will begin accruing 1% interest with payments due biannually. The loan is subject to certain covenants related to use, reporting and financial status of the Organization. As of June 30, 2020, the Organization was in compliance with all loan covenants.

The two forgivable loans are from a governmental entity to provide farm labor housing on two separate properties. Both Note A and Note C are interest-free loans of up to $300,000 each and will be forgiven at a rate of $20,000 a year per note once certain criteria are met. The Organization has recorded imputed interest at the rate of 3% for the year ended June 30, 2020 and 2019, and will record grant revenue in future years if the conditions are fulfilled and the loans are forgiven.

Note 13 - Board designations of net assets without donor restrictions:

Board designations of net assets without donor restrictions were as follows at June 30:

	2020	2019
Land held for conservation	$ 116,295,693	$ 99,286,707
Property and equipment	6,833,133	5,188,381
Land & easement acquisition and stewarship obligations	141,701,863	166,958,138
Total board-designated	$ 264,830,689	$ 271,433,226

Note 14 - Net assets with donor restrictions:

Net assets with donor restrictions were available for the following purposes at June 30:

	2020	2019
Subject to expenditure for a specific purpose:		
Conservation easement fund	$ 1,320,134	$ 1,287,823
Other program activities	1,887,494	2,096,070
Held for endowment	217,758	216,995
Land acquisitions	-	196,535
Total purpose restrictions	3,425,386	3,797,423
Subject to appropriation and expenditure when a specified event occurs:		
Net assets held in charitable remainder trusts	3,445,968	3,397,653
Subject to passage of time:		
Bequests, trust receivable and estate receivable	1,582,115	1,159,933
Endowment:		
Perpetual in nature -		
Lane Stewardship Endowment	300,000	300,000
Wilbur's Watch	250,500	250,500
Total net assets with donor restrictions	$ 9,003,969	$ 8,905,509

Note 14 - Net assets with donor restrictions (continued):

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes during the year as follows:

	2020	2019
Bequests, trusts and estate receivable	$ 863,733	$ 7,321,435
Land acquisitions	10,768,273	6,385,317
Other program activities	857,316	865,982
Total net assets released from restrictions	$ 12,489,322	$ 14,572,734

Note 15 - Endowment:

Endowment net asset composition by type of funds was as follows:

	Endowment accumulated earnings - unappropriated	Perpetual in nature	Total
Endowment net assets as of June 30, 2018	$ 207,752	$ 550,500	$ 758,252
Investment return:			
Interest and dividend income	18,226	-	18,226
Realized and unrealized gain	14,804	-	14,804
Total investment return	33,030	-	33,030
Appropriation of endowment	(23,787)	-	(23,787)
Endowment net assets as of June 30, 2019	216,995	550,500	767,495
Investment return:			
Interest and dividend income	17,099	-	17,099
Realized and unrealized gain	14,102	-	14,102
Total investment return	31,201	-	31,201
Appropriation of endowment	(30,438)	-	(30,438)
Endowment net assets as of June 30, 2020	$ 217,758	$ 550,500	$ 768,258

Note 15 - Endowment (continued):

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2020 and 2019.

Return objectives and risk parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Organization's Investment Committee, the endowment assets are invested in a manner that is intended to provide a moderate average annual real return in excess of inflation. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policies and how the investment objectives relate to spending policy: The Organization has a policy of appropriating for distribution each year a target of 5% of its endowment funds' average fair value over the prior 12 quarters through the quarter ending March 31, proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected real return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 16 - Related-party transactions:

The Organization's volunteer members of the Board of Directors are active in oversight of fundraising events, activities and in making private contributions. Contributions received from the Board of Directors, from companies with which the Board of Directors are affiliated or from employees of the Organization were $730,041 and $669,127 for the years ended June 30, 2020 and 2019, respectively. Outstanding pledge receivables from the Board of Directors or from companies with which the Board of Directors are affiliated were $210,000 and $75,000 for the years ended June 30, 2020 and 2019, respectively.

Note 17 - Concentrations:

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of investments, pledges and grants receivable, notes receivable and cash. Investments are maintained in a diversified portfolio with the assistance of professional investment advisors. The Organization may have risk associated with its concentration of investments in one geographic region and in certain industries. Pledges and grants receivable are from donors who have paid according to agreed-upon payment schedules through January 31, 2020, and, with the exception noted in Note 5, the Organization believes these amounts are fully collectible. The notes receivable are fully secured at June 30, 2020. The majority of the Organization's cash was held at one financial institution at June 30, 2020. The cash equivalents held with the Organization's brokerage firm are not insured. The checking and money market accounts held at the Organization's bank are completely insured up to a combined limit of $250,000 by an agency of the federal government.

For the year ended June 30, 2020, one donor accounted for 11% of the Organization's contributions and grants. For the year ended June 30, 2019, two donors accounted for 24% of the Organization's contributions and grants.

Note 18 - Benefit plans:

Peninsula Open Space Trust Defined Contribution Retirement Plan - The Organization had a defined contribution plan ("DC Plan") in which employees who have worked for at least 12 months and 1,000 hours or more during those 12 months are eligible to participate. The Organization's contributions to the DC Plan were $197,936 and $247,990 for the years ended June 30, 2020 and 2019, respectively. This plan was replaced by the 401(k) plan below.

Peninsula Open Space Trust Tax-Deferred Annuity Plan - The Organization had a tax-deferred annuity plan ("TDA Plan") in which employees can make voluntary, tax-deferred contributions within specified limits. The TDA Plan was established under the provision of Section 403(b) of the Internal Revenue code. This plan was replaced by the 401(k) plan below.

Peninsula Open Space Trust 401(k) Plan - Effective March 1, 2020, the Organization has replaced the existing DC Plan and TDA Plan with a 401(k) plan. Employees may participate in the plan upon hire and become eligible for employer matching and contributions when they complete 12 months of employment and have reached 21 years of age. The Organization's contributions to the 401(k) plan were $103,366 for the year ended June 30, 2020.

Peninsula Open Space Trust 457(b) Deferred Compensation Plan - Effective March 1, 2020, the existing 457(b) deferred compensation plan was frozen and replaced with a new 457(b) plan. Participation in the new Deferred Compensation Plan is available to members of the executive staff and contributions to the plan were $11,000 for the years ended June 30, 2020 and 2019.

Note 19 - Section 125 cafeteria plan:

The Organization has a cafeteria plan ("Cafeteria Plan") under Section 125. To the extent provided in the Cafeteria Plan, eligible employees can withhold pre-tax dollars in a spending account which the employee can use for reimbursements of certain medical, dependent care and adoption expenses.

Note 20 - Commitments and Contingencies:

Offers to dedicate - The Organization periodically acquires properties subject to contingent restrictions on the title known as offers to dedicate. Offers to dedicate are sometimes required by grantors as a means to ensure the Organization maintains the land in a manner consistent with the grantors' wishes. These provisions are consistent with the Organization's mission and generally include restrictions regarding the preservation of land for conservation purposes, that the land is not used to secure debt, and that the land may not be transferred without prior approval of the grantor. If the Organization were to violate these provisions or to cease business, the offers to dedicate would automatically transfer title to the grantors. There were no acquisitions subject to offer to dedicate provisions during the year ended June 30, 2020 and 2019.

Contingency: COVID-19 - On March 11, 2020, the World Health Organization declared that the spread of the coronavirus disease (COVID-19) has become a pandemic. On March 13, 2020, the President of the United States announced a national emergency in response to the COVID-19 outbreak. In response to these two announcements, many businesses have closed their doors in order to assist in the containment of the virus for the next several months. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on their customers, employees and vendors, all of which are uncertain and cannot be predicted. At the date of the independent accountants' audit report, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain, however Organization's management is confident that the Organization will continue as a going concern.

Note 21 - Subsequent events:

In August and September 2020, the Northern California CZU Lightning Complex fires had burned through approximately 90,000 acres in the San Mateo and Santa Cruz counties. The resulting damage affected three properties owned by the Organization and two properties protected by the Organization through conservation easements. Management has been unable to assess the financial impact of the fires as of the report date.

In October 2020, upon successful protection of the Tilton Ranch property in Santa Clara County, $2,025,000 of the loan and credit agreement described in Note 12 was forgiven by the lender. The remaining $2,000,000 of the loan was repaid in accordance with the terms of the agreement.