



PENINSULA OPEN SPACE TRUST

**Financial Statements and Supplementary Information
June 30, 2023 and 2022**

**Together with
Independent Auditors' Report
And Single Audit Reports**

PENINSULA OPEN SPACE TRUST

Table of Contents

June 30, 2023

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5 - 6
Statements of Functional Expense	7
Statements of Cash Flows	8 - 9
Notes to the Financial Statements	10 - 34
SUPPLEMENTARY INFORMATION	35
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36-37
Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control over Compliance In Accordance with The Uniform Guidance	38-40
Schedule of Expenditures of Federal Awards	41
Notes to the Schedule of Expenditures of Federal Awards	42
Schedule of Findings and Questioned Costs	43-44



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Peninsula Open Space Trust (the "Organization", a California nonprofit public benefit corporation), which comprise the statements of financial position as of June 30, 2023 and 2022, 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.

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, 2023 and 2022, 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. Additionally, for the fiscal year ended June 30, 2023, we conducted our audit in accordance with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Auditors' 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 auditors' 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 and *Government 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 and *Government 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 Organization'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 Organization'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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



San Jose, California
October 30, 2023

PENINSULA OPEN SPACE TRUST
Statements of Financial Position

ASSETS

	June 30,	
	2023	2022
Assets:		
Cash and cash equivalents	\$ 1,199,249	\$ 1,378,065
Restricted cash and cash equivalents	206,516	225,255
Accounts receivable	822,365	600,651
Pledges, grants, and bequests receivable, net	5,973,696	2,037,533
Employee retention credit receivable	-	978,384
Financing receivables, net	24,761,744	24,020,108
Interest receivable	17,823	18,265
Prepaid expenses and other assets	358,312	437,287
Investments	147,963,953	143,738,087
Residual interest in charitable assets	743,852	530,833
Investments held in charitable remainder trusts	5,965,846	6,447,029
Land held-for-conservation	142,193,382	131,458,119
Property and equipment, net	6,759,287	6,901,597
Total assets	\$ 336,966,025	\$ 318,771,213

LIABILITIES AND NET ASSETS

	June 30,	
	2023	2022
Liabilities:		
Accounts payable and other liabilities	\$ 3,115,719	\$ 1,584,354
Deferred revenue	3,000,000	-
Stewardship liabilities	471,191	471,191
Notes payable, net	8,341,506	451,889
Asset retirement obligations	1,798,268	1,760,969
Liabilities under charitable remainder trusts	2,535,720	2,756,640
Total liabilities	19,262,404	7,025,043
Contingencies		
Net assets:		
Without donor restrictions	26,922,783	24,514,000
Without donor restrictions - Board-designated	273,584,251	273,685,847
Total without donor restrictions	300,507,034	298,199,847
With donor restrictions	17,196,587	13,546,323
Total net assets	317,703,621	311,746,170
Total liabilities and net assets	\$ 336,966,025	\$ 318,771,213

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, 2023

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Operating support:			
Contributions and grants	\$ 7,891,700	\$ 13,077,517	\$ 20,969,217
Net assets released from restrictions	<u>9,992,224</u>	<u>(9,992,224)</u>	<u>-</u>
Total operating support	<u>17,883,924</u>	<u>3,085,293</u>	<u>20,969,217</u>
Operating expenses:			
Program services	22,138,235	-	22,138,235
Fundraising	3,766,980	-	3,766,980
Management and support services	<u>2,850,797</u>	<u>-</u>	<u>2,850,797</u>
Total operating expenses	<u>28,756,012</u>	<u>-</u>	<u>28,756,012</u>
Total operating income	<u>(10,872,088)</u>	<u>3,085,293</u>	<u>(7,786,795)</u>
Nonoperating activities:			
Interest and dividends	4,080,916	294,620	4,375,536
Realized and unrealized gains on investments, net	7,942,371	270,351	8,212,722
Employee retention credit	35,216	-	35,216
Rental and other income	<u>1,120,772</u>	<u>-</u>	<u>1,120,772</u>
Total nonoperating activities	<u>13,179,275</u>	<u>564,971</u>	<u>13,744,246</u>
Change in net assets	2,307,187	3,650,264	5,957,451
Net assets, beginning of year	<u>298,199,847</u>	<u>13,546,323</u>	<u>311,746,170</u>
Net assets, end of year	<u>\$ 300,507,034</u>	<u>\$ 17,196,587</u>	<u>\$ 317,703,621</u>

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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating support:			
Contributions and grants	\$ 9,513,865	\$ 8,928,181	\$ 18,442,046
Net assets released from restrictions	<u>5,200,594</u>	<u>(5,200,594)</u>	<u>-</u>
Total operating support	<u>14,714,459</u>	<u>3,727,587</u>	<u>18,442,046</u>
Operating expenses:			
Program services	12,987,943	-	12,987,943
Fundraising	3,251,763	-	3,251,763
Management and support services	<u>2,729,983</u>	<u>-</u>	<u>2,729,983</u>
Total operating expenses	<u>18,969,689</u>	<u>-</u>	<u>18,969,689</u>
Total operating income	<u>(4,255,230)</u>	<u>3,727,587</u>	<u>(527,643)</u>
Nonoperating activities:			
Interest and dividends	4,924,355	361,571	5,285,926
Realized and unrealized losses on investments, net	(21,418,943)	(1,566,778)	(22,985,721)
Employee retention credit	387,982	-	387,982
Rental and other income	<u>468,996</u>	<u>-</u>	<u>468,996</u>
Total nonoperating activities	<u>(15,637,610)</u>	<u>(1,205,207)</u>	<u>(16,842,817)</u>
Change in net assets	(19,892,840)	2,522,380	(17,370,460)
Net assets, beginning of year	<u>318,092,687</u>	<u>11,023,943</u>	<u>329,116,630</u>
Net assets, end of year	<u>\$ 298,199,847</u>	<u>\$ 13,546,323</u>	<u>\$ 311,746,170</u>

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, 2023			
	Program Services	Fundraising	Management and Support Services	Total
Salaries and benefits	\$ 5,131,881	\$ 2,475,357	\$ 2,086,000	\$ 9,693,238
Land and easement transactions	8,282,877	-	-	8,282,877
Professional services	6,878,645	610,141	255,321	7,744,107
Other operating	680,368	292,107	145,234	1,117,709
Printing and postage	55,530	322,428	20,383	398,341
Grants and contributions	351,616	-	-	351,616
Property taxes	344,814	-	1,182	345,996
Interest expense	103,351	-	229,430	332,781
Depreciation and amortization	151,234	66,947	50,381	268,562
Insurance	157,919	-	62,866	220,785
Total expenses	\$ 22,138,235	\$ 3,766,980	\$ 2,850,797	\$ 28,756,012

	For the Year Ended June 30, 2022			
	Program Services	Fundraising	Management and Support Services	Total
Salaries and benefits	\$ 4,314,258	\$ 2,188,178	\$ 2,088,283	\$ 8,590,719
Professional services	4,290,750	482,667	446,493	5,219,910
Land and easement transactions	2,684,444	-	-	2,684,444
Other operating	431,632	324,029	69,632	825,293
Grants and contributions	615,144	-	-	615,144
Property taxes	287,109	-	1,206	288,315
Depreciation and amortization	139,214	65,732	53,563	258,509
Printing and postage	40,132	191,157	16,578	247,867
Insurance	99,700	-	54,228	153,928
Interest expense	85,560	-	-	85,560
Total expenses	\$ 12,987,943	\$ 3,251,763	\$ 2,729,983	\$ 18,969,689

The accompanying notes are an integral part of these financial statements

PENINSULA OPEN SPACE TRUST
Statements of Cash Flows

	For the Years Ended	
	June 30,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 5,957,451	\$ (17,370,460)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	268,562	258,509
Accretion related to asset retirement obligation	84,800	71,750
Net gain on settlement of asset retirement obligations	351,526	(3,057)
In-kind land grants to public agencies	1,544,000	-
Realized and unrealized losses (gains) on investments	(8,278,218)	22,647,592
Change in allowance for credit losses	(800,000)	-
Change in discount on promises to give	316,910	(10,362)
Discount on notes payable	(566,906)	-
Forgiveness of notes payable	(40,000)	(40,000)
Change in value in non-controlling interest in LLMWC	386	(22,355)
Residual interest in charitable assets	(213,019)	208,301
Interest payable	(1,535)	(41,402)
Changes in operating assets and liabilities:		
Accounts receivable	(221,714)	146,156
Pledges, grants and bequests receivable	(4,253,073)	196,514
Employee retention credit receivable	978,384	(323,349)
Prepaid expenses and other assets	78,975	(70,526)
Proceeds from sale of land held-for-conservation	21,015,866	-
Acquisition of land held-for-conservation	(33,465,000)	(5,550,000)
Accounts payable and other liabilities	1,532,900	(255,797)
Settlement of asset retirement obligations	(229,542)	(165,519)
Liabilities under charitable remainder trusts	(531,069)	(385,393)
Deferred revenue	3,000,000	-
Net cash used by operating activities	(13,470,316)	(709,398)

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,	
	2023	2022
Cash flows from investing activities:		
Proceeds from sale of investments	\$ 92,722,257	\$ 40,171,427
Acquisition of investments	(88,066,752)	(35,823,480)
Proceeds from sale of investments held in charitable remainder trusts	1,135,792	718,093
Acquisition of investments held in charitable remainder trusts	(947,613)	(648,373)
Interest receivable from notes receivable	442	430
Payments received on note receivable	58,364	56,641
Acquisition of property and equipment	(126,252)	(27,077)
Net cash provided by investing activities	4,776,238	4,447,661
Cash flows from financing activities:		
Payments on notes payable	(3,477)	(3,523,247)
Borrowings on notes payable	8,500,000	-
Net cash provided (used) by financing activities	8,496,523	(3,523,247)
Increase (decrease) in cash and cash equivalents	(197,555)	215,016
Cash, cash equivalents and restricted cash, beginning of year	1,603,320	1,388,304
Cash, cash equivalents and restricted cash, end of year	\$ 1,405,765	\$ 1,603,320

Supplemental disclosure of cash flow information:

Cash paid during the year for interest	\$ 26,444	\$ 52,800
--	-----------	-----------

Supplemental disclosure of non-cash investing and financing information:

Capitalization of asset retirement obligation related to acquisition of land held-for-conservation	\$ 196,461	\$ 73,621
--	------------	-----------

The accompanying notes are an integral part of these financial statements

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

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 landowners, 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. The Organization’s Board has designated \$273,584,251 and \$273,685,847 of net assets without donor restriction for specific programmatic purposes as of June 30, 2023 and 2022, respectively.
- *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, whereby 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.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

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

Reclassifications - Certain amounts 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 net assets without donor restrictions.

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.

Restricted cash - In connection with a purchase agreement for land held-for-conservation, the Organization was required to maintain \$206,516 and \$225,255, of restricted cash for the purpose of maintenance activities for fiscal years ended June 30, 2023 and 2022, respectively.

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, 2023 and 2022, 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 promisor. The Organization holds six contributions subject to matching requirements totaling \$63,435 for the year ended June 30, 2023. The Organization held five contributions subject to matching requirements totaling \$47,000 for the year ended June 30, 2022. Unconditional pledges receivable represents the remaining pledges due from donors who have pledged funds to the Organization for use in its programs. Unconditional pledges that are to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique.

Promises to give that are expected to be collected after one year are discounted using a discount rate ranging from 0.22% to 4.64% and 0.06% to 3.00% as of June 30, 2023 and 2022, respectively. 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 allowances, totaling \$2,927,219 and \$859,421 for fiscal years ending June 30, 2023 and 2022, respectively.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

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

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 of 0.71% and 3.00% for the year ended June 30, 2023 and 2022, respectively. The financial statements reflect these pledges net of the discount and allowance.

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.

Employee retention credit receivable - Under section 2301 of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), the Organization has elected to claim the Employee Retention Credit (“ERC”) which is a refundable tax credit against certain employment taxes. Management determined \$655,035 would be refunded back based on qualified wages incurred as of June 30, 2021. As the conditions for the credit existed as of June 30, 2021, management recognized the benefit as a receivable on the statement of financial position for the fiscal year then ended. During the year ended June 30, 2022, management determined an additional amount of \$387,982 would be refunded back based on qualified wages incurred as of June 30, 2022. As of June 30, 2023, the Organization has received payment on the full balance of the ERC.

Financing receivables and related allowance for credit losses - The Organization has financing receivables, which consist of three portfolio segments as of June 30, 2023 and 2022. 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 5.

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.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

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

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.

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. Investments in private equity funds totaled \$364,431 and \$385,067 for fiscal years ending June 30, 2023 and 2022, respectively.

Fair value of financial instruments - Unless otherwise indicated, the fair values of all reported assets and liabilities approximate the carrying values of such amounts.

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 fair value is not determinable are not recorded until such time that they become measurable.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

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

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, 2023 and 2022, 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, 2023 and 2022, respectively.

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 \$1,544,000 for the fiscal year ended June 30, 2023. There were no grants of land during the fiscal year ended June 30, 2022

Non-controlling interest - The Organization holds a 39.54% non-controlling interest in Lake Lucerne Mutual Water Company ("LLMWC"), at June 30, 2023 and 2022, 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, 2023 and 2022 was \$71,140 and \$71,527, respectively, and is recognized within prepaid expenses and other assets on the statements of financial position.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

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

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 landowner by restricting the use of the property with an easement. The Organization received no donated conservation easements in the fiscal years ending June 30, 2023 and 2022. 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. The Organization, in a separate transaction, may sell a conservation easement to a nonprofit or public agency partner while retaining ownership of the property. The Organization purchased or received conservation easements totaling \$5,150,000 and \$600,000 for the years ended June 30, 2023 and 2022, respectively.

Property, equipment, amortization, and depreciation - Purchased property and equipment used in the Organization's operations are stated at cost less accumulated depreciation. 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.

Construction-in-progress - Construction-in-progress represents assets acquired and not yet placed into service. In the event applicable interest costs associated with the construction of new facilities are material, the Organization will capitalize the respective interest.

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.

Deferred revenue - Deferred revenue consists of conditional grant revenue that is deferred upon receipt and recognized as revenue once the conditions have been satisfied. The terms of the conditional grant extend through October 31, 2025. As of June 30, 2023, the Organization has \$3,000,000 of deferred revenue related to conditional grants. There was no deferred revenue for the year ended June 30, 2022.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

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

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, 2023 and 2022, 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, 2023 and 2022, 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 to be \$1,798,268 and \$1,760,969 at June 30, 2023 and 2022, respectively.

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.

Revenue recognition - The Organization recognizes exchange revenue in accordance with Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers, as amended. ASC 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

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

Revenue recognition (continued) - *Exchange revenue: Timber* - The Organization sells timber harvested on their properties. The performance obligation is the delivery of the good to the customer. The Organization establishes the transaction price based on quoted prices in active markets for similar timber products. As each item is individually priced, no allocation of the transaction price is necessary. The Organization recognizes revenue when the customer takes possession of the timber product. No right of return exists for the timber.

The Organization presents exchange transaction revenues on the statement of activities and changes in net assets as part of rental and other income. The Organization did not receive timber revenues for the years ended June 30, 2023 and 2022, respectively.

Contribution revenue - 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.

In-kind contributions - Significant donated property and equipment are recorded based on estimates of fair market value that would be received within their respective principal markets, considering the condition and utility for use at the time they are contributed by the donor. Donated land is recorded based on estimates of fair value through appraisals on or near the date of receipt. There were no in-kind contributions of land for the years ended June 30, 2023 and 2022, respectively. Donated property, equipment, and land is not sold, but rather used only to further the Organization's mission. Unless otherwise noted, donated property, equipment, and land did not have donor restrictions. Donated marketable securities are recorded at fair value on the date the securities are received. In-kind contributions of securities totaled \$654,190 and \$1,335,075 for the years ended June 30, 2023 and 2022, respectively. There were no in-kind contributions of securities held in charitable remainder trusts for the years ended June 30, 2023 and 2022.

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. Contributed in-kind legal services totaled \$40,510 for the year ended June 30, 2023. There were no in-kind legal and professional services and donated goods for program services recognized for the years ended June 30, 2022. These amounts have been recorded as part of contributions and grants 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.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

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.

Advertising - Advertising costs are expensed as incurred. Advertising and promotion expenses were \$670,930 and 628,094 for the years ended June 30, 2023 and 2022, respectively.

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 or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2023, management did not identify any uncertain tax positions.

Recently adopted accounting pronouncements - In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 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 January 2018, the FASB issued ASU No. 2018-01 “Leases: Land Easement Practical Expedient for Transition to Topic 842.” The ASU provides additional guidance in relation to implementing the new lease accounting guidance. During June 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. The Organization has adopted the standard as of July 1, 2022. The ASU did not have a material impact on the financial statements and related disclosures.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

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

Recent accounting pronouncements - In June 2016, the FASB issued ASU 2016-13, “Measurement of Credit Losses on Financial Instruments” to improve financial reporting related to anticipated credit losses. ASU 2016-13 involves several aspects of the accounting for credit losses related to certain financial instruments including assets measured at amortized cost, trade and other receivables, loans, and certain off-balance sheet commitments. ASU 2016-13, and subsequent updates, broadens the information that an entity must consider in developing its estimated credit losses expected to occur over the remaining life of assets measured either collectively or individually to include historical experience, current conditions, and reasonable and supportable forecasts, replacing the existing incurred credit loss model and other models with the Current Expected Credit Losses model. The ASU is effective for annual reporting periods beginning after December 15, 2022. 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, 2023.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

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:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,199,249	\$ 1,378,065
Accounts receivable	822,365	600,651
Pledges, grants and bequests receivable, net	5,973,696	2,037,533
Employee retention credit receivable	-	978,384
Financing receivable, net	24,761,744	24,020,108
Interest receivable related to investments	17,823	18,265
Investments	<u>147,963,953</u>	<u>143,738,087</u>
Total financial assets	<u>180,738,830</u>	<u>172,771,093</u>
Less those not available for general expenditures within one year, due to:		
Donor pledges receivable due in more than one year	3,035,000	611,667
Donor restrictions for easement monitoring and defense	1,509,334	1,413,752
Donor restrictions to maintain as an endowment	550,500	550,500
Donor restrictions for purpose	3,884,440	3,257,786
Board designations for land, easements, and stewardship	<u>124,631,582</u>	<u>135,326,161</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 47,127,974</u>	<u>\$ 31,611,227</u>

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.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

Note 4 - Pledges, grants, and bequests receivable:

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

	<u>2023</u>	<u>2022</u>
Pledges receivable, net	\$ 2,927,219	\$ 859,421
Grants receivable, net	285,756	249,576
Bequests receivable	<u>2,760,721</u>	<u>928,536</u>
Pledges, grants and bequests receivable, net	<u>\$ 5,973,696</u>	<u>\$ 2,037,533</u>

Pledges receivable

Pledges receivable at June 30, 2023, are expected to be received as follows:

<u>Year Ending June 30,</u>	
2024	\$ 249,703
2025	735,000
2026	705,000
2027	595,000
2028	500,000
Thereafter	<u>500,000</u>
Total pledges receivable	3,284,703
Less discount	<u>(357,484)</u>
Pledges receivable, net	<u>\$ 2,927,219</u>

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. The Organization did not record an allowance for doubtful accounts as of June 30, 2023 and 2022, respectively.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

Note 4 - Pledges, grants and bequests receivable (continued):

Grants receivable

Grants receivable at June 30, 2023, are expected to be received as follows:

Year Ending June 30,	
2024	\$ 286,702
Total grants receivable	286,702
Less discount	(946)
Grants receivable, net	\$ 285,756

Bequests receivable

The Organization had total bequests receivable of \$2,760,721 and \$928,536 at June 30, 2023 and 2022, respectively. All amounts are expected to be collected during the year ended June 30, 2024.

Note 5 - Financing receivables and allowance for credit losses:

Financing receivables consist of the following at June 30:

	2023	2022
Note A	\$ 26,743,961	\$ 26,743,961
Note B	2,361,744	2,420,108
Total financing receivables	29,105,705	29,164,069
Less: allowance for credit losses	(4,343,961)	(5,143,961)
Financing receivable, net	\$ 24,761,744	\$ 24,020,108

Note A is an advance to an individual landowner 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 \$26,743,961.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

Note 5 - Financing receivables and allowance for credit losses (continued):

The Organization received an updated appraisal increasing the estimated fair value of the property to approximately \$22,400,000 from \$21,600,000 at June 30, 2023 and 2022, respectively. The \$800,000 gain on the re-evaluation of the property resulted in a change in the allowance, as noted below.

The Organization did not have any interest receivable related to Note A of the financing receivables for the years ended June 30, 2023 and 2022. It is the Organization's intention to receive a property in consideration for Note A.

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, 2023. One loan is due May 2049 with a loan amount of \$1,687,611 and bears interest at 1.75% per annum (compound). The second loan is due May 2049 with a loan amount of \$674,133 and bears interest at 1.75% per annum (compound). Note B had interest receivables of \$17,823 and \$18,265 as of June 30, 2023 and 2022, respectively.

Credit quality indicators - The Organization's credit quality indicators consist of credit risk profiles based upon payment activity performance and other indicators. Note A is considered to be performing and will be settled by the transfer of ownership of certain lands identified in the loan agreement. The Organization has placed Note A on nonaccrual status, thereby limiting the net receivable balance to the amount indicated in the most recent property valuation. Note B is fully performing in accordance with all terms of the agreement.

Ending allowance for credit losses and analysis of past due financing receivables - The Organization recorded an allowance for credit losses for Note A of \$4,343,961 and \$5,143,961 for the years ending June 30, 2023 and 2022, respectively. The allowance was determined by comparing the loan balance 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.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

Note 6 - 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. For the years ended June 30, 2023 and 2022, there were no purchases of Level 3 investments, respectively. For the years ended June 30, 2023 and 2022, there were no significant transfers in or out of levels, 1, 2 or 3.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

Note 6 - 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, 2023		
	Level 1	Level 3	Total
Cash and cash equivalents	\$ 2,723,518	\$ -	\$ 2,723,518
Marketable equity funds	82,689,206	-	82,689,206
Marketable absolute return funds	6,443,421	-	6,443,421
Real estate, gold and commodities funds	2,611,866	-	2,611,866
Corporate bond funds	53,131,511	-	53,131,511
Private equity fund	-	364,431	364,431
Total	<u>\$ 147,599,522</u>	<u>\$ 364,431</u>	<u>\$ 147,963,953</u>

	Year Ended June 30, 2022		
	Level 1	Level 3	Total
Cash and cash equivalents	\$ 1,929,621	\$ -	\$ 1,929,621
Marketable equity funds	79,114,824	-	79,114,824
Marketable absolute return funds	13,524,021	-	13,524,021
Real estate, gold and commodities funds	4,013,158	-	4,013,158
Corporate bond funds	44,771,396	-	44,771,396
Private equity fund	-	385,067	385,067
Total	<u>\$ 143,353,020</u>	<u>\$ 385,067</u>	<u>\$ 143,738,087</u>

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

Note 6 - Investments (continued):

The following table lists investments in other investment companies by major category at June 30, 2023:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equity fund (a)	\$ <u>364,431</u>	\$ <u>144,450</u>	N/A	N/A

The following table lists investments in other investment companies by major category at June 30, 2022:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equity fund (a)	\$ <u>385,067</u>	\$ <u>148,500</u>	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 0 to 2 years. The fair values of these investments have been estimated using capital statements as of June 30, 2023 and 2022.

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

	<u>2023</u>	<u>2022</u>
Realized gains (losses)	\$ (1,706,068)	\$ 5,621,998
Unrealized gains (losses)	9,747,520	(28,269,590)
Gain on property-held-for-sale	468,134	-
Management fees and trust expenses	<u>(296,864)</u>	<u>(338,129)</u>
Total net realized and unrealized gains (losses) on investments	<u>\$ 8,212,722</u>	<u>\$ (22,985,721)</u>

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

Note 7 - 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 is calculated assuming investment returns of 5.00% to 7.00%, discount rates of 2.40% to 5.11% and life expectancies based on applicable mortality tables. As of June 30, 2023 and 2022, the present value of the estimated future payments was \$2,535,720 and \$2,756,640, respectively.

At June 30, 2023 and 2022, 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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 56,380	\$ 64,000
Marketable equity funds	3,744,498	3,845,073
Corporate bond funds	1,924,435	1,881,214
Real estate, gold, and commodities funds	110,945	190,857
Marketable absolute return funds	129,588	465,885
Total	<u>\$ 5,965,846</u>	<u>\$ 6,447,029</u>

The Organization is also a remainder beneficiary of three irrevocable charitable remainder trusts for which the Organization does not serve as the trustee, sixteen 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 1.20% 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.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

Note 7 - Investments and remainder interests in charitable remainder trusts and gift annuities (continued):

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 at June 30:

	<u>2023</u>	<u>2022</u>
Charitable remainder trusts with third party trustees, time restricted	\$ 280,154	\$ 101,360
Charitable gift annuities, time restricted	450,098	415,527
Charitable gift annuities, time and purpose restricted	<u>13,600</u>	<u>13,946</u>
Total residual interest in charitable remainder trusts	<u>\$ 743,852</u>	<u>\$ 530,833</u>

Note 8 - 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, 2021	\$ 125,827,893
Purchased land	5,300,000
Change in land related deposits	250,000
Change in asset retirements, net	57,871
Change in LLWMC POST interest	<u>22,355</u>
Balance, June 30, 2022	131,458,119
Purchased land	32,995,000
Change in land related deposits	(363,000)
Change in asset retirements, net	(169,485)
Change in LLWMC POST interest	(386)
Dispositions of land	<u>(21,726,866)</u>
Balance, June 30, 2023	<u>\$ 142,193,382</u>

Included within land held-for-conservation are costs recorded for future asset retirement obligations of \$1,159,529 and \$1,329,014 as of June 30, 2023 and 2022, respectively. For the years ended June 30, 2023 and 2022, there was no construction in progress.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

Note 8 - Land held-for-conservation and related asset retirement obligations (continued):

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

Balance, June 30, 2021	\$	1,799,924
Liabilities settled in the current period		(184,325)
Liabilities added in the current period through change in estimate		73,620
Accretion expense		<u>71,750</u>
Balance, June 30, 2022		1,760,969
Liabilities removed in the current period through transfer of land		(14,420)
Liabilities settled in the current period		(229,541)
Liabilities added in the current period through change in estimate		134,678
Liabilities added in the current period through acquisition		61,782
Accretion expense		<u>84,800</u>
Balance, June 30, 2023	\$	<u><u>1,798,268</u></u>

Note 9 - Property and equipment:

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Building and improvements	\$ 5,487,900	\$ 5,470,900
Furniture	657,633	657,633
Equipment	179,939	173,066
Vehicles	<u>254,111</u>	<u>190,138</u>
Total property and equipment	6,579,583	6,491,737
Less: accumulated depreciation	(2,172,195)	(1,942,039)
Land	<u>2,351,899</u>	<u>2,351,899</u>
Total property and equipment, net	<u><u>\$ 6,759,287</u></u>	<u><u>\$ 6,901,597</u></u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$268,562 and \$258,509, respectively.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

Note 10 - Accounts payable and other liabilities:

Accounts payable include the Organization's operating expenses, which have been billed but not paid. Other liabilities include deposits for property transfers and other various accrued expenses. The Organization's vacation accrual due to employees consists of 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. 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:

	<u>2023</u>	<u>2022</u>
Accounts payable	\$ 1,196,624	\$ 668,856
Vacation accrual	528,437	427,406
Interest payable	1,535	46,276
Other liabilities	<u>1,389,123</u>	<u>441,816</u>
Accounts payable and other liabilities	<u>\$ 3,115,719</u>	<u>\$ 1,584,354</u>

Note 11 - Notes payable:

Notes payable consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Gordon & Betty Moore Foundation loan	\$ 8,500,000	\$ -
Farm labor housing Note A	220,000	240,000
Farm labor housing Note C	185,807	205,807
Other notes payable	<u>2,605</u>	<u>6,082</u>
Notes payable	8,908,412	451,889
Less discount on notes payable	<u>(566,906)</u>	-
Total notes payable	<u>\$ 8,341,506</u>	<u>\$ 451,889</u>

As of June 30, 2023, the notes payable balance includes one program-related investment loan obtained as part of a land transaction, a copier lease, and two forgivable loans.

On November 3, 2022, the Organization borrowed \$8,500,000 from the Gordon & Betty Moore Foundation, with a maturity date of November 3, 2024. In the event the Organization is able to pay the Foundation all amounts due as set forth in their agreement, the Foundation will forgive a portion of the loan equal to \$4,250,000. The Organization accrues interest at a rate of 0.50%, the difference between the applicable federal rate of 4.10% and the imputed interest rate of 3.60%, due semi-annually.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

Note 11 - Notes payable (continued):

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 2.68% and 3.05%, for Note A and Note C, for the year ended June 30, 2023, respectively. The Organization recorded imputed interest at the rate of 3.00% for the year ended June 30, 2022. Grant revenue will be recorded in future years if the conditions are fulfilled, and the loans are forgiven.

Note 12 - Board designations of net assets without donor restrictions:

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

	<u>2023</u>	<u>2022</u>
Land held-for-conservation	\$ 142,193,382	\$ 131,458,119
Property and equipment	6,759,287	6,901,597
Land and easement acquisition and stewardship obligations	<u>124,631,582</u>	<u>135,326,131</u>
Total board-designated	<u>\$ 273,584,251</u>	<u>\$ 273,685,847</u>

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

Note 13 - Net assets with donor restrictions:

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for a specific purpose:		
Conservation easement fund	\$ 1,509,334	\$ 1,413,752
Other program activities	3,542,276	3,100,316
Held for endowment	311,338	259,797
Land acquisitions	<u>4,172,274</u>	<u>2,976,343</u>
Total purpose restrictions	9,535,222	7,750,208
Subject to appropriation and expenditure when a specified event occurs:		
Net assets held in charitable remainder trusts	3,430,124	3,690,389
Subject to passage of time:		
Pledges, grants and bequests receivable, net	3,680,741	1,555,226
Endowment:		
Perpetual in nature -		
Lane Stewardship Endowment	300,000	300,000
Wilbur's Watch	<u>250,500</u>	<u>250,500</u>
Total net assets with donor restrictions	<u>\$ 17,196,587</u>	<u>\$ 13,546,323</u>

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

	<u>2023</u>	<u>2022</u>
Pledges, grants and bequests receivable	\$ 1,573,845	\$ 953,488
Land acquisitions	6,671,616	3,655,913
Other program activities	<u>1,746,763</u>	<u>591,193</u>
Total net assets released from restrictions	<u>\$ 9,992,224</u>	<u>\$ 5,200,594</u>

Note 14 - Endowment:

The endowment consists of two individual funds comprised of donor restricted net assets. Net assets with donor restrictions represent the principal amounts of gifts accepted with donor stipulation that the principal be maintained intact in perpetuity.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

Note 14 - Endowment (continued):

Endowment accumulated earnings represents income generated from the endowment investments, which can be utilized for a variety of programs as directed by donors. 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, 2021	\$ 387,443	\$ 550,500	\$ 937,943
Investment return:			
Interest and dividend income	29,110	-	29,110
Realized and unrealized loss, net	(131,202)	-	(131,202)
Total investment return	(102,092)	-	(102,092)
Appropriation of endowment	(25,554)	-	(25,554)
Endowment net assets as of June 30, 2022	259,797	550,500	810,297
Investment return:			
Interest and dividend income	25,232	-	25,232
Realized and unrealized gain, net	52,451	-	52,451
Total investment return	77,683	-	77,683
Appropriation of endowment	(26,142)	-	(26,142)
Endowment net assets as of June 30, 2023	\$ 311,338	\$ 550,500	\$ 861,838

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, 2023 and 2022.

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.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

Note 14 - Endowment (continued):

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 15 - 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 \$736,677 and \$897,003 for the years ended June 30, 2023 and 2022, respectively. There were no outstanding pledge receivables from the Board of Directors or from companies with which the Board of Directors are affiliated for the year ended June 30, 2023. Outstanding pledge receivables from the Board of Directors or from companies with which the Board of Directors are affiliated was \$100,000 for the year ended June 30, 2022.

Note 16 - 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 receivable are from donors who will pay according to agreed-upon payment schedules through 2028, and the Organization believes these amounts are fully collectible. The notes receivable are fully secured at June 30, 2023. The majority of the Organization's cash was held at one financial institution at June 30, 2023. 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.

PENINSULA OPEN SPACE TRUST

Notes to the Financial Statements

June 30, 2023

Note 16 - Concentrations (continued):

For the year ended June 30, 2023, two donors accounted for 21% of the Organization's contributions and grants. For the year ended June 30, 2022, one donor accounted for 11% of the Organization's contributions and grants.

Note 17 - Benefit plans:

Peninsula Open Space Trust 401(k) Plan - The Organization has a 401(k) plan in which employees can make voluntary, tax-deferred contributions within specified limits. 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 \$518,906 and \$466,922 for the years ended June 30, 2023 and 2022, respectively.

Peninsula Open Space Trust 457(b) Deferred Compensation Plan - The Organization has a 457(b) deferred compensation plan available to members of the executive staff. Contributions to the plan were \$12,500 and \$20,500 for the years ended June 30, 2023 and 2022, respectively.

Note 18 - 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 19 - Contingencies:

Contingency: 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 years ended June 30, 2023 and 2022.

Contingency: legal matters - Due to the nature of the Organization's operations, claims and litigation may periodically arise. As of June 30, 2023, management has evaluated the status of any potential legal matters and in its judgement believes there are no items which will have a material effect on the financial statements.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Peninsula Open Space Trust (the "Organization"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 30, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted no certain other matters that were reported to management of the Organization in a separate letter.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Jose, California

October 30, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Peninsula Open Space Trust, (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE (CONTINUED)

To the Board of Directors of
Peninsula Open Space Trust
San Jose, California

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE (CONTINUED)

To the Board of Directors of
Peninsula Open Space Trust
San Jose, California

Report on Internal Control over Compliance (continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



San Jose, California
October 30, 2023

PENINSULA OPEN SPACE TRUST

Single Audit Reports

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal assistance listing number (ALN)	Pass-through entity identifying number	Federal Program Expenditures
<u>EXPENDITURES OF FEDERAL AWARDS:</u>			
U.S Environmental Protection Agency:			
Passed-through Programs from California State Water Resource Control Board:			
Nonpoint Source Implementation Grants*	66.460	546580	\$ <u>773,439</u>
Total U.S Environmental Protection Agency			<u>773,439</u>
U.S. Department of Agriculture:			
Passed-through Programs from Natural Resources Conservation Service:			
Agricultural Conservation Easement Program*	10.931	55910420PA029	<u>2,352,999</u>
Total U.S. Department of Agriculture			<u>2,352,999</u>
Total Expenditures of Federal Awards			\$ <u><u>3,126,438</u></u>

* Denotes a major program

PENINSULA OPEN SPACE TRUST
Single Audit Reports
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1 - Organization and operations:

Description of 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 landowners, 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 - Expenditures in the Schedule of Expenditures of Federal Awards (“SEFA”) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The information in the accompanying SEFA includes the federal grant and loan activity of the Organization under programs of the federal government for the year ending June 30, 2023. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the financial statements. Although the Organization is required to match certain grants, as defined by the grants, no such matching has been included as expenditures in the SEFA.

PENINSULA OPEN SPACE TRUST
Single Audit Reports
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Peninsula Open Space Trust.
2. No significant deficiencies relating to the audit of the financial statements are reported in the basic financial statements.
3. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the financial statements.
5. The auditors' report on compliance for the major federal award programs for the Organization expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for the Organization are reported in Part C of this Schedule below.
7. The programs tested as major programs include:

Major Programs	ALN#	Expenditures
U.S Environmental Protection Agency:		
Nonpoint Source Implementation Grant	66.460	\$ <u>773,439</u>
U.S Department of Agriculture:		
Agricultural Conservation Easement Program	10.931	<u>2,352,999</u>
Total Major Program Expenditures		\$ <u><u>3,126,438</u></u>
Total Federal Award Expenditures		\$ <u><u>3,126,438</u></u>
Percent of Total Federal Award Expenditures		<u><u>100%</u></u>

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The Organization did not qualify as a low risk auditee.

PENINSULA OPEN SPACE TRUST
Single Audit Reports
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2023

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Current Year Findings

No financial statements audit findings noted in the current year.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM
AUDIT**

Current Year Findings

There are no current year findings that were considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.