

San Bernardino Valley Conservation Trust

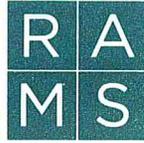
**Financial Statements and
Independent Auditor's Report**

Year ended June 30, 2019

San Bernardino Valley Conservation Trust

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscca.net

Independent Auditor's Report

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)
Kirk A. Franks, CPA (Partner Emeritus)

DIRECTORS

Jenny Liu, CPA, MST

MANAGERS / STAFF

Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Jingjie Wu, CPA
Evelyn Morentin-Barcena, CPA
Jin Gu, CPA, MT
Veronica Hernandez, CPA
Tara R. Thorp, CPA, MSA
Laura Arvizu, CPA

To the Board of Directors
San Bernardino Valley Conservation Trust
Redlands, California

We have audited the accompanying financial statements of San Bernardino Valley Conservation Trust (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year under audit, the Trust adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
September 17, 2019

San Bernardino Valley Conservation Trust
Statement of Financial Position
June 30, 2019

Assets

Current Assets:

Cash and cash equivalents	\$ 327,897
Investments	2,522,108
Accounts receivable	<u>8,242,503</u>
Total current assets	<u>11,092,508</u>
Total assets	<u><u>\$ 11,092,508</u></u>

Liabilities

Current Liabilities:

Due to San Bernardino Valley Water Conservation District	\$ 850,388
Deposit - Mitigation	7,922
Unearned revenue	<u>8,242,503</u>
Total current liabilities	<u>9,100,813</u>
Total liabilities	<u>9,100,813</u>

Net assets

Without donor restrictions	(86,944)
With donor restrictions	<u>2,078,639</u>
Total net assets	<u>1,991,695</u>
Total liabilities and net assets	<u><u>\$ 11,092,508</u></u>

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

San Bernardino Valley Conservation Trust
Statement of Activities
For the year ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues			
Contributions	\$ 12,078	\$ -	\$ 12,078
Realized gain on investments	1,376	3,721	5,097
Unrealized gain on investments	29,730	80,381	110,111
Interest and dividends, net	7,873	21,288	29,161
	<u>51,057</u>	<u>105,390</u>	<u>156,447</u>
Expenses			
Wash Plan	273,384	-	273,384
Insurance	1,351	-	1,351
Bank fees	2,933	-	2,933
Other expenses	3,102	-	3,102
	<u>280,770</u>	<u>-</u>	<u>280,770</u>
Total change in net assets	(229,713)	105,390	(124,323)
Net assets, beginning of year, as restated	<u>142,769</u>	<u>1,973,249</u>	<u>2,116,018</u>
Net assets, end of year	<u>\$ (86,944)</u>	<u>\$ 2,078,639</u>	<u>\$ 1,991,695</u>

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

San Bernardino Valley Conservation Trust
Statement of Cash Flows
For the year ended June 30, 2019

Cash flows from operating activities	
Cash received from membership dues	\$ 12,078
Cash paid to suppliers for goods and services	(282,848)
Interest and dividends received, net of investment fees	<u>29,161</u>
Net cash used by operating activities	<u>(241,609)</u>
Cash flows from investing activities	
Proceeds from sale of investments	104,067
Purchase of investments	<u>(130,131)</u>
Net cash used for investing activities	<u>(26,064)</u>
Cash flows from financing activities	
Loan from San Bernardino Valley Water Conservation District	<u>273,384</u>
Net cash provided by financing activities	<u>273,384</u>
Net increase	5,711
Cash and cash equivalents, beginning of year	<u>322,186</u>
Cash and cash equivalents, end of year	<u>\$ 327,897</u>
Reconciliation of change in net assets to net cash provided by operating activities	
Change in net assets	\$ (124,323)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized gain on investments	(5,097)
Net unrealized gain on investments	(110,111)
Increase (decrease) in liabilities:	
Deposit - Mitigation	<u>(2,078)</u>
Net cash used by operating activities	<u>\$ (241,609)</u>

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

San Bernardino Valley Conservation Trust
Notes to Financial Statements
For the year ended June 30, 2019

Note 1: Nature of Activities and Significant Accounting Policies

Nature of Activities

San Bernardino Valley Conservation Trust (the Trust) is a nonprofit 501(c)(3) charitable trust. The purpose of the Trust is the direct protection or stewardship of land, water and natural resources, including, but not limited to agricultural lands, wildlife habitat, wetlands endangered species habitat, open space areas and outdoor recreational areas. The Trust's revenue is derived from membership contributions, grant funds and other revenue related to its core mission.

Basis of Accounting

The Trust's policy is to prepare its financial statements on the accrual basis of accounting. Accordingly, contributions and other revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

Under generally accepted accounting principles, the Trust is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Trust considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Marketable securities are valued at quoted market prices which represent the net asset values of shares held by the Trust at the end of the year. Unrealized gains and losses are included in the change in net assets. Investment income and gains that have donor-imposed restrictions that are met in the reporting period in which they are recognized, are recorded as an increase to unrestricted net assets.

Financial Instruments

The carrying amount of all financial instruments approximates fair value. The carrying amounts for cash and cash equivalents, investments, accounts receivable and accounts payable approximate fair value because of the short maturity of these instruments.

San Bernardino Valley Conservation Trust
Notes to Financial Statements
For the year ended June 30, 2019

Note 1: Nature of Activities and Significant Accounting Policies, (continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with entities having outstanding balances and current relationships with them, it has been estimated that the realization losses on outstanding balances at year-end will be immaterial.

Contributions

All contributions are considered to be available for the general programs of the Trust unless specifically restricted by the donor. The Trust reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends and/or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Trust contributions are payments into either an endowment for the Habitat Conservation Plan management or issuance costs for completion of the Habitat Conservation Plan. The funds contributed to the endowment are restricted by agreement with other parties.

Income Tax Status

The Trust is exempt from federal income taxes as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. A comparable exemption has been granted by the State of California. From time to time, the Trust has allowed advertising to support the publication of certain documents. When revenue for such advertising exceeds related costs, then the Trust will be subject to income taxes on unrelated business income. During the current reporting period, there was no net taxable unrelated business income.

The Trust's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2017 and 2018 is subject to examination by the IRS, generally for three years from the date of filing. The June 30, 2017 was the first tax return filed for the Trust.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

San Bernardino Valley Conservation Trust
Notes to Financial Statements
For the year ended June 30, 2019

Note 1: Nature of Activities and Significant Accounting Policies, (continued)

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Trust has adjusted the presentation of these financial statements accordingly.

Subsequent Events

Management has evaluated subsequent events through September 17, 2019, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the Trust.

Note 2: Concentration of Credit Risk

The Trust maintains cash balances at one local financial institution. The standard insurance amount under the Federal Deposit Insurance Corporation (FDIC) is \$250,000 per depositor, per insured bank, for each account ownership category. These balances may at times exceed the insured limits. At June 30, 2019, the Trust had \$77,897 above the federally insured limits.

Note 3: Investments

Investments at June 30, 2019 consisted of the following:

Mutual funds	<u>\$ 2,522,108</u>
Total investments	<u><u>\$ 2,522,108</u></u>

San Bernardino Valley Conservation Trust
Notes to Financial Statements
For the year ended June 30, 2019

Note 3: Investments, (continued)

Investment gain (loss) for the year ended June 30, 2019 consisted of the following:

Interest and dividends	\$ 36,864
Investment fees	<u>(7,703)</u>
Interest and dividends, net	29,161
Unrealized gain	110,111
Realized gain	<u>5,097</u>
Total investment gain, net	<u>\$ 144,369</u>

Note 4: Fair Value Measurements

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Trust has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the Trust's own data.

The following tables present the Trust's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	<u>\$ 2,522,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,522,108</u>
Total investments	<u>\$ 2,522,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,522,108</u>

San Bernardino Valley Conservation Trust
Notes to Financial Statements
For the year ended June 30, 2019

Note 5: Related Parties

The Trust shares common Executive Director/CEO and other office personnel with following entity:

San Bernardino Valley Water Conservation District (the District)

The entity shares common expenses which are reimbursed as needed from the related party. In addition, the District is currently making other payments on behalf of the Trust for the Wash Plan expenses. These payables were classified as amounts due to San Bernardino Valley Water Conservation District as shown in the statement of financial position. Net assets with donor restrictions were not used to cover Wash Plan expenses. As of June 30, 2019, the payable (due to) the District is \$850,388.

Note 6: Unearned Revenue

Unearned revenue at June 30, 2019 consisted of the following:

Land and habitat	\$ 7,843,563
Land buy-in	<u>398,940</u>
Total	<u>\$ 8,242,503</u>

Note 7: Liquidity and Availability of Resources

The Trust has \$1,008,866 of financial assets available within one year of the statement of financial position date (resources without restrictions) for general expenditure consisting of the following:

Cash and cash equivalents	\$ 327,897
Investments	<u>680,969</u>
Total	<u>\$ 1,008,866</u>

The Trust has financial assets that are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The Trust has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Trust invests cash in excess of daily requirements in various investments, which it could draw upon in the event of an unanticipated liquidity need.

Note 8: Restatement

In the prior year, the financial statements recognized \$10,000 as revenue when the amount should have been a deposit payable. Therefore, beginning net assets have been restated by \$10,000.