

**BIG SUR LAND TRUST**  
**(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENTS**  
**with**  
**INDEPENDENT AUDITOR'S REPORT**

**June 30, 2023**  
**(with summarized comparative information**  
**at June 30, 2022)**

**McGILLOWAY, RAY, BROWN & KAUFMAN**  
**ACCOUNTANTS & CONSULTANTS**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Big Sur Land Trust  
(A California Nonprofit Public Benefit Corporation)  
Monterey, California

### **Opinion**

We have audited the accompanying financial statements of Big Sur Land Trust (the Trust) (a California nonprofit public benefit corporation), 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Gerald Ray, CPA | Patricia Kaufman, CPA, CGMA | Smriti Shrestha, CPA

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Daniel McGilloway Jr, CPA | Sarita Shannon, CPA | Whitney Ernest, CPA  
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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

## **Report on Summarized Comparative Information**

We have previously audited the Trust's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



McGilloway, Ray, Brown & Kaufman  
Salinas, California  
January 23, 2024

BIG SUR LAND TRUST  
(A California Nonprofit Public Benefit Corporation)  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2023  
(with summarized comparative information at June 30, 2022)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,490,136	\$ 3,474,586
Investments	9,375,238	6,646,801
Interest and other receivable	10,165	165,736
Pledges receivable - current portion	243,556	247,956
Grants receivable, net	404,667	286,099
Beneficial interest in split-interest trusts - current portion	109,775	93,345
Other current assets	147,235	87,715
Total current assets	15,780,772	11,002,238
Property and equipment, net	1,940,863	1,826,428
Conservation land and land deposits	22,137,537	22,079,237
Other assets		
Right-of-use operating lease asset	67,919	-
Pledges receivables, net-less current portion	588,000	167,282
Residual interest in irrevocable charitable unitrust	500,000	500,000
Beneficial interest in assets held by CFMC	2,011,798	1,863,971
Beneficial interest in split-interest trusts, net-less current portion	2,308,319	2,084,221
Investment in real estate	519,131	519,131
Investments restricted for endowment	9,181,448	8,140,812
Total other assets	15,176,615	13,275,417
Total assets	\$ 55,035,787	\$ 48,183,320

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

BIG SUR LAND TRUST  
(A California Nonprofit Public Benefit Corporation)  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2023  
(with summarized comparative information at June 30, 2022)

	2023	2022
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 314,471	\$ 211,245
Accrued liabilities	5,904	3,736
Accrued compensated absences	177,811	173,092
Security deposits	3,200	3,200
Deferred revenue	51,679	-
Fiscal agency payable	23,853	9,470
Loans payable	-	70,000
Lease liability, current portion	29,650	-
Total current liabilities	606,568	470,743
Long-term liabilities		
Lease liability, less current portion	38,269	-
Total liabilities	644,837	470,743
Net assets		
Without donor restrictions		
Undesignated	2,674,856	2,812,292
Board designated	5,422,814	3,197,314
Land fund	15,267,537	15,009,237
Property and equipment fund	1,940,864	1,573,312
Total without donor restrictions	25,306,071	22,592,155
With donor restrictions		
Purpose and time restrictions	12,903,431	9,979,611
Perpetual in nature	16,181,448	15,140,811
Total with donor restrictions	29,084,879	25,120,422
Total net assets	54,390,950	47,712,577
Total liabilities and net assets	\$ 55,035,787	\$ 48,183,320

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

BIG SUR LAND TRUST  
(A California Nonprofit Public Benefit Corporation)  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2023  
(with summarized comparative information for the year ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue				
Contributions of cash and other financial assets	\$ 2,301,269	\$ 1,064,183	\$ 3,365,452	\$ 4,261,040
Campaign revenue	-	3,340,938	3,340,938	33,918
Contributions in-kind	9,735	-	9,735	26,124
Government grants	889,471	-	889,471	856,478
Mitigation services	10,722	-	10,722	-
Change in value of split interest trusts	-	101,204	101,204	(69,330)
Investment return, net of fees	575,711	1,257,959	1,833,670	(3,295,392)
Rental revenue	256,189	147,060	403,249	253,892
Special event, net	3,434	-	3,434	13,585
Gain on sale of cell tower lease	2,322,938	-	2,322,938	-
Other income, net of expenses	52,289	17,496	69,785	44,293
Total support and revenue	<u>6,421,758</u>	<u>5,928,840</u>	<u>12,350,598</u>	<u>2,124,608</u>
Net assets released from restrictions	<u>1,964,383</u>	<u>(1,964,383)</u>	<u>-</u>	<u>-</u>
Total support, revenue and net assets released from restrictions	<u>8,386,141</u>	<u>3,964,457</u>	<u>12,350,598</u>	<u>2,124,608</u>
Expenses				
Program services				
Land conservation	1,708,940	-	1,708,940	909,616
Acquisition	377,035	-	377,035	235,674
Stewardship	894,285	-	894,285	894,749
Communications	345,518	-	345,518	296,735
Community engagement	993,088	-	993,088	775,717
Total program services	<u>4,318,866</u>	<u>-</u>	<u>4,318,866</u>	<u>3,112,491</u>
Supporting services				
Management and general	929,829	-	929,829	699,076
Fundraising	423,530	-	423,530	322,370
Total supporting services	<u>1,353,359</u>	<u>-</u>	<u>1,353,359</u>	<u>1,021,446</u>
Total expenses	<u>5,672,225</u>	<u>-</u>	<u>5,672,225</u>	<u>4,133,937</u>
Change in net assets	2,713,916	3,964,457	6,678,373	(2,009,329)
Net assets, beginning of year	<u>22,592,155</u>	<u>25,120,422</u>	<u>47,712,577</u>	<u>49,721,906</u>
Net assets, end of year	<u>\$ 25,306,071</u>	<u>\$ 29,084,879</u>	<u>\$ 54,390,950</u>	<u>\$ 47,712,577</u>

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

BIG SUR LAND TRUST  
(A California Nonprofit Public Benefit Corporation)  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year ended June 30, 2023  
(with summarized comparative information for the year ended June 30, 2022)

	PROGRAM SERVICES					SUPPORTING SERVICES				TOTALS	
	Land Conservation	Acquisition	Stewardship	Communi-cations	Community Engagement	Total Program Services	Management and General	Fundraising	Total Supporting Services	2023	2022
Salary and benefits	\$ 335,201	\$ 132,119	\$ 609,028	\$ 231,000	\$ 620,786	\$ 1,928,134	\$ 591,516	\$ 302,100	\$ 893,616	\$ 2,821,750	\$ 2,351,193
Professional services	918,486	163,898	33,746	68,294	237,384	1,421,808	110,932	49,404	160,336	1,582,144	1,022,777
Repairs and maintenance	5,188	1,335	77,854	3,062	18,448	105,887	9,755	3,414	13,169	119,056	128,208
Legal	23,970	66,241	2,117	-	-	92,328	2,314	-	2,314	94,642	112,144
Conservation improvements	-	-	21,577	-	-	21,577	-	-	-	21,577	28,825
Insurance	16,622	3,458	11,257	3,062	20,521	54,920	28,283	8,841	37,124	92,044	81,509
Occupancy	4,910	1,264	49,250	1,259	14,866	71,549	23,269	3,372	26,641	98,190	55,079
Travel	1,628	1,496	18,160	297	6,060	27,641	72	4,180	4,252	31,893	19,393
Office and network	2,283	790	8,093	3,216	2,131	16,513	47,024	9,591	56,615	73,128	59,590
Community and hosted events	5	-	43	5,093	43,847	48,988	976	75	1,051	50,039	5,596
Other expenses	-	-	-	4,160	-	4,160	-	9,114	9,114	13,274	12,962
Filing and permit fees	88,135	-	602	-	-	88,737	1,571	187	1,758	90,495	46,679
Office supplies	982	253	5,511	344	843	7,933	1,505	704	2,209	10,142	6,227
Education and conferences	2,085	605	2,904	2,563	15,894	24,051	11,427	5,991	17,418	41,469	28,691
Printing	406	-	310	13,786	1,128	15,630	1,451	9,252	10,703	26,333	12,707
Donations and dues	295,174	673	12,547	1,594	2,008	311,996	7,513	3,732	11,245	323,241	41,141
Bad debts	-	-	-	-	-	-	42,250	-	42,250	42,250	1,730
Postage and mailings	-	-	-	4,717	58	4,775	2,167	4,707	6,874	11,649	12,147
Total expenses before land transactions and depreciation	1,695,075	372,132	852,999	342,447	983,974	4,246,627	882,025	414,664	1,296,689	5,543,316	4,026,598
Land Transactions and Depreciation											
Property taxes	-	-	33,312	-	-	33,312	900	-	900	34,212	32,509
Escrow expense and fees	395	1,436	-	-	-	1,831	-	-	-	1,831	-
Depreciation	13,470	3,467	7,974	3,071	9,114	37,096	46,904	8,866	55,770	92,866	74,830
Total functional expenses	\$ 1,708,940	\$ 377,035	\$ 894,285	\$ 345,518	\$ 993,088	\$ 4,318,866	\$ 929,829	\$ 423,530	\$ 1,353,359	\$ 5,672,225	\$ 4,133,937
Percentage of total	30%	7%	16%	6%	18%	76%	16%	8%	24%	100%	

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

BIG SUR LAND TRUST  
(A California Nonprofit Public Benefit Corporation)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2023  
(with summarized comparative information for the year ended June 30, 2022)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 6,678,373	\$ (2,009,329)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	92,866	74,830
Realized/unrealized loss (gain) on investments	(1,419,187)	3,139,852
Donated stock	(260,788)	(40,596)
Change in value of split-interest agreement	(240,528)	318,739
Noncash portion of operating lease expense	26,671	-
(Increase) decrease in assets		
Interest and other receivable	155,571	(163,868)
Pledges receivable	(416,318)	411,248
Grants receivable	(118,568)	(229,784)
Other current assets	(59,520)	(40,140)
Increase (decrease) in liabilities		
Accounts payable	103,226	128,490
Accrued liabilities	2,168	(47,110)
Accrued compensated absences	4,718	(16,154)
Deferred revenue	51,679	(36,650)
Operating lease liability	(26,671)	-
Net cash provided by operating activities	4,573,692	1,489,528
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(3,013,270)	(2,734,319)
Proceeds from sale of investments	776,345	3,201,146
Purchase of property and equipment	(265,601)	(291,034)
Net cash (used) provided by investing activities	(2,502,526)	175,793
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on loans payable	(70,000)	(400,583)
Payments on fiscal agency payable	14,384	(19,836)
Net cash used by financing activities	(55,616)	(420,419)
Net increase in cash and cash equivalents	2,015,550	1,244,902
CASH AND CASH EQUIVALENTS, beginning of year	3,474,586	2,229,684
CASH AND CASH EQUIVALENTS, end of year	\$ 5,490,136	\$ 3,474,586
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for amounts included in measurement of lease liability		
Operating cash flows from operating lease liability	\$ (26,671)	
Lease assets obtained in exchange for lease liability		
Operating lease	\$ 94,590	

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

BIG SUR LAND TRUST  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**1. Nature of Business**

Big Sur Land Trust (the “Trust”) is a California nonprofit public benefit corporation that has been protecting California’s Monterey County since 1978. The mission of the Trust is to inspire love of land across generations, conservation of our unique Monterey County landscapes, and access to outdoor experiences for all.

Big Sur Land Trust’s Programs include:

***Land Conservation***

In collaboration with partners and the community, the Trust has protected more than 39,493 acres of land since its inception, including 4,567 acres currently held in fee title, 6,926 acres held in conservation easements, and over 28,000 acres where the Trust has facilitated the transfer of privately held land into protective public and nonprofit ownership. The Trust develops a stewardship plan that provides guidance for the restoration and management of the preservation land.

***Stewardship***

The Trust is committed to pursuing land and water conservation work that strengthens our communities and inspires a stewardship ethic so that Monterey County can maintain its unique and special place in the world. The goal and commitment of the Trust is to pursue resource conservation that supports the well-being of land, wildlife, and people and sustains our region’s unique quality of life for us all.

***Community Engagement and Outreach***

Big Sur Land Trust offers managed access to our nature preserves. Through our free online hike reservation system and our docent-led guided hikes people can experience the health benefits that being out in nature provides.

In the spirit of supporting future conservationists, the Trust regularly communicates information about its work, the role of conservation in Monterey County and opportunities for volunteering through printed materials and in-person participation in community meetings. Thousands of community members have been engaged in our Carr Lake Park project by participating and volunteering for planting and clean-up days at the project site in Salinas.

**2. Summary of Significant Accounting Policies**

***Basis of Accounting***

The Trust maintains its accounting books and records on the accrual basis of accounting and, accordingly, these financial statements reflect all significant receivables, payables, and accrued liabilities. The Trust prepares its financial statements in accordance with generally accepted accounting principles promulgated by the United States of America with Not-for-Profit Organizations (GAAP).

***Cash and Cash Equivalents***

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less and exclude donor amounts designated for long-term purposes. The Trust maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Management believes it is not exposed to any significant risk on cash accounts. The Trust has not experienced any losses in such accounts. The Trust has cash balances in brokerage accounts which are not insured or guaranteed by Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC). The Trust maintains its cash with a high-quality financial institution which the Trust believes limits these risks.

BIG SUR LAND TRUST  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

***Investments***

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are stated at fair value based on quoted market prices provided by investment managers. Net investment returns are reported in the statement of activities and consist of dividends and interest income, realized and unrealized capital gains and losses, less investment fees. Net investment returns are accrued as earned and recorded as revenue without donor restriction unless income is restricted by a donor. If the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized, net investment returns are reported as an increase in net assets without donor restrictions.

Investments are composed of mutual funds invested in equity and bond securities, exchange-traded funds (ETFs), money market funds, beneficial interest in accounts held at the Community Foundation for Monterey County (CFMC), and investment in split-interest trusts with readily determinable fair values as detailed in Note 4.

***Concentrations of Credit Risk***

Financial instruments which potentially subject the Trust to concentrations of credit risk consist primarily of cash and cash equivalents, investments, contributions, and receivables. Risk associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. The majority of the Trust's cash was held at five financial institutions at June 30, 2023. These accounts are insured up to \$250,000 per depositor by an agency of the federal government. Investments are exposed to various risks, such as interest rate, market and credit risks. The Trust's investments are maintained in a diversified portfolio with the assistance of professional investment advisors. Due to the nature of such risks, it is at least reasonably possible that changes in the fair value of investment securities in the near term could materially affect the Trust's financial position and changes therein. Receivables consist primarily of promises to give, grants receivable, and trusts receivable and are closely monitored by the Trust for collectability. Contributions and grants are receivables from donors and will be paid according to agreed-upon payment schedules. The Trust believes these amounts are fully collectible.

***Grants and Pledges Receivable***

The Trust received grants and contracts from state and federal agencies to be used for restoration and open space development projects. The Trust uses the allowance method to determine uncollectible grants receivable, except for state and federal direct reimbursement grants that are fully collectible. An allowance for doubtful accounts is made annually.

Pledges receivable represent amounts unconditionally committed by donors that have not been received by the Trust. Promises to give are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are received to discount the amounts. Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, the Trust used a 4% discount rate for the year ended June 30, 2023.

The Trust uses the allowance method to determine uncollectible pledges receivable. The allowance is based on the Trust's fundraising consultant's recommendation and management's analysis of specific contributions made. The allowance for doubtful pledges receivable at June 30, 2023 was \$3,653.

BIG SUR LAND TRUST  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

***Beneficial Interest in Split-Interest Agreements***

The Trust recognizes an asset and the related revenue of charitable trusts when they receive notification of an irrevocable interest in this type of contribution. When management expects the cash from these contributions to be received more than one year in the future, the asset and revenue are discounted using a risk-free interest rate applicable to the years in which the cash flows are expected to be received.

***Property and Equipment***

Property and equipment are recorded at cost or fair value for donated items. It is the Trust's policy to capitalize property and equipment purchases over \$3,500. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, which range from 3 to 30 years. Depreciation is charged to the activity benefiting from the use of the property or equipment. Donations of property and equipment are recorded as contributions in-kind at their fair market value at the time of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

The cost of repairs and maintenance which does not improve or extend the lives of the respective assets is expensed as incurred. When property or equipment is sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized in the year of sale or disposition.

***Conservation Land-Acquisitions***

Acquisitions of land by the Trust frequently occur in the form of gifts or as purchases for amounts which may be below fair market value. When the Trust acquires land at prices below fair market value, contribution revenue is recognized for the difference between the purchase price and the estimated fair market value. Land acquired by purchase is recorded at cost. Direct costs incurred in the acquisition or improvement of land are added to the carrying value.

The Trust records donated land at fair market value as determined under one of the following valuation procedures:

- Values are primarily based on independent professional appraisals performed for the Trust or on appraised values determined or adopted by public agencies.
- Where a current appraisal is readily available from a professionally qualified independent appraiser retained by a third party, such value may be adopted when the Trust is satisfied that the appraisal is reasonable.
- Where neither of the foregoing sources is readily available, the Trust may use the full cash value as established by the local tax assessor, cost if the cash value is minimal, or internal estimates based on management analysis.

***Conservation Land Transfers***

The Trust often conveys land to public agencies and other nonprofit organizations for amounts less than fair market value. The difference between the selling price and the estimated fair market value at the transaction date is recognized as donation expense and is included in the program expenses for land and easement acquisitions. There was no donated land expense for the year ended June 30, 2023.

***Conservation Easements***

The Trust periodically receives or purchases conservation easements which limits the allowable uses of the related property to open space uses consistent with the Trust'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. Because of

BIG SUR LAND TRUST  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

donor restrictions, contributed conservation easements and conservation easements purchased with restricted donations bear no future benefit to the Trust and are therefore expensed as land and easements conveyed in the year they are acquired. In connection with the transfer or sale of land to governmental agencies, the Trust may retain a conservation easement on the land. Because these easements bear no future financial benefit to the Trust, they are not recorded on the Trust's statement of financial position. The Trust capitalizes the cost of purchased easements only when they are expected to be sold or otherwise result in some future financial benefit to the Trust. There were no capitalized conservation easements for the year ended June 30, 2023.

***Offers to Dedicate***

The Trust 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 Trust maintains the land in a manner consistent with the grantor's wishes. These provisions are consistent with the Trust'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 Trust were to violate these provisions or to cease business, the offers to dedicate would automatically transfer title to the grantor agencies or another nonprofit entity.

***Net Assets***

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor or grantor restrictions over which the Board of Trustees has discretionary control in carrying out the operations of the Trust.

*Net Assets With Donor Restrictions* – Net assets subject to donor or grantor imposed restrictions and for which the applicable restriction was not met as of the year end of the current reporting period. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources are to be maintained in perpetuity.

***Revenue Recognition***

The Trust recognizes support and revenue on the accrual basis of accounting. Revenue from grants and program fees are recognized as revenue in the period in which the services are provided. Other income and rental revenue are reported when earned based upon the contract terms. Unearned rental revenue is recorded as deferred revenue.

Contributions and grants, whether or not restricted, are recognized as revenue at fair value when received by or unconditionally promised to the Trust. The Trust reports gifts of cash and other assets restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions and grants are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Campaign revenue of \$3,340,938 was recognized with donor restrictions to support the building of a 6-acre community park on property located in central Salinas, California within the Carr Lake Basin.

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Unconditional promises to give less an allowance for uncollectible amounts, are recognized as support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if expected to be collected in one year and at discounted value if expected to be collected in more than one year. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

A portion of the Trust's revenue is derived from cost-reimbursable government contracts and grants, which are conditioned upon certain performance requirement and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Trust has incurred expenditures in compliance with specific contract or grant provisions. Revenue recognized on the contracts but for which billings have not been presented to the agencies or received from the agencies is reflected as grants receivable in the accompanying statement of financial position.

The Trust records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. The Trust recognizes revenue from ticket sales at the time of admission.

The Trust recognizes rental income over time using the output method as performance obligations are met. Rental income consists of one performance obligation to provide access to the rented land and is recognized ratably over the course of the rental agreement as services are simultaneously received and consumed.

***Contributions In-Kind***

Donated equipment and other donated goods are recorded at their fair value as of the date of the donation and are reported as increases to net assets without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The Trust recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. No significant contributions of such goods or services were received for the year ended June 30, 2023.

***Expense Allocation***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salary expense allocation is based on a direct distribution per employee time sheets. Management allocates indirect costs based on the ratio of total allocable indirect costs to total non-salary costs.

***Income Taxes***

Big Sur Land Trust is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. However, income from certain activities not directly related to the Trust's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Trust qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

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***Accounting for Uncertainty in Income Taxes***

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Trust in its federal and state tax returns are more-likely-than-not to be sustained upon examination.

The Trust files information returns in the U.S. federal jurisdiction and state of California. The Trust's federal returns for the tax years 2020 and beyond remain subject to possible examination by the Internal Revenue Service. The Trust's California returns for the tax years 2019 and beyond remain subject to possible examination by the Franchise Tax Board.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Significant estimates used in the preparation of these financial statements include:

- The assumptions used in determining the net present value of the Trust's irrevocable interests in charitable trusts. A description of the assumptions used is included in Note 5.
- The assumptions used in determining the allowance for uncollectible grants and pledges receivable. Management's estimate is based on collection history.

***Comparative Financial Information***

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

**3. Liquidity and Availability**

The Trust's Board of Trustees passed a resolution to designate an operating reserve from its net assets without donor restrictions to build and maintain an adequate level of net assets to support the organization's day-to-day operations in the event of unforeseen shortfalls. The operating reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The minimum amount to be designated as operating reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months for a target amount equal to 25% of annual operating expenses excluding those funded by public grants and endowments earnings. The reserve is to be recorded in the books of the Trust as Board Designated Operating Reserve. The operating reserve fund has been initially set and subsequently maintained at \$750,000 and is available in cash or liquid investments and will continue to be funded with surplus operating funds without donor restrictions.

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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, comprise the following:

Cash and cash equivalents	\$ 5,490,136
Investments	9,375,238
Interest and other receivable	10,165
Pledges receivable - current portion	243,556
Grants receivable, net	404,667
Beneficial interest in split-interest trusts - current portion	<u>109,775</u>
Total financial assets as of June 30, 2023	15,633,537
Less those unavailable for general expenditures within one year due to:	
Contractual or donor imposed restrictions	
Restricted by donor with purpose restrictions	(9,849,349)
Subject to appropriation and satisfaction of donor restrictions	(245,763)
Fiscal agency payable	(23,853)
Board designated reserve	<u>(5,422,814)</u>
Total financial assets available to meet cash needs for general expenditure within one year	91,758
Other resources available:	
Line of credit	<u>1,500,000</u>
Total financial assets and other resources available to meet cash needs for general expenditure within one year	<u><u>\$ 1,591,758</u></u>

In addition to the financial assets and other resources available for general expenditure within one year, the Trust has board-designated reserve net assets without donor restrictions of \$5,422,814 that, while the Trust does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, with Board approval, if necessary.

#### 4. Investments

Investments consist of funds that are with donor restriction and without donor restriction funds. These funds are invested with Merrill Lynch and Community Foundation for Monterey County.

The investment objectives of the Trust are reviewed and revised annually as part of the budgeting process. The aim is to obtain a risk tolerance that is consistent with similar non-profit organizations, while helping to achieve the Trust's current objectives. The rate of return will be established to sustain conservation and stewardship spending policies while meeting the Board designated growth target for investment funds. The rate of return objectives will be established in light of the impact of annual inflation, transaction expenses, risk tolerance, and other relevant factors.

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The fair values of the Trust's investments as of June 30, consisted of the following:

	2023	2022
Equities and mutual funds	\$ 13,506,442	\$ 10,900,822
Mutual bond funds	4,598,230	3,168,163
Money market funds	452,014	718,628
Total investments	\$ 18,556,686	\$ 14,787,613

Fair Value Measurements

The Trust measures its assets and liabilities at fair value in accordance with FASB Accounting Standards Codification (ASC Topic 820 Fair Value Measurements). This guidance defines fair value as 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 and establishes a framework for measuring fair value.

The guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The guidance expands disclosures about instruments measured at fair value. The guidance applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, the guidance does not require any new fair value measurements. The three levels are defined as follows:

- *Level 1* - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access. Level 1 securities include highly liquid U.S. Treasury securities, certain common stocks and mutual funds.
- *Level 2* - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, inputs to the valuation methodology include quoted prices for identical assets or liabilities in inactive markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial statement. Most debt securities, preferred stocks, certain equity securities, short-term investments, and derivatives are model pricing using observable inputs and are classified as Level 2.
- *Level 3* - inputs to the valuation methodology are unobservable and significant to the fair value measurements. These inputs reflect assumptions of management about pricing the assets or liability including assumptions about risk such as bid/ask spreads and liquidity discounts. Example of Level 3 assets include investment in limited partnership.

A financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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The following table sets forth by level within the hierarchy, the Trust's assets measured on a recurring basis at fair value as of June 30, 2023:

	Total	Level 1	Level 2	Level 3
Mutual Fund				
Equities and mutual funds	\$ 13,506,442	\$ 13,506,442	\$ -	\$ -
Mutual bond funds	4,598,230	4,598,230	-	-
	<u>18,104,672</u>	<u>18,104,672</u>	<u>-</u>	<u>-</u>
Beneficial interest in assets held by CFMC	2,011,798	-	-	2,011,798
Beneficial interest in split-interest trusts, net	2,418,094	-	-	2,418,094
	<u>4,429,892</u>	<u>-</u>	<u>-</u>	<u>4,429,892</u>
Total recurring fair value measurements	<u>\$ 22,534,564</u>	<u>\$ 18,104,672</u>	<u>\$ -</u>	<u>\$ 4,429,892</u>
Institutional money market*	<u>\$ 452,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Real estate investment	<u>\$ 519,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investment portfolio total	<u>\$ 23,505,709</u>			

\*Institutional money market funds included in the investment portfolio are not subject to provisions of fair value measurements as they are recorded at cost.

The following methodologies described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a description of the Trust's valuation methodologies for assets measured at fair value:

***Mutual Funds (Cash, Equities and Fixed Income)***

Valued at the closing price as reported on the active market on which the individual securities or funded are traded.

***Community Foundation for Monterey County – Carmel River FREE Stewardship Fund (CRFREE)***

Investments held by the Community Foundation for Monterey County (CFMC) represent amounts held in various Stewardship Funds at Community Foundation. CFMC invests the assets held in the fund. The income can be distributed. The principal may be distributed if approved in writing by three-fourths of the members of the Trust's governing body and a majority of the Board of Directors of the CFMC. If distributed, the principle is to be used according to the purposes set forth in the agreements. The agreements governing the assets include variance power allowing CFMC to modify the restrictions on distributions from the fund. The Trust has used the fair value of its pro-rata share of the investment pool held by CFMC to determine the fair value of the beneficial interest. The unobservable inputs to the valuation are the underlying assets at the CFMC; therefore, these investments are classified as Level 3 assets within the fair value hierarchy.

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***Beneficial Interest in Split-Interest Agreements***

Donations that are held in split-interest trusts where the Trust serves as trustee or does not serve as trustee, representing beneficial interest in trusts. Values are based on the present value of expected cash flows, which approximates fair value.

The following table sets forth a summary of changes in the fair value of the Trust's Level 3 assets at June 30, 2023:

	Beneficial Interest in Assets Held by CFMC	Beneficial Interest in Split-Interest Trusts	Total
Balance, beginning of year	\$ 1,863,971	\$ 2,177,566	\$ 4,041,537
Contributions	50	-	50
Investment return, net	147,777	-	147,777
Distributions	-	(109,775)	(109,775)
Change in value of split-interest trusts	-	350,303	350,303
Balance, end of year	<u>\$ 2,011,798</u>	<u>\$ 2,418,094</u>	<u>\$ 4,429,892</u>

***Real Estate Investment***

The Trust purchased real estate investment property during the fiscal year 2017-18. This investment is recorded at cost of \$519,131. This investment was valued at its purchase price in February 2018.

The investment consists of 50% interest in a three-bedroom, three bath single family home in Monterey, California. The other half interest was purchased by Jeannette and Jamison Tuitele-Lewis, the Trust's President/CEO, and serves as their residence pursuant to an Equity Sharing and Tenancy in Common Agreement dated February 2, 2018, and Board Resolution 2017-04 adopted June 14, 2017. The Shared Equity Agreement lays out the basis for cost sharing for major improvements and property taxes, while leaving basic maintenance and upkeep as the Tuitele-Lewis's responsibility. Upon termination of employment, the Trust has the right to repurchase Tuitele-Lewis's 50% interest at the then market value as determined by appraisal.

**5. Trusts Receivables, Net**

As of June 30, 2023 the Trust has the following trust receivables:

Beneficial interest in split-interest trusts:	
Remainder beneficiary in trust, net	\$ 1,258,527
Beneficiary in Elliott Trust	<u>1,159,567</u>
Total beneficial interest in split-interest trust, net	2,418,094
Less current portion of beneficial interest in split-interest trusts	<u>(109,775)</u>
Beneficial interest in split-interest trusts, net - noncurrent portion	<u>\$ 2,308,319</u>
Residual interest in split-interest trusts:	
Residual interest in irrevocable charitable remainder unitrust	<u>\$ 500,000</u>

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The Trust is a trustee and remainder beneficiary of three irrevocable charitable remainder unitrusts, one revocable charitable remainder unitrust and two pooled income funds organized in the form of trusts. Provisions for these various trusts require distribution of the trusts' net income, or a percentage of their net fair value, to designated beneficiaries on a quarterly basis during their lifetimes. At the end of the trusts' term and after payments to any other remainder beneficiaries, the remaining trust assets will be available for the Trust's unrestricted use.

***Charitable Remainder Trusts (Big Sur Land Trust as Trustee)***

In those cases where the Trust acts as trustee, the portion of the unitrusts attributable to the present value of the estimated future benefits to be received by the Trust was recorded as a with donor restricted contribution in the period the unitrusts were established. Assets held in the unitrusts are reported at fair value. On an annual basis, the Trust 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 a 6.0% investment return, discount rates of 5.8% to 9.8%, and life expectancies based on applicable mortality tables.

***Pooled Income Funds***

When contributions are made to either of the two pooled income trusts, the Trust records donor restricted contribution equal to the present value of the Trust's remainder interest in those trusts. Assets held in the pooled income trusts as of June 30, 2023 and 2022, are reported at fair value. On an annual basis, the pooled income trusts adjust their stated value to reflect the passage of time and any changes in the life expectancy of the income beneficiaries. The present value of the Trust's remainder interest is calculated using a 2.8% discount rate.

The assets held in the split-interest trusts and their related liabilities are summarized below:

	Assets Held	Related Liabilities	Net Assets
As of June 30, 2023:			
Revocable charitable remainder trusts	\$ 408,771	\$ 408,771	\$ -
Irrevocable charitable remainder trusts	2,442,404	1,332,856	1,109,548
Pooled income funds	167,229	18,250	148,979
Total	<u>\$ 3,018,404</u>	<u>\$ 1,759,877</u>	<u>\$ 1,258,527</u>
		Related	
As of June 30, 2022:	Assets Held	Liabilities	Net Assets
Revocable charitable remainder trusts	\$ 407,409	\$ 407,409	\$ -
Irrevocable charitable remainder trusts	2,339,129	1,343,849	995,280
Pooled income funds	165,340	20,900	144,440
Total	<u>\$ 2,911,878</u>	<u>\$ 1,772,158</u>	<u>\$ 1,139,720</u>

Investments held in split-interest trusts where the Trust serves as trustee are stated at fair value and are based on quoted market values. Investments consisted of the following at June 30:

	2023	2022
Equity funds	\$ 1,140,132	\$ 1,160,138
Cash and cash equivalents	31,535	98,743
Mutual funds	1,846,737	1,652,997
Total	<u>\$ 3,018,404</u>	<u>\$ 2,911,878</u>

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***Elliott Trust Receivable***

The Elliott Trust is a bequeathed fund held by CFMC which engenders an annual payout of 5% of the fund balance of which 50% is payable to Big Sur Land Trust and 50% to another not-for-profit organization. The fund will pay out at this rate for 20 years (beginning in 2015 and ending in 2034), after which the remaining corpus will be turned over to a third not-for-profit organization. Payments from the fund are restricted to purchasing fixed assets.

The Trust split-interest receivable as of June 30, consists of the amount due in the following years:

	2023	2022
Beneficial interest in trust receivable in less than one year	\$ 109,775	\$ 93,345
Beneficial interest in trust receivable in one to five years	475,715	355,470
Beneficial interest in trust receivable in more than five years	951,360	951,360
Total beneficial interest in trust receivable	1,536,850	1,400,175
Less discount to present value	(377,283)	(362,329)
Total beneficial interest in trust receivable - net	\$ 1,159,567	\$ 1,037,846

***Charitable Remainder Trusts (Third Party Trustee)***

The Trust is also a remainder beneficiary of an irrevocable charitable remainder unitrust for which the Trust does not serve as the trustee. Provisions of this trust require annual distribution of actual income up to 9% of the net fair value of the unitrust assets to the named beneficiaries during their lifetimes. The assets remaining after the death of the last surviving noncharitable income beneficiary will be available for the Trust's unrestricted use. The portion of the unitrust attributable to the present value of the estimated future benefits to be received by the Trust was recorded as a contribution with donor restriction and is shown on the statement of financial position as a residual interest in irrevocable charitable remainder unitrust. The present value of the estimated future benefit is \$500,000 for each of the years ended June 30, 2023 and 2022.

**6. Pledges Receivable, Net**

Pledges receivable at June 30, consists of the following unconditional promises to give:

	2023	2022
Pledges receivable in less than one year	\$ 243,556	\$ 247,956
Pledges receivable in one to five years	600,000	193,141
Total pledges receivable	843,556	441,097
Allowance for uncollectable pledges	(3,653)	(6,616)
Discount to present value	(8,347)	(19,243)
Total pledges receivable - net	\$ 831,556	\$ 415,238

Unconditional promises to give (pledges receivable) are from various entities including foundations, corporations, and individuals. The discount rate used by the Trust on long-term pledges receivable as of June 30, 2023 was 4%.

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**7. Property and Equipment, Net**

The cost and accumulated depreciation of property and equipment as of June 30, consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 324,786	\$ 324,786
Buildings	1,252,026	1,178,029
Vehicles	220,950	175,518
Equipment	168,844	152,393
Leasehold improvements	728,013	656,590
Furniture and fixtures	<u>115,714</u>	<u>116,214</u>
	2,810,333	2,603,530
Less: Accumulated depreciation	<u>(869,470)</u>	<u>(777,102)</u>
Property and equipment, net	<u><u>\$ 1,940,863</u></u>	<u><u>\$ 1,826,428</u></u>

Depreciation expense for the years ended June 30, 2023 and 2022 totaled \$92,866 and \$74,830, respectively.

**8. Conservation Land and Land Deposits**

The cost and valuation allowance of conservation land and land deposits as of June 30, consisted of the following:

	<u>2023</u>	<u>2022</u>
Conservation land and land deposits	\$ 26,087,537	\$ 26,029,237
Less: Valuation allowance due to irrevocable offer to dedicate to State	<u>(3,950,000)</u>	<u>(3,950,000)</u>
Conservation land and land deposits	<u><u>\$ 22,137,537</u></u>	<u><u>\$ 22,079,237</u></u>

On January 25, 2017, Big Sur Land Trust purchased 73 acres of agricultural land located in central Salinas, California, within the Carr Lake Basin (the Property). The Property includes storage buildings and two residences. It was acquired by BSLT for the sole purpose of creating a public park, habitat, and open space complex in the center of Monterey County’s most densely populated urban community. The Trust successfully raised \$3,950,000 to purchase the Property through public and private grants. Of this sum, \$3,000,000 was provided by two California state agencies – the State Coastal Conservancy and the California Natural Resources Agency. As a condition of these public grants, the Trust is contractually obligated to dedicate the Property to specific acquisition objectives – public access, open space protection, wildlife habitat and environmental restoration. Both agencies also required documents to be recorded on the title of the Property as additional measures to ensure the permanent dedication of the site for public benefits through specific deed restrictions:

- 1) The State Coastal Conservancy required that an Irrevocable Offer to Dedicate Title in Fee and Declaration of Restrictive Covenants (OTD) be recorded – Document #2017004454 dated 01/25/17 Official Records of Monterey County; and
- 2) The California Natural Resources Agency required that a Memorandum of Unrecorded Grant Agreement be recorded – Document #2017004455 dated 01/25/17 Official Records of Monterey County.

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These documents require the Trust to transfer the Property to the City of Salinas or another appropriate public agency in order to ensure public use into the future once the community engagement and site design phase of this project is complete and funds are secured for implementation. During this process, which could take several years, the Trust plans to continue to lease the site for agricultural and residential use. All lease income derived from this site will be placed in the Property’s stewardship fund, as obligated by the OTD, and solely for developing the Property into a public facility. The agricultural lease of the property will expire on October 31, 2024.

Given the above-described restrictions and absence of flexibility not only on external use of income but also in eventual disposition of the Property, the Trust has determined that a valuation allowance, equal in value to the purchase price of the Property, should be recorded on the Trust’s statement of financial position, thereby effectively carrying the asset at zero value.

**9. Line of Credit**

The Trust maintains a \$1,500,000 line of credit arrangement with Pacific Valley Bank for use in organizational activities. The line of credit bears interest at 3.25%. The line of credit is secured by a deed of trust on the Trust office building situated at 509 Hartnell Street in Monterey. The line of credit had no outstanding balance as of June 30, 2023.

**10. Board Designated Net Assets**

Board designated net assets consisted of an operating reserve as well as funds designated for easement defense, monitoring, and stewardship in the amount of \$5,422,814 and \$3,197,314 at June 30, 2023 and 2022, respectively.

Board designated net assets consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Board Designated Net Assets		
Easement Stewardship	\$ 458,326	\$ 294,902
Board Designated Stewardship Endowment	2,689,885	1,081,878
Board Designated Operating Reserve	750,000	750,000
Investment in Elk Run House	519,131	519,131
Board Designated Cash Reserves	130,045	240,486
Indigenous Partnerships	25,000	-
Marks Infrastructure	29,454	-
Carr Lake Stewardship Endowment	12,115	12,115
Mudd Stewardship Endowment	400,000	-
Mitteldorf Stewardship Endowment	408,858	298,802
	<u>\$ 5,422,814</u>	<u>\$ 3,197,314</u>

**11. Endowment**

The Trust’s endowments consist of the Seeley and Virginia Mudd Endowment Fund, and the Catherine L. and Robert O. McMahan Stewardship Endowment. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Trust has the following two endowments:

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***Seeley and Virginia Mudd Endowment Fund***

The annual income from the Seeley and Virginia Mudd Endowment Fund is restricted for use in the preservation and management of the Glen Deven Ranch (the Ranch).

The Ranch is an 850-acre property located adjacent to the Palo Colorado Canyon on the Big Sur Coast approximately 15 miles south of Carmel. The Ranch was donated to the Trust in perpetuity to be held and administered in a manner that would preserve the Ranch intact and protect the natural, open space, aesthetic and ecological features of the property and its unique beauty for public benefit.

***The Catherine L. and Robert O. McMahan Stewardship Endowment***

The Catherine L. and Robert O. McMahan Stewardship Endowment is perpetual with a donor restricted fund for stewardship, restoration and quality management of lands and waters in Monterey County. Earnings and gains from the fund are restricted to the care of natural resources, restoring and ensuring healthy habitat, protecting native and endangered plants and animals, and enabling public enjoyment of parks, trails and open space.

**Interpretation of Relevant Law**

The Board of Trustees of the Trust has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Trust classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the SPMIFA, the Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Trust and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effects of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Trust
- (7) The investment policies of the Trust

**Underwater Endowments**

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Trust has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no deficiencies of this nature that would be required to be reported in restricted net assets as of June 30, 2023 and 2022.

**Investment Return Objectives, Risk Parameters and Strategies**

Investment Objective - Annually, as a component of the budgeting process, management and the Internal Operations Committee (IOC) will establish a target rate of return to sustain conservation and stewardship spending policies and meet Board designated growth for the investment funds. Portfolio return objectives should consider the impact of annual inflation, transaction expenses, risk tolerance, and other relevant factors.

Asset Allocation Limitations - Are agreed upon by the investment managers in consultation with the IOC.

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**Risk Tolerance** - The investments shall be diversified to manage the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific classes of securities. Diversification strategies shall be recommended by the investment manager and periodically reviewed and approved by the IOC. It is the expectation of the Board that the Trust maintain an investment risk profile similar to that of other non-profit organizations with similar objectives. Establishment of risk tolerance will be reviewed annually, and consideration will be given regarding the current objectives of the Trust and current economic and market conditions.

**Spending Policy**

The Trust's endowment spending policy is determined on an annual basis by the IOC based on investment objectives and current financial conditions. The actual spending rate of 4% for the fiscal year is approved as part of the annual budget approval process.

In establishing this policy, the Trust considered the following factors:

- (1) The duration and preservation of the endowment funds
- (2) The purposes of the Trust and the endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation or deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Trust; and
- (7) The Trust's investment policy

**Endowment Net Asset Composition and Changes**

Endowment net asset composition by type of fund consisted of the following:

	2023		
	With Donor Restrictions Endowment		
	Expiring Restrictions	Perpetual Restrictions	Total
Donor-restricted endowment fund			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 7,386,576	\$ 7,386,576
Purpose restricted funds and accumulated investment gains	245,763	1,794,872	2,040,635
	<u>\$ 245,763</u>	<u>\$ 9,181,448</u>	<u>\$ 9,427,211</u>
	2022		
	With Donor Restrictions Endowment		
	Expiring Restrictions	Perpetual Restrictions	Total
Donor-restricted endowment fund			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 7,162,616	\$ 7,162,616
Purpose restricted funds and accumulated investment gains	549,595	978,198	1,527,793
	<u>\$ 549,595</u>	<u>\$ 8,140,814</u>	<u>\$ 8,690,409</u>

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Changes in donor-restricted endowment net assets for the fiscal years ended June 30, consisted of the following:

	With Donor Restrictions Endowment		
	Expiring Restrictions	Perpetual Restrictions	Total
Endowment net assets, June 30, 2021	\$ 1,214,722	\$ 9,597,074	\$ 10,811,796
Contributions	-	150,000	150,000
Investment return, net	(199,223)	(1,606,260)	(1,805,483)
Appropriations and spending policy	(465,904)	-	(465,904)
Endowment net assets, June 30, 2022	549,595	8,140,814	8,690,409
Contributions	-	150,000	150,000
Investment return, net	93,296	890,634	983,930
Appropriations and spending policy	(397,128)	-	(397,128)
Endowment net assets, June 30, 2023	<u>\$ 245,763</u>	<u>\$ 9,181,448</u>	<u>\$ 9,427,211</u>

## 12. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, consisted of the following:

	2023	2022
Subject to expenditure for specified purpose:		
Activities that benefit the Big Sur region	\$ 481,418	\$ 513,421
Fire restoration activities	49,290	58,672
Carr Lake Park Construction	4,865,451	-
Stewardship (CRFREE)	947,419	805,428
Community engagement	335,726	259,140
Stewardship (general)	1,176,236	1,140,007
Land acquisition	178,966	303,681
Land conservation and restoration	684,728	2,475,577
General and strategic planning	558,587	339,061
Comprehensive campaign	461,753	857,460
Net assets held in split-interest trusts	1,159,566	1,037,846
Subject to expenditure after passage of time		
Net assets held in split-interest trusts	1,258,528	1,139,720
Residual interest in irrevocable split-interest trust, net	500,000	500,000
Total	<u>12,657,668</u>	<u>9,430,013</u>
Endowment		
Subject to spending policy and appropriation:		
Investment in perpetuity (including the original donor-restricted gift), which, once appropriated, are expendable to support land preservations and maintenance	9,181,448	8,140,812
Subject to appropriation and expenditure when a specified event occurs:		
Income earned on perpetual endowments and purpose restricted endowments gifts by donors for land preservation and maintenance	245,763	549,597
	<u>9,427,211</u>	<u>8,690,409</u>
Not subject to appropriation or expenditure		
Land required to be preserved and maintained as ranch/open space	7,000,000	7,000,000
Total net assets with donor restrictions	<u>\$ 29,084,879</u>	<u>\$ 25,120,422</u>

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**13. Rental income**

Rental income for the years ended June 30, consisted of the following:

	2023	2022
Cell Tower land lease rental income	\$ 229,402	\$ 71,731
Carr Lake lease rental income	147,060	158,310
Elk Run House 50% ownership (rental value)	26,787	23,700
Glen Deven property rental income	-	151
Total property rental revenue	\$ 403,249	\$ 253,892

**14. Special Event, Net**

The Trust considers special events as community engagement activities, not fundraising opportunities. Special event for the years ended June 30, consisted of the following:

	2023		
	Tickets	Expenses	Net
Race for open space	\$ 32,835	\$ 29,401	\$ 3,434
	2022		
	Tickets	Expenses	Net
Race for open space	\$ 27,232	\$ 13,647	\$ 13,585

**15. Gain on Sale of Cell Tower Lease**

The Trust entered into a sales-type lease agreement with a telecommunication company for the use of a cell tower located on a conservation easement. The Trust received \$2,322,938 for payment in fiscal year 2023 recorded under “gain on sale of cell tower lease”.

At lease commencement, the Trust estimates the residual of the leased asset at the end of the lease term, considering the asset’s remaining useful life, expected market condition, and expected use (e.g., sell or lease). The Trust’s ability to realize the residual value at the end of the lease term could be adversely affected by technological obsolescence or unusual wear and tear of the equipment. The Trust does not believe the fair value cell tower and related land access will exceed the present value of payments received for the lease agreement of \$2,322,938.

The net investment in the lease at June 30, 2023 is \$0, as there was no lease receivable and the Trust believes the asset will have no unguaranteed residual asset value at the termination date of the lease agreement.

**16. Retirement Plan**

The Trust has a 403(b) Tax Sheltered Annuity Plan which is available to all employees who have completed one year of service and have attained age 21. Employer contributions are to be 5% of each employee’s gross annual salary. For the years ended June 30, 2023 and 2022, the Trust made retirement contributions in the amount of \$80,894 and \$85,059, respectively.

**17. Community Foundation Agency Endowment Funds**

The BSLT Stewardship Fund was established at Community Foundation for Monterey County (CFMC) for the benefit of the Trust. For the years ended June 30, 2023 and 2022, respectively, the balances of this fund were \$37,480 and \$36,250.

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The Jane P. McKay Endowment for the Fellowship Program Fund was established at CFMC for BSLT's work with interns. For the years ended June 30, 2023 and 2022, respectively, the balances of this fund were \$160,799 and \$156,025.

These funds are owned and administered by the CFMC and the assets of the funds are not included in the financial statements of the Trust. Net income from the funds is distributed to the Trust under the terms of the endowment agreements.

**18. Fiscal Agency Funds – Park It! Stewardship Fund**

The Park It! Initiative is a community-based coalition among multiple state, federal and local agencies to develop, support and implement solutions to improve traffic safety and address public access challenges now facing public lands between the Carmel River and the southern end of Garrapata State Park and, if successful, expand further south in Big Sur and elsewhere.

On September 20, 2018, Big Sur Land Trust (the "Trust") and Point Lobos Foundation entered into an agreement with the Community Foundation for Monterey County (CFMC) for the establishment of the Park It! Stewardship Fund. The agreement provides for any cash contributions to the fund to be used for the projects initiated by the Initiative. The funds are held by CFMC in their general fund and are invested according to their investment policies. Big Sur Land Trust has contributed a total of \$100,000 to support the Initiative.

The Trust acts as fiscal agent for the Initiative. The Initiative has an account with the Trust and directs the Trust to disburse funds to pay for project expenses on its behalf. Fiscal agency funds representing undisbursed funds held by the Trust at June 30, 2022 totaled \$23,854. The balance in the Park It! Stewardship Fund as of June 30, 2022 was \$32,157.

**19. Operating Lease – Lessee**

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, which amends the FASB Accounting Standards Codification (ASC) and creates Topic 842, *Leases*, requiring organizations to recognize lease assets and lease liabilities on the statement of financial position and requiring disclosure of key information about leasing arrangements. The guidance is effective for periods beginning after December 15, 2020. ASU No. 2016-02 mandates a modified retrospective transition approach. In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) to delay the effective date for annual reporting to fiscal years beginning after December 15, 2021, for Topic 842. The Trust adopted this standard and recognized the right-of-use asset and lease obligation in 2023.

Right-of-use operating assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease terms at the commencement date in accordance with ASC 842, *Leases*. As the implicit rate for the lease is not readily determinable, the Trust uses the risk-free rate based on a based on the three-year treasury bill of 2.85% at commencement date in determining the present value of lease payments.

The Trust has an operating lease for office space with a lease term of 3 years, with no renewal options.

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The following summarizes the line items in the statements of financial position which include amounts for the operating lease as of June 30, 2023:

Operating lease	
Operating lease right-of-use asset	\$ 67,919
Operating lease liability	
Current portion	\$ 29,650
Long-term amount	38,269
Total operating lease liability	<u>\$ 67,919</u>

The following summarizes the remaining lease term and discount rate at June 30, 2023:

Remaining lease term	2.25 Years
Discount rate	2.85%

The maturities of the lease liability as of June 30, were as follows:

<u>Year ending June 30:</u>	
2024	\$ 31,200
2025	31,200
2026	7,800
Total lease payments	<u>70,200</u>
Less: interest	(2,281)
Present value of lease liability	<u>\$ 67,919</u>

The following summarizes the line item in the statement of functional expenses which include the components of lease expense for the year ended June 30, 2023 is as follows:

Operating lease expense included in occupancy expense	<u>\$ 28,600</u>
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## 20. Contingent Liabilities

### *Litigation*

The Trust is, by the nature of its programs, subject to an obligation to enforce a variety of claims on a continuing basis. Costs for all known claims not covered by insurance were recognized in the financial statements. In the management's opinion, the amount of any additional liability will not have a material impact on the financial statements.

### *Restricted Grant*

During 2000, the Trust acquired a 68% undivided interest in a parcel of land known as Martin Dunes. The California Coastal Conservancy (Conservancy) funded \$500,000 of the purchase price through a restricted grant. The terms of the grant require the Trust to make continuing best efforts to obtain the remaining 32% interest in the property and if and when 100% interest is acquired, to transfer or dedicate the property for public access and open space preservation in accordance with the Conservancy's grant requirements. Should the Trust choose to dispose of or use its interest in the property in any other manner, it would be required to obtain the approval of the Conservancy. The Conservancy has secured its contingent interest through a \$500,000 lien on the Trust's interest in the property. The Trust intends to ultimately dispose of, transfer, or dedicate the property in a manner consistent with this grant requirement. If the Trust is unable to comply with the grant provisions, it would likely work with the Conservancy to determine an alternative means to protect the property. No liability has been recorded related to the Conservancy's lien.

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**21. Subsequent Events**

The Trust's management has performed an analysis of the activities and transactions subsequent to June 30, 2023 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2023. Management has performed their analysis through January 23, 2024, the date the financial statements were available to be issued. Management determined that the Trust did not have any subsequent events that required recognition or disclosure in the financial statements for the fiscal year ended June 30, 2023.