

THE CALIFORNIA DESERT LAND CONSERVANCY

Financial Statements

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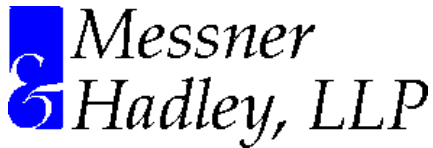
**Independent Auditors' Report
December 31, 2016**

THE CALIFORNIA DESERT LAND CONSERVANCY
DBA Mojave Desert Land Trust

December 31, 2016

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Certified Public Accountants

Paul S. Messner, CPA
Cindra J. Hadley, CPA
James M. Quinn, CPA, CFE

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The California Desert Land Conservancy
dba Mojave Desert Land Trust

Report on Financial Statements

We have audited the accompanying statement of financial position of The California Desert Land Conservancy, dba Mojave Desert Land Trust, as of December 31, 2016, and the related statements of activities and changes in net assets, 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 of material misstatement, whether due to fraud or error.

Auditors' 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 of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and 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.

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The Board of Directors
The California Desert Land Conservancy
dba Mojave Desert Land Trust

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The California Desert Land Conservancy, dba Mojave Desert Land Trust, as of December 31, 2016, and the changes in its nets assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
June 13, 2017

THE CALIFORNIA DESERT LAND CONSERVANCY
DBA Mojave Desert Land Trust

Statement of Financial Position
December 31, 2016

	Unrestricted	Temporarily	Permanently	Total All
	Fund	Restricted	Restricted	Funds
	Fund	Fund	Fund	Funds
ASSETS				
Cash	\$ 732,026	\$ 1,528,942	\$ 7,052	\$ 2,268,020
Grants receivable	48,227	165,580	-	213,807
Investments	3,180,630	399,825	2,687,842	6,268,297
Property and equipment	887,898	-	-	887,898
Other assets	109,765	-	-	109,765
Land held-for-conservation	15,018,284	-	-	15,018,284
TOTAL ASSETS	\$ 19,976,830	\$ 2,094,347	\$ 2,694,894	\$ 24,766,071
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 18,105	\$ -	\$ -	\$ 18,105
Long-term debt	1,040,000	-	-	1,040,000
TOTAL LIABILITIES	1,058,105	-	-	1,058,105
NET ASSETS				
Net assets	18,918,725	2,094,347	2,694,894	23,707,966
TOTAL LIABILITIES AND NET ASSETS	\$ 19,976,830	\$ 2,094,347	\$ 2,694,894	\$ 24,766,071

The accompanying notes are an integral part of these statements.

THE CALIFORNIA DESERT LAND CONSERVANCY
DBA Mojave Desert Land Trust

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2016

	<u>Unrestricted</u> <u>Fund</u>	<u>Temporarily</u> <u>Restricted</u> <u>Fund</u>	<u>Permanently</u> <u>Restricted</u> <u>Fund</u>	<u>Total All</u> <u>Funds</u>
REVENUE, SUPPORT AND GAINS (LOSSES)				
Membership, donations and grants	\$ 246,474	\$ 2,545,367	\$ -	\$ 2,791,841
Interest and dividends	122,506	16,242	26,788	165,536
Realized and unrealized gains and (losses) on investments, net	72,826	46,576	88,937	208,339
Other income	61,480	-	-	61,480
Net assets released from restriction	5,794,430	(5,455,544)	(338,886)	
TOTAL REVENUE, SUPPORT AND GAINS (LOSSES)	6,297,716	(2,847,359)	(223,161)	3,227,196
OPERATING EXPENSES				
Program expenses	1,277,682	-	-	1,277,682
Fundraising	45,415	-	-	45,415
General and administrative	208,391	-	-	208,391
TOTAL OPERATING EXPENSES	1,531,488	-	-	1,531,488
CHANGE IN NET ASSETS	4,766,228	(2,847,359)	(223,161)	1,695,708
NET ASSETS, BEGINNING OF YEAR	14,152,497	4,941,706	2,918,055	22,012,258
NET ASSETS, END OF YEAR	<u>\$ 18,918,725</u>	<u>\$ 2,094,347</u>	<u>\$ 2,694,894</u>	<u>\$ 23,707,966</u>

The accompanying notes are an integral part of these statements.

THE CALIFORNIA DESERT LAND CONSERVANCY
DBA Mojave Desert Land Trust

Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Accounting	\$ -	\$ -	\$ 33,022	\$ 33,022
Advertising	111,097	1,728	294	113,119
Automobile costs	15,976	7	544	16,527
Bank charges	-	-	2,527	2,527
Consulting	85,869	-	-	85,869
Depreciation	38,449	-	-	38,449
Dues and memberships	3,033	1,010	14,339	18,382
Insurance	23,172	-	4,397	27,569
Meals and entertainment	2,824	-	-	2,824
Office	32,676	465	1,322	34,463
Other	1,787	20,474	37,401	59,662
Other land related costs	67,475	-	-	67,475
Postage and delivery	13,698	7,154	3,716	24,568
Printing	4,744	1,099	206	6,049
Professional fees	210,277	-	7,241	217,518
Repairs and maintenance	23,046	-	27,418	50,464
Salaries and benefits	558,946	8,255	52,627	619,828
Software	3,889	4,674	202	8,765
Telephone	6,589	-	6,882	13,471
Tools and supplies	48,227	-	-	48,227
Training	2,101	-	-	2,101
Travel	23,807	549	2,510	26,866
Utilities	-	-	13,743	13,743
	<u>\$ 1,277,682</u>	<u>\$ 45,415</u>	<u>\$ 208,391</u>	<u>\$ 1,531,488</u>
Totals	<u>\$ 1,277,682</u>	<u>\$ 45,415</u>	<u>\$ 208,391</u>	<u>\$ 1,531,488</u>

The accompanying notes are an integral part of these statements.

THE CALIFORNIA DESERT LAND CONSERVANCY
DBA Mojave Desert Land Trust

Statement of Cash Flows
For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 1,695,708
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Loss on sale of land	(22,057)
Depreciation	38,449
Net realized and unrealized investment gain	
Realized and unrealized gains on investments	(208,339)
(Increases) Decreases in Assets:	
Grants receivable	100,518
Increase (Decrease) in Liabilities:	
Accounts Payable and accrued liabilities	<u>928</u>
Net Cash Provided By (Used In) Operating Activities	1,605,207

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of land	501,900
Purchases of land	(2,861,023)
Investments sold	1,325,795
Investments purchased	<u>(3,665,048)</u>
Total Cash Provided By (Used In) Investing Activities	<u>(4,698,376)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on long-term debt	<u>(50,000)</u>
Total Cash Provided By (Used In) Financing Activities	<u>(50,000)</u>

NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS (3,143,169)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 5,411,189

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 2,268,020

Cash paid for interest	\$ -
Cash paid for taxes	\$ -

The accompanying notes are an integral part of these statements.

THE CALIFORNIA DESERT LAND CONSERVANCY

DBA Mojave Desert Land Trust

Notes to Financial Statements
December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The California Desert Land Conservancy, dba Mojave Desert Land Trust, (the “Organization”) is a California nonprofit benefit corporation formed in June 2005. It was incorporated in California under the name The California Desert Land Conservancy and is doing business under the name The California Desert Land Trust.

Purpose of Organization

The Organization’s specific purpose is to provide assistance to the National Park Service, Bureau of Land Management, local military bases and regional communities to preserve open spaces, secure wildlife corridors, and preserve scenic and cultural resources in the Morongo Basin and Mojave Desert areas. Protection of these resources will be through the acquisition of lands within, between and around existing parks, preserves and wilderness areas and through community education of the Desert’s unique and fragile ecosystem.

The Organization has received the majority of its funding from grants obtained from the Resources Legacy Fund Foundation, supplemented by direct public support from the Morongo Basin communities and membership donations.

Board members are elected for a one-year term. The Board of Directors and their titles, as of the year ended December 31, 2016, are:

<u>Name</u>	<u>Position / Title</u>
Bob Zimmerman	President
Kelly Herbinson	Vice-President
John Simpson	Treasurer
Bonnie Kopp	Secretary
Jane Smith	Director
Buford Crites	Director
Owen Gillick	Director
Mickey Luckman	Director
David Carpenter	Director
Robyn Helmlinger	Director

Accounting Policies and Procedures

The accounting policies and procedures used by the Organization are those recommended in the *Land Trust Standards and Practices* developed by the Land Trust Alliance to create ethical and technical guidelines for the responsible operation of a land trust.

Accounting Method

The financial records of the Organization are maintained and the financial statements are prepared on the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when both are “measurable and available”. Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

THE CALIFORNIA DESERT LAND CONSERVANCY

DBA Mojave Desert Land Trust

Notes to Financial Statements
December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

To assure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been reported by fund group.

The Organization is required to report information regarding its financial position and activities according to three classes of fund groups (net assets) as follows:

- **Unrestricted Net Assets** – The Unrestricted Funds represent all resources over which the Board of Directors has discretionary control for use in operating the Organization, as well as all property, plant and equipment of the Organization.
- **Temporarily Restricted Net Assets** – The Temporarily Restricted Funds represent those resources that are received with temporary stipulations that limit the use of the assets. When a restriction expires – that is, the purpose of the restriction is accomplished – temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- **Permanently Restricted Net Assets** – The Permanently Restricted Funds represent funds that are subject to permanent restriction by the donor requiring that the principal be invested and only the income be used for operations.

Cash and Cash Equivalents

For purposes of financial statement reporting, the Organization considers all highly liquid investments with a maturity of three months or less to be considered cash equivalents.

Investments

The Organization's method of accounting for investments is the fair value method. Fair value is determined by published quotes when they are readily available. Adjustments to fair values are included in the accompanying statement of financial position and statement of activities.

THE CALIFORNIA DESERT LAND CONSERVANCY

DBA Mojave Desert Land Trust

Notes to Financial Statements
December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

In accordance with FASB ASC Topic 958-605, *Accounting for Contributions Received and Contributions Made*, contributions received by the Organization are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized as revenues in the period unconditional promises to give are received by the Organization. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted using the risk-free rate as of the date the unconditional promise to give was received by the Organization. Amortization of discounts is recorded as additional contributions in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible receivables is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity. Amounts deemed by management to be uncollectible are charged to expenses. Recoveries on receivables previously charged-off are credited to expenses.

Donated Services and Noncash Assets

A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and its fund raising activities. The value of the contributed time is not measurable and, accordingly, is not reflected in the accompanying financial statements. Contributions of donated noncash assets are recorded at their fair values in the period received.

Property and Equipment

Property and equipment are carried at cost or, in the case of donated assets, at market value on the date of donation and are depreciated using the straight-line method based on the estimated useful lives of the various classes of assets ranging from 5 to 7 years. Expenditures for maintenance and repairs are charged to operations as incurred.

Income Taxes

The Organization, pursuant to a determination letter from the Internal Revenue Service, is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses

The costs of providing services have been summarized on the statement of functional expenses. Certain costs and expenditures have been allocated between program and supporting services based on management's estimates.

THE CALIFORNIA DESERT LAND CONSERVANCY

DBA Mojave Desert Land Trust

Notes to Financial Statements
December 31, 2016

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all funds in banks (checking and savings). The components of cash and cash equivalents are as follows at December 31, 2016:

Checking accounts	\$	1,965,671
Savings accounts		226,377
Money market funds		10,872
PayPal		32,643
Cash with fiscal sponsor		32,001
Petty cash		<u>456</u>
Total cash and equivalents	\$	<u><u>2,268,020</u></u>

NOTE 3 – FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements*, provides a framework for measuring fair value. FASB ASC Topic 820 also establishes a fair value hierarchy that distinguishes between inputs based on market data from independent sources (observable inputs) and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs).

The fair value hierarchy in FASB ASC Topic 820 prioritizes fair value measurements into three levels based on the nature of the inputs. The three levels of the fair value hierarchy under FASB ASC Topic 820 are as follows:

Level 1 – Investments in this category are valued based on quoted prices in active markets for identical assets that are accessible at the measurement date. An active market is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Investments in this category are value based on inputs, in the absence of activity quoted market prices, which are observable for the asset, either directly or indirectly. Level 2 inputs include: (a) quoted prices for similar assets in active markets; (b) quoted prices for identical or similar assets in markets that are not active; (c) inputs other than quoted prices that are observable for the asset such as interest rates and yield curves observable at commonly quoted intervals; and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Investments in this category are valued based on unobservable inputs for asset. Unobservable inputs are used to the extent observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date.

THE CALIFORNIA DESERT LAND CONSERVANCY
DBA Mojave Desert Land Trust

Notes to Financial Statements
 December 31, 2016

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Fair value of assets measured on a recurring basis, at December 31, 2016, is as follows:

	Fair Value	Level 1	Level 2	Level 3
Equity securities	\$ 25,001	\$ 25,001	\$ -	\$ -
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	620,000	620,000	-	-
Fixed income securities	677,136	677,136	-	-
Exchange traded funds	248,316	248,316	-	-
Mutual funds	4,697,845	4,697,845	-	-
	<u>\$ 6,268,298</u>	<u>\$ 6,268,298</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 – GRANTS RECEIVABLE

A significant portion of grants receivable, at December 31, 2016, are from the Resources Legacy Fund Foundation and consist of funds designated for land purchases.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment, at December 31, 2016, consist of the following:

Buildings	\$ 920,789
Furniture, fixtures and equipment	17,808
Automobiles	<u>34,826</u>
Subtotal	973,423
Less accumulated depreciation	<u>(85,525)</u>
Total property and equipment, net	<u><u>\$ 887,898</u></u>

During 2016, the Organization purchased two adjacent buildings in Joshua Tree, California. The buildings house the Organization’s headquarters as well as a demonstration garden. The buildings are both secured by deeds of trust.

NOTE 6 – LAND HELD-FOR CONSERVATION

Assets held in trust, at December 31, 2016, are valued at a cost of \$15,018,284 and are comprised primarily of grant funded land acquisitions. Unless approved by the grantor in advance, lands purchased with grant funds must be preserved and will not be sold.

THE CALIFORNIA DESERT LAND CONSERVANCY
DBA Mojave Desert Land Trust

Notes to Financial Statements
 December 31, 2016

NOTE 7 – NOTES PAYABLE

Long-term obligations consist of the following:

<u>The Conservation Fund</u> - Due October, 2018, including principal and interest at 80% of Prime Rate, currently at 2.6%, secured by a 470.2 acre parcel of land located in San Bernardino County, California	\$ 175,000
<u>The Conservation Fund</u> - Due October, 2018, including principal and interest at 80% of Prime Rate, currently at 2.6%, secured by a 286.36 acre parcel of land located in San Bernardino County, California	140,000
<u>The Conservation Fund</u> - Due February, 2018, including principal and interest at 3.25%, secured by building and land located in Joshua Tree, California.	500,000
<u>Hannah Family Trust</u> - Due February, 2019, payable in annual installments of \$50,000, including interest at 0.00%, secured by building and land located in Joshua Tree, California	<u>225,000</u>
Total long-term debt	1,040,000
Less: current portion	<u>(50,000)</u>
LONG-TERM DEBT	<u><u>\$ 990,000</u></u>

Maturities of long-term debt are as follows:

2017	\$ 50,000
2018	865,000
2019	125,000
2020	<u>-</u>
	<u><u>\$ 1,040,000</u></u>

NOTE 7 – CONCENTRATIONS

Financial instruments that potentially subject the Organization to credit risk consist primarily of temporary cash investments on deposit at various financial institutions. At December 31, 2016, the Organization had cash balances in excess of federally insured limits of \$1,431,628.

The Organization received substantial financial support from the Resources Legacy Fund Foundation and the Naval Facilities Engineering Command SW. For the year ended December 31, 2016, the Resources Legacy Fund Foundation accounted for \$1,100,000, and the Naval Facilities Engineering Command SW accounted for \$443,757 of the \$2,791,841 total membership, donations, and grants revenue.

THE CALIFORNIA DESERT LAND CONSERVANCY
DBA Mojave Desert Land Trust

Notes to Financial Statements
December 31, 2016

NOTE 8 – ENDOWMENT FUND

An Endowment Fund has been established by grants from the Resources Legacy Fund Foundation and NextEra Energy Resources, LLC. Per the terms of the grants, the Organization must hold all of the funds in a permanent, non-wasting Endowment Fund, and is permitted to use the income for the purpose of supporting, monitoring and enforcement in perpetuity of lands transferred to the National Park Service. The funds must be held in an interest bearing account or invested in a manner that the Organization deems reasonably prudent. The Endowment Fund, which consists primarily of U.S. Treasury securities, is reflected as a permanently restricted fund in the Statement of Financial Position and the Statement of Activities and Changes in Net Assets. The Endowment Fund is subject to the provisions of the Uniform Prudent Management of Institutional Funds Act, as adopted by the State of California.

NOTE 9 – SUBSEQUENT EVENTS

In compliance with ASC 855, “Subsequent Events”, the Foundation has evaluated subsequent events through June 13, 2017, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.