Tri-Valley Conservancy

Financial Statements
and
Independent Auditor's Report
For the Years Ended
December 31, 2018 and 2017

Tri-Valley Conservancy

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December 31, 2018 and 2017

DAMORE
HAMRIC &
SCHNEIDER,
INC.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tri-Valley Conservancy

We have audited the accompanying financial statements of Tri-Valley Conservancy (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tri-Valley Conservancy as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 1 to the financial statements, Tri-Valley Conservancy adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Tri-Valley Conservancy's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Damore, Hamric + Schneider Inc

DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

Sacramento, CA

May 17, 2019

Tri-Valley Conservancy

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

Current Assets:	2018	2017
Cash and Cash Equivalents (Note 2)	**$ 1,560,061**	$ 1,512,597
Accounts Receivable	**5,000**	38,735
Investments		
Capital Account	**3,381,655**	4,088,331
Accrued Investment Income	**51,870**	4,852
Prepaid Expenses	**37,985**	36,025
Total Current Assets	**$ 5,036,571**	$ 5,680,540
Investments		
Endowment Account (Note 10)	**$ 12,916,526**	$ 13,129,819
Deposits	**4,614**	4,614
Office Furniture, Equipment, and Fixtures - Net of Accumulated Depreciation	**1,177**	4,066
Deeds of Agricultural Conservation Easements	**65**	64
Total Assets	**$ 17,958,953**	$ 18,819,103

LIABILITIES AND NET ASSETS

Current Liabilities:	2018	2017
Accounts Payable and Accrued Liabilities	**$ 37,118**	$ 21,972
Accrued Vacation	**5,128**	9,232
Total Current and Total Liabilities	**$ 42,246**	$ 31,204
Net Assets:		
With Donor Restrictions (Note 12)	**$ 15,550,214**	$ 16,151,663
Without Donor Restrictions (Note 13)	**2,366,493**	2,636,236
Total Net Assets	**$ 17,916,707**	$ 18,787,899
Total Liabilities and Net Assets	**$ 17,958,953**	$ 18,819,103

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

Tri-Valley Conservancy

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2018
With Comparative Totals for 2017

Revenue:	Without Donor Restrictions	With Donor Restrictions	**2018**	2017
Mitigation Income	$ 5,150	$ 524,251	**$ 529,401**	$
Contributions	82,869	40,430	**123,299**	162,501
Special Events (Net of Direct Expenses **$20,137 in 2018** and $22,669 in 2017)	(45)		**(45)**	72,826
Grants	14,922	3,281	**18,203**	115,000
Stewardship Income	6,416	51,328	**57,744**	11,153
Investment Return, Net	(5,178)	(817,854)	**(823,032)**	2,303,155
In-Kind Revenue	23,853		**23,853**	40,960
Other Revenue	39,125		**39,125**	154
Net Assets Released from Restrictions	402,885	(402,885)		
Total Revenues	$ 569,997	($ 601,449)	**($ 31,452)**	$ 2,705,749
Expenses:				
Program Services	$ 689,114	$	**$ 689,114**	$ 837,225
Management and General Expenses	21,406		**21,406**	24,572
Fundraising Expenses	129,220		**129,220**	181,451
Total Expenses	$ 839,740	$	**$ 839,740**	$ 1,043,248
Change in Net Assets	($ 269,743)	($ 601,449)	**($ 871,192)**	$ 1,662,501
Net Assets, Beginning of Year	2,636,236	16,151,663	**18,787,899**	17,125,398
Net Assets, End of Year	$ 2,366,493	$ 15,550,214	**$ 17,916,707**	$ 18,787,899

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

Tri-Valley Conservancy

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018
With Comparative Totals for 2017

		Supporting Activities				
	Program Services	Management and General Expenses	Fundraising Expenses	Supporting Activities Subtotal	**2018**	2017
Salaries and Wages	$ 277,652	$ 10,283	$ 54,845	$ 65,128	**$ 342,780**	$ 349,666
Payroll Taxes and Related Costs	26,682	988	5,271	6,259	**32,941**	31,357
Employee Benefits	25,007	926	4,939	5,865	**30,872**	32,294
Total Salaries and Related Costs	$ 329,341	$ 12,197	$ 65,055	$ 77,252	**$ 406,593**	$ 413,317
Accounting	$ 32,224	$ 1,696	$	$ 1,696	**$ 33,920**	$ 44,579
Acquisition Expenses	1,600				**1,600**	3,200
Automobile Expense	1,401	43		43	**1,444**	1,094
Business Promotions and Advertising	39,071		9,768	9,768	**48,839**	53,364
Conferences, Seminars, Workshops, and Meetings	31,915				**31,915**	26,731
Dues and Subscriptions	11,647	360		360	**12,007**	10,452
Fees, Licenses and Permits	2,006	62		62	**2,068**	6,893
Insurance	16,072	497		497	**16,569**	15,748
Land Conservation Plan Project	85				**85**	960
Legal	22,434	694		694	**23,128**	9,591
Occupancy	55,866	1,728		1,728	**57,594**	56,864
Office Equipment	7,669	237		237	**7,906**	6,779
Office Expense	4,160	128		128	**4,288**	2,462
Other Expense	27,737	858		858	**28,595**	13,548
Printing and Postage	6,109	189		189	**6,298**	1,019
Professional Fees	74,129	2,293		2,293	**76,422**	91,248
Special Events			30,544	30,544	**30,544**	89,980
Stewardship Expenses	11,959				**11,959**	8,998
Utilities	9,725	301		301	**10,026**	9,084
Informational Services	2,798	87		87	**2,885**	2,412
In-Kind Expenses			23,853	23,853	**23,853**	40,960
	$ 358,607	$ 9,173	$ 64,165	$ 73,338	**$ 431,945**	$ 628,644
Total Expenses Before Depreciation	$ 687,948	$ 21,370	$ 129,220	$ 150,590	**$ 838,538**	$ 1,041,961
Depreciation	1,166	36		36	**1,202**	1,287
Total Functional Expenses	$ 689,114	$ 21,406	$ 129,220	$ 150,626	**$ 839,740**	$ 1,043,248

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

Tri-Valley Conservancy

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	**($ 871,192)**	$ 1,662,501
Adjustments to Reconcile Increase (Decrease) in		
Net Assets to Cash provided by Operating Activities:		
Depreciation	**1,202**	1,287
Loss on Disposal of Office Furniture, Equipment, and Fixtures	**1,687**	
Granted Deeds of Agricultural Conservation	**(1)**	
Net Unrealized Loss on Investments	**2,290,023**	(1,177,707)
Net Realized Gain on Investments	**(1,165,249)**	(509,692)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	**33,735**	61,419
Accrued Investment Income	**(47,018)**	57,941
Prepaid Expenses and Deposits	**(1,960)**	(15,847)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	**15,146**	3,173
Accrued Vacation	**(4,104)**	(2,177)
Net Cash Provided by Operating Activities	**$ 252,269**	$ 80,898
Cash Flows from Investing Activities:		
Purchase of Investments	**($ 6,696,538)**	($ 4,750,376)
Proceeds from Sales/Maturities of Investments	**6,491,733**	5,028,313
Net Cash Provided (Used) by Investing Activities	**($ 204,805)**	$ 277,937
Net Increase in Cash and Cash Equivalents	**$ 47,464**	$ 358,835
Beginning Cash and Cash Equivalents	**1,512,597**	1,153,762
Ending Cash and Cash Equivalents	**$ 1,560,061**	$ 1,512,597

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization - Tri-Valley Conservancy (TVC) is a California nonprofit, public benefit corporation organized under the Nonprofit Public Benefit Corporation Law for charitable purposes. The specific and primary purpose of this corporation is to engage in charitable activities within the meaning of Section 501(c)(3) of the Internal Revenue Code for the preservation, protection, or enhancement of land in its natural, scenic, historical, agricultural, forested, or open-space condition or use for the conservation purposes specified in Section 170(h)(4)(A) of the Internal Revenue Code.

B. Nature of Activities - Through its years of operation, TVC has acquired sixty-five deeds of perpetual agricultural or open space easements in the South Livermore Valley Area Plan (SLVAP), totaling 4,345 acres. These acres come from mitigation (3,215 acres), SLVAP Bonus Density (615 acres) and acquisitions (515 acres). TVC has expended $8,518,128 for these easements, and has received $2,588,333 from grants, thus resulting in a net cost to TVC of $5,959,795. In 2018, TVC executed the Doolan Canyon Burrowing Owl California Department of Fish and Wildlife (CDFW) Mitigation Easement. This 178-acre Conservation Easement was recorded on January 22, 2018. These easements have no financial value since the development rights associated with the properties have been permanently “extinguished.” Therefore, the easements are valued nominally at $1 each, for a total of $65 in these financial statements.

Ruby Hill and Vineyard Avenue Specific Plan developments within the boundary of the Plan area are required to pay TVC mitigation fees at the time individual building permits are pulled or in other cases at the time of final map approval. Such fees have been collected by the City of Pleasanton, and TVC anticipates revenues from the remaining seven plus residential lots still available in the Ruby Hill development. All monies received from Ruby Hill and Vineyard Avenue Specific Plan are restricted for use within the South Livermore Valley Area Plan. TVC uses the developer mitigation fees it receives from these developments to purchase conservation easements, to steward the portfolio of easements under its care, and to cover its general and administrative operations.

TVC accepts and holds conservation easements committing to annual stewardship in perpetuity, to enforce their terms and to building positive landowner and community relationships to support its conservation programs and enforcement actions. For every easement, TVC has a baseline documentation report prepared prior to closing which is signed by the landowner at closing.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

B. Nature of Activities (Continued):

The report documents the important conservation values protected by the easements and the relevant conditions of the property as necessary to monitor and enforce the easements. The easement properties are monitored regularly, at least annually, and documentation is kept of each monitoring activity. TVC maintains regular contact with owners of easement properties. Changes in land ownership are traced and recorded in the Annual Stewardship Report and TVC database. TVC strives to promptly build a positive working relationship with new owners of easement properties and informs them about the easement's existence and restrictions, and TVC's stewardship effort requires TVC to take necessary and consistent steps to see the violations are resolved utilizing legal resources for enforcement and defense when necessary.

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

Net Assets without Donor Restrictions - Net assets that are not subjected to donor-imposed stipulations. The TVC net assets without donor restrictions are derived from donations and special events, in addition to mitigation income from the Vineyard corridor project. SLVAP net assets without donor restrictions are derived from income (Livermore mitigation income and stewardship income) that can be used for other purposes as designated by the Board, as long as it furthers the mission of TVC.

Net Assets with Donor Restrictions - The donor restricted net assets of TVC are restricted by purpose and are temporary in nature. When a restriction expires, the restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions. Mitigation Income from the Ruby Hill development is restricted for purchases of land and/or easements within the SLVAP, the administration of those purchases and operations supporting the SLVAP. Contributions from the City of Livermore to the Conservancy's Endowment Account are restricted for the long-term monitoring and stewardship of TVC's habitat easement in North Livermore. The balance of net assets with donor restrictions for the year ended December 31, 2018 and 2017 was **$15,550,214** and $16,151,663, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

D. Cash and Cash Equivalents - For purposes of the statements of cash flows, TVC considers all highly liquid investments available for current use with an initial maturity of less than three months to be cash equivalents.

E. Accounts Receivable – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Amounts consist of a pledge receivable due in less than one year relating to the Valley Trail Connection project. Management has determined that the receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at December 31, 2018.

F. Investments - Investments primarily consist of fixed income and equity securities that are carried at estimated fair value based on quoted market prices in active markets for identical investments as of the reporting date (Level 1 investments). Investments received through donations are recorded at their estimated fair value as of the date of donation. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is presented in the statement of activities as investment return. Investment return is presented net of investment fees. During the years ended December 31, 2018 and 2017, TVC incurred investment fees of **$117,494** and $132,678, respectively.

G. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Office Furniture, Equipment, and Fixtures - This category consists of office equipment, software, and furniture and fixtures. The Conservancy follows the practice of capitalizing all expenditures in excess of $1,000 for office furniture, equipment, and fixtures and is reported at cost. Depreciation is provided using the straight-line method over estimated useful lives of the related assets, which range from two to ten years.

I. In-Kind Revenue and Expenses – In-kind revenue and expenses consist of contributed materials and property which are recorded at estimated fair value at the date of donation. During the years ended December 31, 2018 and 2017, contributed materials and property were **$23,853** and $40,960, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

J. Revenue Recognition – Special events and program revenues are recognized during the fiscal year in which the event and activity occurs. Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are donor restricted are then reclassified to net assets without donor restrictions upon satisfaction of the restrictions.

K. Income Taxes - TVC is a California nonprofit public benefit corporation, 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 and Taxation Code. Annual tax information returns are filed with federal and state governmental agencies and the accounting methods used for such fillings are the same as those used for financial reporting. TVC has implemented the amended accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements.

L. Functional Expense Reporting - The costs of providing TVC's programs have been summarized on a functional basis in these financial statements. Based on management estimates, costs have been allocated between programs and supporting services as they relate to those functions. Program Services are identified as expenses related to fulfilling the mission of TVC whereas Management and General Expenses are related to supporting services. Priority for TVC staff and the organization in 2018 was the preservation of the South Livermore Valley Area Plan (SLVAP), South Livermore Valley Specific Plan (SLVSP), and California/United States Fish & Wildlife Mitigation projects located in North Livermore. Program Services includes stewardship of TVC's easements, acquisition of conservation assessments, maintaining the mitigation requirements for the SLVSP and ensuring the SLVAP intent remains in place. Fundraising expenses reflect the amount TVC spent to generate funds including amounts incurred to pay for annual appeals, renewal, and special events.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

M. Accounting Pronouncements that have been Implemented in the Current Financial Statements:

Financial Accounting Standards Board Accounting Standards Update 2016-14 - On August 18, 2016, the FASB issued ASU 2016-14 – *Presentation of Financial Statements for Not-for-Profit Entities*, with required implementation for TVC during the year ended December 31, 2018. The primary objective of the Update is to improve financial statement presentation by not-for-profit entities. It required TVC's Statement of Financial Position to present two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The Update additionally required enhanced disclosures of TVC's board designations and donor restricted assets, quantitative and qualitative information that communicates how TVC manages its liquid resources available to meet cash needs for general expenditures within one year of the Statement of Financial Position date, and the methodology for allocating costs among program and support functions. Finally, the Update requires the presentation of investment return net of investment expenses. The Update is required to be implemented on a retrospective basis and reclassifications of net assets and investment gains and losses were made in all periods presented.

N. Newly Issued Accounting Pronouncement, But Not Yet Effective:

Financial Accounting Standards Board Accounting Standards Update 2016-02 – In February 2016, the FASB issued ASU 2016-02 – *Leases*, with required implementation for TVC during the year ending December 31, 2020. The objective of the Update is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the statement of financial position and disclosing key information about leasing arrangements in the notes to the financial statements. The impact of the implementation is expected to have a material effect on TVC's financial statements.

O. Reclassifications - Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation.

P. Subsequent Events - Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued.

NOTE 2 CASH AND CASH EQUIVALENTS:

At December 31, 2018 and 2017, cash and cash equivalents consisted of the following:

	2018	2017
Cash and Cash Equivalents		
Cash - Operating Account	**$ 93,732**	$ 73,012
Cash - Capital Fund	**147,897**	248,470
Cash - Endowment Fund	**1,318,136**	1,190,782
Cash - On Hand	**296**	333
Total Cash and Cash Equivalents	**$ 1,560,061**	$ 1,512,597

NOTE 3 CONCENTRATION OF CREDIT RISK:

Financial instruments that are exposed to concentrations of credit risk consist of cash and investments. TVC has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately **$1,183,686** and $1,264,645 at December 31, 2018 and 2017, respectively. TVC maintains its cash and investments with high quality institutions and companies with high credit ratings which TVC believes limits these risks.

NOTE 4 LIQUIDITY:

TVC's financial assets available within one year of the year ended December 31, 2018 for general expenditure are as follows:

Financial assets, at year end*	$ 17,915,112
Less those unavailable for general expenditure within one year, due to:	
Restricted by donor with purpose restrictions	(15,550,214)
Board Designations:	
Amounts set side for South Livermore Valley Area Plan	(571,958)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,792,940

*Total assets, less nonfinancial assets (e.g., Deeds of easement, PPE & prepaid assets)

TVC's financial assets have been reduced by amounts not available for general expenditure because of donor imposed restrictions and amounts designated for long-term investing in endowments. TVC's investment policy is structured so that

NOTE 4 LIQUIDITY (Continued):

financial assets are available to fund general expenditures, liabilities, and other obligations come due. Additionally, TVC does not intend to spend from its board-designated endowment funds other than amounts appropriated for expenditure, however, amounts could be made available if necessary.

NOTE 5 INVESTMENTS:

TVC has four investment accounts: two custodial accounts with Charles Schwab, managed by Thornburg Investments Management, an institutional investment manager, a custodial account with Morgan Stanley, managed by Graystone Consulting; and a fourth account, Thornburg International Fund, held at Thornburg Investments. Altamont Wealth Management serves as TVC's investor advisor. TVC has established asset allocation guidelines - asset class targets and style allocation guidelines for the Capital account and Endowment account. The Capital account's primary purpose is to finance acquisition of conservation easements, property and operating costs. See Note 10 for required disclosures of the Endowment account.

Investments consist of the following at December 31, 2018:

	Cost Basis	Fair Value	Unrealized Gains
Capital Fund Account			
Taxable Fixed Income	**$ 2,486,006**	**$ 2,455,053**	**($ 30,953)**
Other Investments	**32,152**	**35,341**	**3,189**
Exchange-Traded Funds	**843,730**	**891,261**	**47,531**
Subtotal	**$ 3,361,888**	**$ 3,381,655**	**$ 19,767**
Cash and Cash Equivalents	**147,897**	**147,897**	
	$ 3,509,785	**$ 3,529,552**	**$ 19,767**
Endowment Fund Account			
Taxable Fixed Income	**$ 3,838,029**	**$ 3,756,752**	**($ 81,277)**
Other Investments	**167,443**	**181,526**	**14,083**
Exchange-Traded Funds	**7,561,341**	**8,230,125**	**668,784**
Thornburg International Fund	**986,315**	**748,123**	**(238,192)**
Subtotal	**$ 12,553,128**	**$ 12,916,526**	**$ 363,398**
Cash and Cash Equivalents	**1,318,136**	**1,318,136**	
	$ 13,871,264	**$ 14,234,662**	**$ 363,398**
Total Investments	**$ 17,381,049**	**$ 17,764,214**	**$ 383,165**

NOTE 5 INVESTMENTS (Continued):

Investments consist of the following at December 31, 2017:

	Cost Basis	Fair Value	Unrealized Gains
Capital Fund Account			
Taxable Fixed Income	$ 2,597,051	$ 2,613,981	$ 16,930
Other Investments	127,699	129,382	1,683
Exchange-Traded Funds	948,860	1,344,968	396,108
Subtotal	$ 3,673,610	$ 4,088,331	$ 414,721
Cash and Cash Equivalents	248,470	248,470	
	$ 3,922,080	$ 4,336,801	$ 414,721
Endowment Fund Account			
Taxable Fixed Income	$ 3,863,843	$ 3,795,368	($ 68,475)
Other Investments	91,601	81,057	(10,544)
Exchange-Traded Funds	5,942,982	8,320,324	2,377,342
Thornburg International Fund	973,358	933,070	(40,288)
Subtotal	$ 10,871,784	$ 13,129,819	$ 2,258,035
Cash and Cash Equivalents	1,190,782	1,190,782	
	$ 12,062,566	$ 14,320,601	$ 2,258,035
Total Investments	$ 15,984,646	$ 18,657,402	$ 2,672,756

NOTE 6 FAIR VALUE MEASUREMENTS:

Fair values of assets measured on a recurring basis are as follows:

		Fair Value Measurements at Reporting Date Using		
December 31, 2018	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Taxable Fixed Income	**$ 6,211,805**	**$ 6,211,805**	**$**	**$**
Other Investments	**216,867**	**216,867**		
Exchange-Traded Funds	**9,121,386**	**9,121,386**		
Thornburg International Fund	**748,123**	**748,123**		
Total	**$ 16,298,181**	**$ 16,298,181**	**$ 0**	**$ 0**

Per Statement of Financial Position	
Capital Account	**$ 3,381,655**
Endowment Account	**12,916,526**
Total	**$ 16,298,181**

		Fair Value Measurements at Reporting Date Using		
December 31, 2017	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Taxable Fixed Income	$ 6,409,349	$ 6,409,349	$	$
Other Investments	210,439	210,439		
Exchange-Traded Funds	9,665,292	9,665,292		
Thornburg International Fund	933,070	933,070		
Total	$ 17,218,150	$ 17,218,150	$ 0	$ 0

Per Statement of Financial Position	
Capital Account	$ 4,088,331
Endowment Account	13,129,819
Total	$ 17,218,150

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

TVC held no financial assets valued using level 2 or 3 inputs as of December 31, 2018 and 2017.

NOTE 7 LEASE COMMITMENTS:

On July 1, 2013, TVC executed a lease for office space in Livermore, California. During 2018, this lease was extended for an additional 5 years and will now expire in June 2023. In October 2015, TVC entered into a 60-month copier lease at $258 per month. For the years ended, December 31, 2018 and 2017, total rent expense was **$50,464** and $50,505, respectively. Total occupancy expenses as stated in the Statements of Functional Expense include maintenance and storage expenses of **$7,130** and $6,359 for years ended, December 31, 2018 and 2017.

Minimum future rental payments under operating leases having remaining terms in excess of one year as of December 31, 2018, for each of the next three years and in the aggregate are:

Year Ending December 31		
2019	$	51,373
2020		52,047
2021		51,217
2022		52,754
2023		26,767
Total minimum future rental payments	$	234,158

NOTE 8 OFFICE FURNITURE, EQUIPMENT, AND FIXTURES:

Office Furniture, Equipment and Fixtures, consist of the following as of December 31:

Description		**2018**		2017
Office Furniture and Equipment	**$**	**14,458**	$	17,591
Fixtures - Signage		**24,012**		24,012
Leasehold Improvements		**1,386**		1,386
Totals	**$**	**39,856**	$	42,989
Less: Accumulated Depreciation		**38,679**		38,923
Net Fixed Assets	**$**	**1,177**	$	4,066

NOTE 9 EMPLOYEE BENEFIT PLAN:

TVC maintains a retirement plan under Section 403(b) of the Internal Revenue Code. The employer may contribute no more than 100% of the employee's allowable contribution for the year under its provisions. Total employer contributions were **$17,500** in 2018 and $12,886 in 2017.

TVC also established a Cafeteria Plan under Internal Revenue Code Section 125. The plan permits the purchase of health insurance premiums on a pre-tax basis to employees of TVC. Under the plan, TVC designates a specific dollar amount for the employee to use for health and/or retirement benefits. The employee allocates the dollar amount to health and/or retirement benefits.

NOTE 10 ENDOWMENT FUNDS:

TVC's endowment consists of a number of individual funds established to ensure proper stewardship of TVC's easements and property interests by funding its legal, operating and monitoring activities in perpetuity. Its endowment may include both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of December 31, 2018, endowment funds consist of both funds restricted by donor for purpose and funds designated by the Board. Funds are transferred from the Capital account to the Endowment account by a majority vote of the Board of Directors. In 2018 and 2017, there were no amounts appropriated for expenditure.

The changes in endowment net assets for the year ended December 31, 2018 and 2017 are as follows:

	Without Donor Restrictions	**With Donor Restrictions**	**2018**	2017
Endowment net assets - beginning of year	**$**	**$ 14,320,601**	**$ 14,320,601**	$ 12,231,250
Transfer of board-designated endowments		**180,000**	**180,000**	180,000
Contributions		**516,525**	**516,525**	
Investment return, net		**(782,464)**	**(782,464)**	1,616,376
Endowment net assets - end of year	**$**	**$ 14,234,662**	**$ 14,234,662**	$ 14,320,601

As Reported on the Statement of Financial Position:

Investments	
Endowment Account	$ 12,916,526
Cash and Cash Equivalents	1,318,136
Total Endowment Net Assets	$ 14,234,662

NOTE 10 ENDOWMENT FUNDS (Continued):

TVC has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to activities in perpetuity by its endowment while seeking to maintain the purchasing power of the endowment assets. TVC's current investment policy calls for target asset allocation of 62% equities, 35% fixed income, and 3% cash and cash equivalents. The performance of these investments is measured against established equity and fixed income indices to provide for the a) preservation of capital, b) current income, and c) long-term growth of capital and income. To satisfy its long-term rate-of-return objectives, TVC relies on a total return strategy in which investment returns are achieved through both capital (realized and unrealized) and current yield (interest and dividends). TVC targets a diversified asset allocation intended to achieve its long-term return objectives within prudent risk constraints.

TVC's policy allows for distribution of funds, with the approval of the Board of Directors, to be used to meet extraordinary expenses associated with managing, upholding or defending an easement or other interest in land held by TVC. In establishing this policy, TVC considered the long-term, expected return on its endowment. Accordingly, over the long term, TVC expects the current spending policy to allow its endowment to grow at an average rate of return of 5% in excess of inflation with moderate risk tolerance and a 10+ year time horizon 4% to 6%. Inflation on average is assumed to be 2.5%. Actual returns in any given year may vary from TVC's long-term goals.

NOTE 11 ACCRUED BENEFITS:

Accumulated unpaid employee vacation benefits are recognized as a liability of TVC. The amounts of accumulated vacation benefits for the year were **$5,128** and $9,232 in 2018 and 2017, respectively.

The employees do not have a vested right to accumulated sick leave or compensatory pay. For this reason, TVC does not accrue a liability for accumulated sick leave or compensatory pay benefits. Sick leave and compensatory pay benefits are recorded as expenditures in the period of use.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS:

Donor restricted assets consist of contributions and income received to assist with the TVC mission. The amounts available for specific purposes at December 31, 2018 and 2017 were as follows:

		2018		2017
South Livermore Valley Area Plan	**$**	**14,885,033**	$	15,942,517
Fish and Wildlife Conservation		**513,721**		
Valley Trail Connection Bridge		**151,460**		209,146
Net Assets with Donor Restrictions	**$**	**15,550,214**	$	16,151,663

NOTE 13 NET ASSETS WITHOUT DONOR RESTRICTIONS:

TVC's net assets without donor restrictions are designated at December 31, 2018 and 2017 were as follows:

		2018		2017
Designated by the Board for:				
South Livermore Valley Area Plan	$	571,958	$	838,884
Undesignated		1,794,535		1,797,352
Net Assets without Donor Restrictions	**$**	**2,366,493**	$	2,636,236