Tri-Valley Conservancy

Financial Statements
and
Independent Auditor's Report
For the Years Ended
December 31, 2016 and 2015

Tri-Valley Conservancy

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December 31, 2016 and 2015

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 statement of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Tri-Valley Conservancy's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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

September 18, 2017

Tri-Valley Conservancy

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

ASSETS

Current Assets:	**2016**	2015
Cash and Cash Equivalents	**$ 1,153,762**	$ 1,408,191
Accounts Receivable	**100,154**	
Investments:		
Custodial Accounts:		
Capital Account	**4,473,975**	4,543,094
Endowment Account	**11,334,713**	10,850,475
Accrued Investment Income	**62,793**	64,998
Deposits	**4,614**	4,614
Prepaid Expenses	**20,178**	21,566
Total Current Assets	**$ 17,150,189**	$ 16,892,938
Office Furniture, Equipment, and Fixtures - Net of Accumulated Depreciation	**$ 5,353**	$ 7,553
Deeds of Agricultural Conservation Easements	**$ 64**	$ 61
Total Assets	**$ 17,155,606**	$ 16,900,552

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

Tri-Valley Conservancy

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

LIABILITIES AND NET ASSETS

Current Liabilities:	**2016**	2015
Accounts Payable and Accrued Liabilities	**$ 18,799**	$ 32,808
Accrued Vacation	**11,409**	11,994
Total Current and Total Liabilities	**$ 30,208**	$ 44,802
Net Assets:		
Temporarily Restricted:		
South Livermore Valley Area Plan	**$ 14,419,880**	$ 14,118,146
Valley Trail Connection	**131,799**	
Unrestricted Net Assets:		
Undesignated	**1,746,740**	1,727,285
South Livermore Valley Area Plan	**826,979**	1,010,319
Total Net Assets	**$ 17,125,398**	$ 16,855,750
Total Liabilities and Net Assets	**$ 17,155,606**	$ 16,900,552

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

Tri-Valley Conservancy

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2016
With Comparative Totals for 2015

Revenue:	TVC Unrestricted	South Livermore Valley Area Plan Unrestricted	TVC Temporarily Restricted	South Livermore Valley Area Plan Temporarily Restricted	Valley Trail Connection Temporarily Restricted	**2016**	2015
Mitigation Income	$ 30,242	$ 10,198	$	$ 74,783	$	**$ 115,223**	$ 187,518
Other Income							640
Contributions	88,607				65,105	**153,712**	129,599
Special Events (Net of Direct Expenses **$20,549 in 2016** and $15,972 in 2015)	95,784	(958)				**94,826**	81,604
Grants	2,500		10,500		175,000	**188,000**	11,334
Stewardship Income	4,987	5,137				**10,124**	169,126
Bank Interest	135					**135**	162
Dividends and Interest	31,106	18,663		261,291		**311,060**	465,499
Net Unrealized Gain (Loss) on Investments	40,513	24,308		340,313		**405,134**	(654,923)
Net Realized Gain on Investments	2,913	1,748		24,469		**29,130**	727,968
In-Kind Revenue	80,240					**80,240**	57,165
Net Assets Released from Restrictions	118,806	399,122	(10,500)	(399,122)	(108,306)		
Total Revenues	$ 495,833	$ 458,218	$	$ 301,734	$ 131,799	**$ 1,387,584**	$ 1,175,692
Expenses:							
Program Services	$ 360,839	$ 485,957	$	$	$	**$ 846,796**	$ 2,201,522
Management and General Expenses	10,761	14,492				**25,253**	19,993
Fundraising Expenses	104,778	141,109				**245,887**	199,606
Total Expenses	$ 476,378	$ 641,558	$	$	$	**$ 1,117,936**	$ 2,421,121
Increase (Decrease) in Net Assets	$ 19,455	($ 183,340)	$	$ 301,734	$ 131,799	**$ 269,648**	($ 1,245,429)
Net Assets, Beginning of Year	1,727,285	1,010,319		14,118,146		**16,855,750**	18,101,179
Net Assets, End of Year	$ 1,746,740	$ 826,979	$ 0	$ 14,419,880	$ 131,799	**$ 17,125,398**	$ 16,855,750

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

Tri-Valley Conservancy

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016
With Comparative Totals for 2015

	Program Services	Management and General Expenses	Fundraising Expenses	**2016**	2015
Salaries and Wages	$ 266,233	$ 9,860	$ 52,589	**$ 328,682**	$ 299,652
Payroll Taxes and Related Costs	24,772	917	4,893	**30,582**	27,905
Employee Benefits	28,047	1,039	5,540	**34,626**	28,573
Total Salaries and Related Costs	$ 319,052	$ 11,816	$ 63,022	**$ 393,890**	$ 356,130
Accounting	$ 17,898	$ 565	$ 377	**$ 18,840**	$ 19,427
Acquisition Expenses	225			**225**	5,547
Automobile Expense	1,172	36		**1,208**	1,448
Business Promotions and Advertising	65,115			**65,115**	62,293
Conferences, Seminars, Workshops and Meetings	21,321			**21,321**	17,381
Dues and Subscriptions	12,380	383		**12,763**	8,978
Fees, Licenses and Permits	13,798	427		**14,225**	3,949
Insurance	16,035	496		**16,531**	17,421
Investment Fees	101,923	3,152		**105,075**	111,527
Investment Management - Professional Fees	22,649	700		**23,349**	9,270
Land Conservation Plan Project	500			**500**	2,915
Land Donation					1,499,999
Legal	17,682	547		**18,229**	23,124
Occupancy	57,327	1,773		**59,100**	50,216
Office Equipment	6,375	197		**6,572**	2,711
Office Expense	4,032	125		**4,157**	4,006
Other Expense	23,235	720		**23,955**	22,502
Printing and Postage	1,646	51		**1,697**	2,891
Professional Fees	117,527	3,635		**121,162**	16,900
Special Events			102,248	**102,248**	85,072
Stewardship Expenses	6,520			**6,520**	24,320
Utilities	8,086	250		**8,336**	7,679
Informational Services	10,164	314		**10,478**	5,244
In-kind Expenes			80,240	**80,240**	57,165
	$ 525,610	$ 13,371	$ 182,865	**$ 721,846**	$ 2,061,985
Total Expenses Before Depreciation	$ 844,662	$ 25,187	$ 245,887	**$ 1,115,736**	$ 2,418,115
Depreciation	2,134	66		**2,200**	3,006
Total Functional Expenses	$ 846,796	$ 25,253	$ 245,887	**$ 1,117,936**	$ 2,421,121

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

Tri-Valley Conservancy

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	**$ 269,648**	($ 1,245,429)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Cash used for Operating Activities		
Depreciation	**2,200**	3,006
Granted Deeds of Agricultural Conservation	**(3)**	
Net Unrealized (Gain) Loss on Investments	**(405,134)**	654,923
Net Realized Gain on Investments	**(29,130)**	(727,968)
Loss on Donation of Land		1,499,999
(Increase) Decrease in Operating Assets:		
Accounts Receivable	**(100,154)**	
Accrued Investment Income	**2,205**	(4,922)
Prepaid Expenses and Deposits	**1,388**	(6,804)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	**(14,009)**	(1,118)
Accrued Vacation	**(585)**	1,772
Deferred Revenue		(5,583)
Net Cash (Used) Provided for Operating Activities	**($ 273,574)**	$ 167,876
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	**$**	($ 3,226)
Purchase of Investments	**(5,186,102)**	(7,489,690)
Proceeds from Sales/Maturities of Investments	**5,205,247**	7,694,100
Net Cash Provided by Investing Activities	**$ 19,145**	$ 201,184
Net (Decrease) Increase in Cash and Cash Equivalents	**($ 254,429)**	$ 369,060
Beginning Cash and Cash Equivalents	**1,408,191**	1,039,131
Ending Cash and Cash Equivalents	**$ 1,153,762**	$ 1,408,191

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-four 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 $2,558,333 from grants, thus resulting in a net cost to TVC of $5,959,795. 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 $64 in these financial statements.

Certain residential developments within the boundary of the Plan area are required to pay TVC mitigation fees at the time individual building permits are pulled (Ruby Hill Development in Pleasanton, California) 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 are restricted for use within the South Livermore Valley Area Plan. TVC uses the developer mitigation fees it receives from Ruby Hill 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 easement and the relevant conditions of the property as necessary to monitor and enforce the easement(s). 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:

Unrestricted Net Assets - Net assets that are not subjected to donor-imposed stipulations. The TVC unrestricted net assets are derived from donations and special events, in addition to mitigation income from the Vineyard corridor project. SLVAP unrestricted net assets 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 and is spent within the SLVAP.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Conservancy and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from 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. Temporarily restricted net assets balance for the year ended December 31, 2016 and 2015 was **$14,551, 679** and $14,118,146, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Basis of Reporting (Continued) -

Permanently Restricted Net Assets - This component of net assets consists of donated assets that are to be maintained permanently by the recipient. Generally, the donors of these assets permit the recipient to use all or part of the income earned on any related investments for general or specific purposes. The Conservancy did not have permanently restricted net assets at December 31, 2016 or 2015.

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 one month 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 and uncollected mitigation income. Management has determined that the receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at December 31, 2016.

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. Unrealized gains and losses arising from market fluctuations are recognized in the period when such fluctuations occur. Realized gains and losses resulting from sales or maturities are calculated on an adjusted cost basis.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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, 2016 and 2015, contributed materials and property were **$80,240** and $57,165, respectively.

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 unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Contributions that are temporarily restricted are then reclassified to unrestricted net assets 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 2016 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.

M. Reclassifications - Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

N. 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 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 **$796,122** and $1,058,740 at December 31, 2016 and 2015, respectively. TVC maintains its cash and investments with high quality institutions and companies with high credit ratings which TVC believes limits these risks.

NOTE 3 INVESTMENTS:

TVC has three investment accounts: two custodial accounts with the Bank of New York, managed by Thornburg Investments Management, an institutional investment manager, and a third 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 9 for the Endowment account.

Investments consist of the following at December 31, 2016:

	Cost Basis	Fair Value	Unrealized Gains
Capital Fund Account			
Taxable Fixed Income	**$ 2,989,054**	**$ 3,124,049**	**$ 134,995**
Other Investments	**89,210**	**86,045**	**(3,165)**
US Common Stocks and REIT	**1,018,128**	**1,263,881**	**245,753**
Subtotal	**$ 4,096,392**	**$ 4,473,975**	**$ 377,583**
Cash and Cash Equivalents	**149,585**	**149,585**	
	$ 4,245,977	**$ 4,623,560**	**$ 377,583**
Endowment Fund Account			
Taxable Fixed Income	**$ 3,758,340**	**$ 3,812,048**	**$ 53,708**
Other Investments	**79,103**	**77,608**	**(1,495)**
US Common Stocks and REIT	**5,506,032**	**6,701,403**	**1,195,371**
Thornburg International Fund	**836,451**	**743,654**	**(92,797)**
Subtotal	**$ 10,179,926**	**$ 11,334,713**	**$ 1,154,787**
Cash and Cash Equivalents	**896,537**	**896,537**	
	$ 11,076,463	**$ 12,231,250**	**$ 1,154,787**
Total Investments	**$ 15,322,440**	**$ 16,854,810**	**$ 1,532,370**

NOTE 3 INVESTMENTS (Continued):

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2016:

Interest and Dividends		
(Less Investment Fees of $105,075)		**$ 205,985**
Unrealized Gain	**$ 405,134**	
Realized Gain	**29,130**	**434,264**
Total Investment Return		**$ 640,249**

Investments consist of the following at December 31, 2015:

	Cost Basis	Fair Value	Unrealized Gains
Capital Fund Account			
Taxable Fixed Income	$ 3,205,045	$ 3,235,788	$ 30,743
International-Developed	164,983	140,140	(24,843)
US Common Stocks	988,237	1,167,166	178,929
Subtotal	$ 4,358,265	$ 4,543,094	$ 184,829
Cash and Cash Equivalents	506,653	506,653	
	$ 4,864,918	$ 5,049,747	$ 184,829
Endowment Fund Account			
Taxable Fixed Income	$ 3,618,734	$ 3,626,093	$ 7,359
International-Developed	545,448	508,052	(37,396)
US Common Stocks	4,958,700	5,954,437	995,737
Thornburg International Fund	822,580	761,893	(60,687)
Subtotal	$ 9,945,462	$ 10,850,475	$ 905,013
Cash and Cash Equivalents	802,087	802,087	
	$ 10,747,549	$ 11,652,562	$ 905,013
Total Investments	$ 15,612,467	$ 16,702,309	$ 1,089,842

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2015:

Interest and Dividends		
(Less Investment Fees of $111,527)		$ 353,972
Unrealized Loss	($ 654,923)	
Realized Gain	727,968	73,045
Total Investment Return		$ 427,017

NOTE 4 FAIR VALUE MEASUREMENTS:

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

		Fair Value Measurements at Reporting Date Using		
December 31, 2016	**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	**$ 6,936,097**	**$ 6,936,097**	**$**	**$**
Other Investments	**907,307**	**907,307**		
US Common Stocks and REIT	**7,965,284**	**7,965,284**		
Total	**$ 15,808,688**	**$ 15,808,688**	**$ 0**	**$ 0**

		Fair Value Measurements at Reporting Date Using		
December 31, 2015	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	$ 6,861,881	$ 6,861,881	$	$
International-Developed	1,410,085	1,410,085		
US Common Stocks	7,121,603	7,121,603		
Total	$ 15,393,569	$ 15,393,569	$ 0	$ 0

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, 2016 and 2015.

NOTE 5 LEASES:

On July 1, 2013, TVC executed a lease for office space in Livermore, California. This lease is scheduled to expire on June 30, 2018. In October 2012, TVC entered into a 60 month copier lease at $137 per month. For the year ended December 31, 2016 and 2015, total rent expense was **$52,702** and $45,874, respectively.

Minimum future rental payments under operating leases having remaining terms in excess of one year as of December 31, 2016, for each of the next two years and in the aggregate are:

Year Ending December 31		
2017	$	48,209
2018		23,782
Total minimum future rental payments	$	71,991

NOTE 6 LAND PURCHASE AND DONATION:

TVC purchased Bobba property in August 2009. The Bobba property is approximately 74 acres and is located in Alameda County. It is located between Del Valle State Park, a state park unit operated by East Bay Regional Park District (EBRPD), and Sycamore Grove Park, a regional park owned and operated by the Livermore Area Recreation and Park District (LARPD). The primary purpose of the acquisition is for use as additional parkland that will enable public access and a regional trail connection to be constructed in Sycamore Grove Park.

The total cost of the property was $1,500,000. The California State Coastal Conservancy awarded TVC a $600,000 grant in 2009 to assist in the purchase of this property. In 2010, Alameda County’s Altamont Landfill Open Space Committee awarded a $300,000 grant to TVC for its purchase of this property. In 2009, TVC committed $600,000 of its own funds for this purchase.

In January 2009, TVC entered into a cooperative funding agreement for $150,000 with East Bay Regional Park District (EBRPD), whereby TVC agreed to convey a trail easement to EBRPD for the Shadow Cliffs to Del Valle Regional Trail along the lower portion of the property adjacent to Arroyo Road. In 2012, the condition was met when the easement was approved and TVC received $150,000 from EBRPD.

NOTE 6 LAND PURCHASE AND DONATION (Continued):

On March 13, 2009, an agreement was entered into between TVC and Livermore Area Recreation & Park District (LARPD) to transfer the Bobba property to LARPD. Certain items had to be completed before the transfer could occur. These items include an Executed Conservation Easement, Resource Management Plan (RMP) and Cooperative Funding Agreement for $150,000. It is TVC's requirement to have both of the items above completed prior to transferring the property to LARPD. On March 20, 2015, the land was deeded over to LARPD, the Conservation Easement recorded, and TVC received the $150,000 from LARPD after the recording of the easement.

NOTE 7 OFFICE FURNITURE, EQUIPMENT AND FIXTURES:

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

Description	**2016**	2015
Office Furniture and Equipment	**$ 18,907**	$ 18,907
Fixtures - Signage	**24,012**	24,012
Leasehold Improvements	**1,386**	1,386
Totals	**$ 44,305**	$ 44,305
Less: Accumulated Depreciation	**38,952**	36,752
Net Fixed Assets	**$ 5,353**	$ 7,553

NOTE 8 EMPLOYEE BENEFIT PLAN:

The Conservancy 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 **$14,730** in 2016 and $8,389 in 2015.

The Conservancy 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 9 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, 2016 and 2015, all endowment funds have been designated by the Board.

Funds are transferred from the Capital account to the Endowment account by a majority vote of the Board of Directors. TVC continues to transfer $15,000 per month to the Endowment account from the Capital account. In 2016 and 2015, there were no amounts appropriated for expenditure.

The changes in endowment net assets for the year ended December 31, 2016 and 2015 are as follows:

Temporarily Restricted

	2016	2015
Endowment net assets - beginning of year	**$ 11,652,562**	$ 11,150,333
Transfer of board designated endowments	**180,000**	180,000
Net unrealized and realized gain	**276,052**	91,654
Dividends and interest	**122,636**	230,575
Endowment net assets - end of year	**$ 12,231,250**	$ 11,652,562

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 are 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, NOTE 9 ENDOWMENT FUNDS (Continued):

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 real rate of return of 5% in excess of inflation with moderate risk tolerance and a 10+ year time horizon. Inflation on average is assumed to be 2.5%. Actual returns in any given year may vary from TVC's long-term goals.

NOTE 10 ACCRUED BENEFITS:

Accumulated unpaid employee vacation benefits are recognized as a liability of the Conservancy. The amounts of accumulated vacation benefits for the year were **$11,409** and $11,994 in 2016 and 2015, respectively.

The employees do not have a vested right to accumulated sick leave or compensatory pay. For this reason, the Conservancy 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.