



Financial Statements
and
Independent Auditor's Report
For the Years Ended
December 31, 2015 and 2014

Tri-Valley Conservancy

TABLE OF CONTENTS

December 31, 2015 and 2014

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3 - 4
STATEMENTS OF FINANCIAL POSITION	5 - 6
STATEMENTS OF ACTIVITIES	7
STATEMENTS OF FUNCTIONAL EXPENSES	8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10 - 21



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, 2015 and 2014, 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.

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, 2015 and 2014, 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.

Damore, Hamric + Schneider Inc

DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

April 15, 2016

Tri-Valley Conservancy

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

ASSETS

<u>Assets:</u>	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$ 1,408,191	\$ 1,039,131
Investments:		
Custodial Accounts:		
Capital Account	4,543,094	5,112,840
Endowment Account	10,850,475	10,412,094
Accrued Investment Income	64,998	60,076
Deposits	4,614	4,914
Prepaid Expenses	<u>21,566</u>	<u>14,462</u>
Total Current Assets	<u>\$ 16,892,938</u>	<u>\$ 16,643,517</u>
 <u>Fixed Assets:</u>		
Land	\$	\$ 1,500,000
Office Furniture, Equipment, and Fixtures - Net of Accumulated Depreciation	<u>7,553</u>	<u>7,333</u>
Total Fixed Assets	<u>\$ 7,553</u>	<u>\$ 1,507,333</u>
Deeds of Agricultural Conservation Easements	<u>61</u>	<u>60</u>
Total Assets	<u><u>\$ 16,900,552</u></u>	<u><u>\$ 18,150,910</u></u>

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

Tri-Valley Conservancy

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

LIABILITIES AND NET ASSETS

<u>Liabilities:</u>	<u>2015</u>	<u>2014</u>
Accounts Payable and Accrued Liabilities	\$ 32,808	\$ 33,926
Accrued Vacation	11,994	10,222
Deferred Revenue	<u>5,583</u>	<u>5,583</u>
Total Liabilities	<u>\$ 44,802</u>	<u>\$ 49,731</u>
 <u>Net Assets:</u>		
Unrestricted for TVC	\$ 1,727,285	\$ 1,693,323
Unrestricted for South Livermore Valley Area Plan	1,010,319	939,819
Temporarily Restricted for South Livermore Valley Area Plan	<u>14,118,146</u>	<u>15,468,037</u>
Total Net Assets	<u>\$ 16,855,750</u>	<u>\$ 18,101,179</u>
Total Liabilities and Net Assets	<u>\$ 16,900,552</u>	<u>\$ 18,150,910</u>

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

Tri-Valley Conservancy

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2015
With Comparative Totals for 2014

	TVC Unrestricted	South Livermore Valley Area Plan		South Livermore Valley Area Plan Temporarily Restricted	2015	2014
		Unrestricted				
Revenue:						
Mitigation Income	\$	\$ 113,676	\$ 73,842	\$	187,518	\$ 64,276
Other Income		640			640	2,040
Contributions	129,599				129,599	92,021
Special Events (Net of Direct Expenses \$15,972 in 2015 and \$11,568 in 2014)	81,053	551			81,604	78,524
Grants	11,334				11,334	49,277
Stewardship Income	19,126	150,000			169,126	31,152
Bank Interest	162				162	175
Dividends and Interest	51,947	47,989	365,563		465,499	427,927
Net Unrealized Loss on Investments	(66,460)	(68,521)	(519,942)	(654,923)	(780,844)
Net Realized Gain on Investments	60,319	78,217	589,432		727,968	1,204,879
In-Kind Revenue	57,165				57,165	
Total Revenues	\$ 344,245	\$ 322,552	\$ 508,895	\$	1,175,692	\$ 1,169,427
Expenses:						
Program Services	\$ 282,140	\$ 229,190	\$ 1,690,192	\$	2,201,522	\$ 754,811
Management and General Expenses	2,562	2,082	15,349		19,993	37,027
Fundraising Expenses	25,581	20,780	153,245		199,606	92,050
Total Expenses	\$ 310,283	\$ 252,052	\$ 1,858,786	\$	2,421,121	\$ 883,888
Increase (Decrease) in Net Assets	\$ 33,962	\$ 70,500	(\$ 1,349,891)	(\$	1,245,429)	\$ 285,539
Net Assets, Beginning of Year	1,693,323	939,819	15,468,037		18,101,179	17,815,640
Net Assets, End of Year	\$ 1,727,285	\$ 1,010,319	\$ 14,118,146	\$	16,855,750	\$ 18,101,179

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

Tri-Valley Conservancy

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015
With Comparative Totals for 2014

	Program Services	Management and General Expenses	Fundraising Expenses	2015	2014
Salaries and Wages	\$ 242,718	\$ 8,990	\$ 47,944	\$ 299,652	\$ 283,957
Payroll Taxes and Related Costs	22,603	837	4,465	27,905	27,995
Employee Benefits	23,144	857	4,572	28,573	21,905
Total Salaries and Related Costs	\$ 288,465	\$ 10,684	\$ 56,981	\$ 356,130	\$ 333,857
Accounting	\$ 18,455	\$ 584	\$ 388	\$ 19,427	\$ 21,073
Acquisition Expenses	5,547			5,547	34,395
Automobile Expense	1,405	43		1,448	1,497
Business Promotions and Advertising	62,293			62,293	57,720
Conferences, Seminars, Workshops and Meetings	17,381			17,381	22,886
Dues and Subscriptions	8,709	269		8,978	7,611
Fees, Licenses and Permits	3,831	118		3,949	6,385
Insurance	16,898	523		17,421	17,069
Investment Fees	108,181	3,346		111,527	114,357
Investment Management - Professional Fees	8,992	278		9,270	22,395
Land Conservation Plan Project	2,915			2,915	1,871
Land Donation	1,499,999			1,499,999	
Legal	22,430	694		23,124	8,031
Legislative support					26,107
Occupancy	48,709	1,507		50,216	49,641
Office Equipment	2,630	81		2,711	3,847
Office Expense	3,886	120		4,006	3,475
Other Expense	21,827	675		22,502	
Printing and Postage	2,804	87		2,891	8,620
Professional Fees	16,393	507		16,900	10,975
Recruiting Expenses					176
Special Events			85,072	85,072	73,053
Stewardship Expenses	24,320			24,320	44,929
Utilities	7,449	230		7,679	7,201
Informational Services	5,087	157		5,244	3,183
In-kind Expenses			57,165	57,165	
	\$ 1,910,141	\$ 9,219	\$ 142,625	\$ 2,061,985	\$ 546,497
Total Expenses Before Depreciation	\$ 2,198,606	\$ 19,903	\$ 199,606	\$ 2,418,115	\$ 880,354
Depreciation	2,916	90		3,006	3,534
Total Functional Expenses	\$ 2,201,522	\$ 19,993	\$ 199,606	\$ 2,421,121	\$ 883,888

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

Tri-Valley Conservancy

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
(Decrease) Increase in Net Assets	(\$ 1,245,429)	\$ 285,539
Adjustments to Reconcile (Decrease) Increase in Net Assets to Cash used for Operating Activities		
Depreciation	3,006	3,534
Net Unrealized Loss on Investments	654,923	780,844
Net Realized Gain on Investments	(727,968)	(1,204,879)
Loss on Donation of Land	1,499,999	
(Increase) Decrease in Operating Assets:		
Accrued Investment Income	(4,922)	11,006
Prepaid Expenses and Deposits	(6,804)	(5,658)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(1,118)	21,128
Accrued Vacation	1,772	
Deferred Revenue	(5,583)	5,583
Net Cash Provided (Used) for Operating Activities	<u>\$ 167,876</u>	<u>(\$ 102,903)</u>
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(\$ 3,226)	(\$ 1,746)
Purchase of Investments	(7,489,690)	(7,576,001)
Proceeds from Sales/Maturities of Investments	<u>7,694,100</u>	<u>7,845,402</u>
Net Cash Provided by Investing Activities	<u>\$ 201,184</u>	<u>\$ 267,655</u>
Net Increase in Cash and Cash Equivalents	<u>\$ 369,060</u>	<u>\$ 164,752</u>
Beginning Cash and Cash Equivalents	<u>1,039,131</u>	<u>874,379</u>
Ending Cash and Cash Equivalents	<u>\$ 1,408,191</u>	<u>\$ 1,039,131</u>

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

Tri-Valley Conservancy

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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-one deeds of perpetual agricultural or open space easements in the South Livermore Valley Area Plan (SLVAP), totaling 4,309 acres. These acres come from mitigation (3,240 acres), SLVP Bonus Density (555 acres) and acquisitions (514 acres). TVC has expended \$8,519,513 for these easements, and has received \$2,408,333 from grants, thus resulting in a net cost to TVC of \$6,111,180. 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 \$61 in these financial statements. After December 31, 2015, TVC acquired three additional deeds of perpetual agricultural or open space easements for a total of sixty-four.

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.

Tri-Valley Conservancy

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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, 2015 and 2014 was **\$14,118,146** and \$15,468,037, respectively.

Tri-Valley Conservancy

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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, 2015 or 2014.

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. 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.

F. 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.

G. 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 are as follows:

	<u>Years</u>
Software	2 - 5
Office Furniture and Equipment	5 - 10
Fixtures - Signage	10
Leasehold Improvements	2

Tri-Valley Conservancy

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- H. Deferred Revenue - Deferred revenue represents funding received in advance of work performed or before revenue is earned.
- 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, 2015 and 2014, contributed materials and property were \$57,165 and \$0, respectively.
- J. 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 filings 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.
- K. 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 2015 was the preservation of the South Livermore Valley Area Plan (SLVAP), South Livermore Valley Specific Plan (SLVSP), and Doolan Canyon 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.
- L. Reclassifications - Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation.
- M. 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.

Tri-Valley Conservancy

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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 **\$1,058,740** and **\$687,763** at December 31, 2015 and 2014, 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, 2015:

	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
<u>Capital Fund Account</u>			
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	
	<u>\$ 4,864,918</u>	<u>\$ 5,049,747</u>	<u>\$ 184,829</u>
<u>Endowment Fund Account</u>			
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	
	<u>\$ 10,747,549</u>	<u>\$ 11,652,562</u>	<u>\$ 905,013</u>
Total Investments	<u>\$ 15,612,467</u>	<u>\$ 16,702,309</u>	<u>\$ 1,089,842</u>

Tri-Valley Conservancy

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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, 2015:

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

Investments consist of the following at December 31, 2014:

	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
<u>Capital Fund Account</u>			
Taxable Fixed Income	\$ 3,641,819	\$ 3,738,694	\$ 96,875
International-Developed	238,114	244,837	6,723
US Common Stocks	<u>846,682</u>	<u>1,129,309</u>	<u>282,627</u>
Subtotal	\$ 4,726,615	\$ 5,112,840	\$ 386,225
Cash and Cash Equivalents	<u>199,524</u>	<u>199,524</u>	
	<u>\$ 4,926,139</u>	<u>\$ 5,312,364</u>	<u>\$ 386,225</u>
<u>Endowment Fund Account</u>			
Taxable Fixed Income	\$ 3,619,219	\$ 3,665,860	\$ 46,641
International-Developed	864,602	891,964	27,362
US Common Stocks	3,868,383	5,140,071	1,271,688
Thornburg International Fund	<u>701,277</u>	<u>714,199</u>	<u>12,922</u>
Subtotal	\$ 9,053,481	\$ 10,412,094	\$ 1,358,613
Cash and Cash Equivalents	<u>738,239</u>	<u>738,239</u>	
	<u>\$ 9,791,720</u>	<u>\$ 11,150,333</u>	<u>\$ 1,358,613</u>
Total Investments	<u>\$ 14,717,859</u>	<u>\$ 16,462,697</u>	<u>\$ 1,744,838</u>

Tri-Valley Conservancy

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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, 2014:

Interest and Dividends			
(Less Investment Fees of \$114,357)			\$ 313,570
Unrealized Loss	(\$ 780,844)		
Realized Gain		<u>1,204,879</u>	<u>424,035</u>
Total Investment Return			<u>\$ 737,780</u>

NOTE 4 FAIR VALUE MEASUREMENTS:

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

December 31, 2015	Fair Value	Fair Value Measurements at Reporting Date Using		
		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	<u>7,121,603</u>	<u>7,121,603</u>		
Total	<u>\$ 15,393,569</u>	<u>\$ 15,393,569</u>	<u>\$ 0</u>	<u>\$ 0</u>

December 31, 2014	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Taxable Fixed Income	\$ 7,404,554	\$ 7,404,554	\$	\$
International-Developed	1,851,000	1,851,000		
US Common Stocks	<u>6,269,380</u>	<u>6,269,380</u>		
Total	<u>\$ 15,524,934</u>	<u>\$ 15,524,934</u>	<u>\$ 0</u>	<u>\$ 0</u>

Tri-Valley Conservancy

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 4 FAIR VALUE MEASUREMENTS (Continued):

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, 2015 and 2014.

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, 2015 and 2014, total rent expense was **\$45,874** and \$44,425, respectively.

Minimum future rental payments under operating leases having remaining terms in excess of one year as of December 31, 2015, for each of the next three years and in the aggregate are:

<u>Year Ending December 31</u>	
2016	\$ 47,035
2017	48,209
2018	<u>23,782</u>
Total minimum future rental payments	\$ <u>119,026</u>

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 (LARP). 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.

Tri-Valley Conservancy

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 6 LAND PURCHASE AND DONATION (Continued):

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.

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:

<u>Description</u>	<u>2015</u>	<u>2014</u>
Office Furniture and Equipment	\$ 18,907	\$ 17,403
Fixtures - Signage	24,012	24,012
Leasehold Improvements	<u>1,386</u>	<u> </u>
Totals	\$ 44,305	\$ 41,415
Less: Accumulated Depreciation	<u>36,752</u>	<u>34,082</u>
Net Fixed Assets	<u>\$ 7,553</u>	<u>\$ 7,333</u>

Tri-Valley Conservancy

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 8 EMPLOYEE BENEFIT PLAN:

Effective January 1, 2009, the conservancy amended and restated the retirement plan it previously established 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 the Section 403(b) provisions. Total employer contributions were **\$8,389** in 2015 and \$5,450 in 2014.

Effective February 1, 2009, the Conservancy 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, 2015 and 2014, 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. The goal for TVC is to have a fully funded Endowment (\$24,000,000) by 2027 to support TVC in perpetuity. In 2015 and 2014, there were no amounts appropriated for expenditure.

Tri-Valley Conservancy

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 ENDOWMENT FUNDS (Continued):

The changes in endowment net assets for the year ended December 31, 2015 and 2014 are as follows:

Temporarily Restricted

	<u>2015</u>	<u>2014</u>
Endowment net assets - beginning of year	\$ 11,150,333	\$ 10,524,422
Transfer of board designated endowments	180,000	180,000
Net unrealized and realized gain	91,654	261,657
Dividends and interest	<u>230,575</u>	<u>184,254</u>
Endowment net assets - end of year	<u>\$ 11,652,562</u>	<u>\$ 11,150,333</u>

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, 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.

Tri-Valley Conservancy

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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 **\$11,994** and \$10,222 in 2015 and 2014, 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.