Tri-Valley Conservancy

Financial Statements
and
Independent Auditor's Report
For the Years Ended
December 31, 2017 and 2016

Tri-Valley Conservancy

TABLE OF CONTENTS

December 31, 2017 and 2016

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, 2017 and 2016, and the related statements of activities, 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.

1515 River Park Drive, Suite 150
Sacramento, CA 95815-4606
Tel (916) 481-2856
Fax (916) 488-4428
http://www.dhscpa.com

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, 2017 and 2016, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sincerely,

Damore, Hamric + Schneider Inc

DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

March 21, 2018

Tri-Valley Conservancy

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

| Current Assets: | **2017** | 2016 |
|---|---|---|
| Cash and Cash Equivalents | **$ 1,512,597** | $ 1,153,762 |
| Accounts Receivable | **38,735** | 100,154 |
| Investments: | | |
| Custodial Accounts: | | |
| Capital Account | **4,088,331** | 4,473,975 |
| Endowment Account | **13,129,819** | 11,334,713 |
| Accrued Investment Income | **4,852** | 62,793 |
| Deposits | **4,614** | 4,614 |
| Prepaid Expenses | **36,025** | 21,178 |
| Total Current Assets | **$ 18,814,973** | $ 17,150,189 |
| Office Furniture, Equipment, and Fixtures - Net of Accumulated Depreciation | **$ 4,066** | $ 5,353 |
| Deeds of Agricultural Conservation Easements | **$ 64** | $ 64 |
| Total Assets | **$ 18,819,103** | $ 17,155,606 |

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

Tri-Valley Conservancy

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | **$ 21,972** | $ 18,799 |
| Accrued Vacation | **9,232** | 11,409 |
| Total Current and Total Liabilities | **$ 31,204** | $ 30,208 |
| Net Assets: | | |
| Temporarily Restricted: | | |
| South Livermore Valley Area Plan | **$ 15,942,517** | $ 14,419,880 |
| Valley Trail Connection | **209,146** | 131,799 |
| Unrestricted Net Assets: | | |
| Undesignated | **1,797,352** | 1,746,740 |
| South Livermore Valley Area Plan | **838,884** | 826,979 |
| Total Net Assets | **$ 18,787,899** | $ 17,125,398 |
| Total Liabilities and Net Assets | **$ 18,819,103** | $ 17,155,606 |

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

Tri-Valley Conservancy

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2017
With Comparative Totals for 2016

| Revenue: | TVC Unrestricted | South Livermore Valley Area Plan Unrestricted | TVC Temporarily Restricted | South Livermore Valley Area Plan Temporarily Restricted | Valley Trail Connection Temporarily Restricted | **2017** | 2016 |
|---|---|---|---|---|---|---|---|
| Mitigation Income | $ | $ | $ | $ | $ | **$** | $ 115,223 |
| Contributions | 106,221 | | | | 56,280 | **162,501** | 153,712 |
| Special Events (Net of Direct Expenses **$22,669 in 2017** and $20,549 in 2016) | 73,083 | ( 657) | | | 400 | **72,826** | 94,826 |
| Grants | 2,500 | | 7,500 | | 105,000 | **115,000** | 188,000 |
| Stewardship Income | 8,077 | 3,076 | | | | **11,153** | 10,124 |
| Bank Interest | 154 | | | | | **154** | 135 |
| Dividends and Interest | 78,980 | 61,924 | | 474,852 | | **615,756** | 311,060 |
| Net Unrealized Gain (Loss) on Investments | 24,572 | 137,602 | | 1,015,533 | | **1,177,707** | 405,134 |
| Net Realized Gain on Investments | ( 985) | 61,312 | | 449,365 | | **509,692** | 29,130 |
| In-Kind Revenue | 40,960 | | | | | **40,960** | 80,240 |
| Net Assets Released from Restrictions | 91,833 | 417,113 | ( 7,500) | ( 417,113) | ( 84,333) | | |
| Total Revenues | $ 425,395 | $ 680,370 | $ | $ 1,522,637 | $ 77,347 | **$ 2,705,749** | $ 1,387,584 |
| Expenses: | | | | | | | |
| Program Services | $ 300,770 | $ 536,455 | $ | $ | $ | **$ 837,225** | $ 846,796 |
| Management and General Expenses | 8,827 | 15,745 | | | | **24,572** | 25,253 |
| Fundraising Expenses | 65,186 | 116,265 | | | | **181,451** | 245,887 |
| Total Expenses | $ 374,783 | $ 668,465 | $ | $ | $ | **$ 1,043,248** | $ 1,117,936 |
| Change in Net Assets | $ 50,612 | $ 11,905 | $ | $ 1,522,637 | $ 77,347 | **$ 1,662,501** | $ 269,648 |
| Net Assets, Beginning of Year | 1,746,740 | 826,979 | | 14,419,880 | 131,799 | **17,125,398** | 16,855,750 |
| Net Assets, End of Year | $ 1,797,352 | $ 838,884 | $ 0 | $ 15,942,517 | $ 209,146 | **$ 18,787,899** | $ 17,125,398 |

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

# Tri-Valley Conservancy

## STATEMENTS OF FUNCTIONAL EXPENSES

### For the Year Ended December 31, 2017
### With Comparative Totals for 2016

| | Program Services | Management and General Expenses | Fundraising Expenses | **2017** | 2016 |
|---|---|---|---|---|---|
| Salaries and Wages | $ 297,216 | $ 10,490 | $ 41,960 | **$ 349,666** | $ 328,682 |
| Payroll Taxes and Related Costs | 26,653 | 941 | 3,763 | **31,357** | 30,582 |
| Employee Benefits | 27,450 | 969 | 3,875 | **32,294** | 34,626 |
| Total Salaries and Related Costs | $ 351,319 | $ 12,400 | $ 49,598 | **$ 413,317** | $ 393,890 |
| | | | | | |
| Accounting | $ 42,351 | $ 1,337 | $ 891 | **$ 44,579** | $ 18,840 |
| Acquisition Expenses | 3,200 | | | **3,200** | 225 |
| Automobile Expense | 1,039 | 33 | 22 | **1,094** | 1,208 |
| Business Promotions and Advertising | 53,364 | | | **53,364** | 65,115 |
| Conferences, Seminars, Workshops and Meetings | 26,731 | | | **26,731** | 21,321 |
| Dues and Subscriptions | 10,138 | 314 | | **10,452** | 12,763 |
| Fees, Licenses and Permits | 6,686 | 207 | | **6,893** | 14,225 |
| Insurance | 15,276 | 472 | | **15,748** | 16,531 |
| Investment Fees | 109,279 | 3,380 | | **112,659** | 105,075 |
| Investment Management - Professional Fees | 19,418 | 601 | | **20,019** | 23,349 |
| Land Conservation Plan Project | 960 | | | **960** | 500 |
| Legal | 9,303 | 288 | | **9,591** | 18,229 |
| Occupancy | 55,158 | 1,706 | | **56,864** | 59,100 |
| Office Equipment | 6,576 | 203 | | **6,779** | 6,572 |
| Office Expense | 2,388 | 74 | | **2,462** | 4,157 |
| Other Expense | 13,142 | 406 | | **13,548** | 23,955 |
| Printing and Postage | 988 | 31 | | **1,019** | 1,697 |
| Professional Fees | 88,511 | 2,737 | | **91,248** | 121,162 |
| Special Events | | | 89,980 | **89,980** | 102,248 |
| Stewardship Expenses | 8,998 | | | **8,998** | 6,520 |
| Utilities | 8,811 | 273 | | **9,084** | 8,336 |
| Informational Services | 2,340 | 72 | | **2,412** | 10,478 |
| In-kind Expenes | | | 40,960 | **40,960** | 80,240 |
| | $ 484,657 | $ 12,134 | $ 131,853 | **$ 628,644** | $ 721,846 |
| Total Expenses Before Depreciation | $ 835,976 | $ 24,534 | $ 181,451 | **$ 1,041,961** | $ 1,115,736 |
| Depreciation | 1,249 | 38 | | **1,287** | 2,200 |
| Total Functional Expenses | $ 837,225 | $ 24,572 | $ 181,451 | **$ 1,043,248** | $ 1,117,936 |

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

Tri-Valley Conservancy

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2017 and 2016

| | **2017** | 2016 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Increase in Net Assets | **$ 1,662,501** | $ 269,648 |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to Cash used for Operating Activities | | |
| Depreciation | **1,287** | 2,200 |
| Granted Deeds of Agricultural Conservation | | ( 3) |
| Net Unrealized (Gain) Loss on Investments | **( 1,177,707)** | ( 405,134) |
| Net Realized Gain on Investments | **( 509,692)** | ( 29,130) |
| (Increase) Decrease in Operating Assets: | | |
| Accounts Receivable | **61,419** | ( 100,154) |
| Accrued Investment Income | **57,941** | 2,205 |
| Prepaid Expenses and Deposits | **( 15,847)** | 1,388 |
| Increase (Decrease) in Operating Liabilities: | | |
| Accounts Payable and Accrued Expenses | **3,173** | ( 14,009) |
| Accrued Vacation | **( 2,177)** | ( 585) |
| Net Cash Provided (Used) for Operating Activities | **$ 80,898** | ($ 273,574) |
| Cash Flows from Investing Activities: | | |
| Purchase of Investments | **($ 4,750,376)** | ($ 5,186,102) |
| Proceeds from Sales/Maturities of Investments | **5,028,313** | 5,205,247 |
| Net Cash Provided by Investing Activities | **$ 277,937** | $ 19,145 |
| Net Increase (Decrease) in Cash and Cash Equivalents | **$ 358,835** | ($ 254,429) |
| Beginning Cash and Cash Equivalents | **1,153,762** | 1,408,191 |
| Ending Cash and Cash Equivalents | **$ 1,512,597** | $ 1,153,762 |

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 $2,588,333 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, 2017 and 2016 was **$16,151,663** and $14,551,679, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Basis of Reporting (Continued) –

Temporarily Restricted Net Assets -

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, 2017 or 2016.

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, 2017.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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, 2017 and 2016, contributed materials and property were **$40,960** and $80,240, 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 2017 was the preservation of the South Livermore Valley Area Plan (SLVAP), South Livermore Valley Specific Plan (SLVSP), and California/United States Fish & Wildlife

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

L. Functional Expense Reporting (Continued):

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 2016 financial statements to conform to the 2017 financial statement presentation.

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 **$1,264,645** and $796,122 at December 31, 2017 and 2016, 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 Charles Schwab, 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 8 for the Endowment account.

NOTE 3 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** |
| **US Common Stocks and REIT** | **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)** |
| **US Common Stocks and REIT** | **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** |

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2017:

| | | |
|---|---|---|
| **Interest and Dividends (Less Investment Fees of $112,659)** | | **$ 503,097** |
| **Unrealized Gain** | **$ 1,177,707** | |
| **Realized Gain** | **509,692** | **1,687,399** |
| **Total Investment Return** | | **$ 2,190,496** |

NOTE 3 INVESTMENTS (Continued):

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 |
| International-Developed | 89,210 | 86,045 | ( 3,165) |
| US Common Stocks | 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 |
| International-Developed | 79,103 | 77,608 | ( 1,495) |
| US Common Stocks | 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 |

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 Loss | $ 405,134 | |
| Realized Gain | 29,130 | 434,264 |
| Total Investment Return | | $ 640,249 |

## 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, 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** | **1,143,509** | **1,143,509** | | |
| **US Common Stocks and REIT** | **9,665,292** | **9,665,292** | | |
| **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** | | | |

| | | 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 | $ | $ |
| International-Developed | 907,307 | 907,307 | | |
| US Common Stocks | 7,965,284 | 7,965,284 | | |
| Total | $ 15,808,688 | $ 15,808,688 | $ 0 | $ 0 |
| Per Statement of Financial Position | | | | |
| Capital Account | $ 4,473,975 | | | |
| Endowment Account | 11,334,713 | | | |
| Total | $ 15,808,688 | | | |

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, 2017 and 2016.

## 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 2015, TVC entered into a 60 month copier lease at $258 per month. For the year ended December 31, 2017 and 2016, total rent expense was **$50,505** and $52,702, respectively.

Minimum future rental payments under operating leases having remaining terms in excess of one year as of December 31, 2017, for each of the next three years and in the aggregate are:

| Year Ending December 31 | | |
|---|---|---|
| 2018 | $ | 26,878 |
| 2019 | | 3,096 |
| 2020 | | 2,322 |
| Total minimum future rental payments | $ | 32,296 |

## NOTE 6 OFFICE FURNITURE, EQUIPMENT AND FIXTURES:

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

| Description | | **2017** | | 2016 |
|---|---|---|---|---|
| Office Furniture and Equipment | **$** | **17,591** | $ | 18,907 |
| Fixtures - Signage | | **24,012** | | 24,012 |
| Leasehold Improvements | | **1,386** | | 1,386 |
| Totals | **$** | **42,989** | $ | 44,305 |
| Less: Accumulated Depreciation | | **38,923** | | 38,952 |
| Net Fixed Assets | **$** | **4,066** | $ | 5,353 |

NOTE 7 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 **$12,886** in 2017 and $14,730 in 2016.

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 8 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, 2017 and 2016, 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 2017 and 2016, there were no amounts appropriated for expenditure.

The changes in endowment net assets for the year ended December 31, 2017 and 2016 are as follows:

Temporarily Restricted

| | **2017** | 2016 |
|---|---|---|
| Endowment net assets - beginning of year | **$ 12,231,250** | $ 11,652,562 |
| Transfer of board designated endowments | **180,000** | 180,000 |
| Net unrealized and realized gain | **1,616,376** | 276,052 |
| Dividends and interest | **292,975** | 122,636 |
| Endowment net assets - end of year | **$ 14,320,601** | $ 12,231,250 |

NOTE 8 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 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.

NOTE 9 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 **$9,232** and $11,409 in 2017 and 2016, 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.

## NOTE 10 TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted assets consist of contributions and income received to assist with the TVC mission. The amounts available for specific purposes at December 31, 2017 and 2016 were as follows:

| | **2017** | 2016 |
|---|---|---|
| South Livermore Valley Area Plan | **$ 15,942,517** | $ 14,419,880 |
| Valley Trail Connection Bridge | **209,146** | 131,799 |
| Temporarily Restricted Net Assets | **$ 16,151,663** | $ 14,551,679 |

## NOTE 11 SUBSEQUENT EVENTS:

Recently TVC and City of Livermore 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. Endowment Funds in the amount of $506,525 are anticipated to be deposited in March 2018 at TVC's Graystone of Morgan Stanley account.

On February 28, 2018, the Board of Directors approved the Option to extend the lease for office space for another five years. The option to extend is scheduled to expire on June 20, 2023.