



**SIERRA FOOTHILL CONSERVANCY
(A CALIFORNIA NON-PROFIT ORGANIZATION)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016**

**SIERRA FOOTHILL CONSERVANCY
(A CALIFORNIA NON-PROFIT CORPORATION)**

JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sierra Foothill Conservancy

We have audited the accompanying consolidated financial statements of Sierra Foothill Conservancy (the "Conservancy"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 Conservancy's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sierra Foothill Conservancy as of June 30, 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.

Price Page & Company

Clovis, California
November 29, 2017

**SIERRA FOOTHILL CONSERVANCY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

	2017	2016
<u>Assets</u>		
Cash and cash equivalents	\$ 910,383	\$ 431,863
Investments	7,765,759	2,641,569
Grants and other receivable	379,990	97,643
Prepaid expenses and other assets	9,728	12,295
Inventories	19,200	14,000
Property and equipment, net	486,087	482,324
Conserved land	7,263,892	7,263,892
Total assets	\$ 16,835,039	\$ 10,943,586
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 21,904	\$ 43,014
Accrued expenses	63,326	56,879
Deferred revenue	80,562	106,713
Agency and trust fund	78,143	70,057
Total liabilities	243,935	276,663
Net Assets:		
Unrestricted:		
Undesignated	773,845	428,832
Board designated	547,248	546,601
Total unrestricted	1,321,093	975,433
Temporarily restricted	3,143,546	1,940,364
Permanently restricted	12,126,465	7,751,126
Total net assets	16,591,104	10,666,923
Total liabilities and net assets	\$ 16,835,039	\$ 10,943,586

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

**SIERRA FOOTHILL CONSERVANCY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	Unrestricted			Total
	Undesignated	Board Designated	Temporarily Restricted	
Revenues and support:				
Grant income	\$ 1,062,730	\$ -	\$ -	\$ 1,062,730
Investment income (loss), net	10,141	95	590,675	600,911
Contribution and fundraising	8,428,544	3,570	1,290,900	14,098,353
Grazing fees	91,140	-	-	91,140
Fees for services	201,708	-	-	201,708
Membership dues	27,899	-	-	27,899
Gain on sale of property	-	-	-	-
Miscellaneous income	8,090	-	-	8,090
Rental income	4,850	-	-	4,850
Beef sales	63,676	-	-	63,676
Total revenues and support before net assets released from restrictions	<u>9,898,778</u>	<u>3,665</u>	<u>1,881,575</u>	<u>4,375,339</u>
Net assets released from restrictions	<u>681,411</u>	<u>(3,018)</u>	<u>(678,393)</u>	<u>-</u>
Total revenues and support after reclassification of net assets released from restrictions	<u>10,580,189</u>	<u>647</u>	<u>1,203,182</u>	<u>4,375,339</u>
Costs and expenses:				
Program services	9,787,745	-	-	9,787,745
Fundraising	198,173	-	-	198,173
General and administrative	187,154	-	-	187,154
Sierra Lands Beef, LLC	62,104	-	-	62,104
Total costs and expenses	<u>10,235,176</u>	<u>-</u>	<u>-</u>	<u>10,235,176</u>
Changes in net assets	345,013	647	1,203,182	4,375,339
Net assets, beginning of year	<u>428,832</u>	<u>546,601</u>	<u>1,940,364</u>	<u>7,751,126</u>
Net assets, end of year	<u>\$ 773,845</u>	<u>\$ 547,248</u>	<u>\$ 3,143,546</u>	<u>\$ 12,126,465</u>

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

**SIERRA FOOTHILL CONSERVANCY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Unrestricted				Total
	Undesignated	Board Designated	Temporarily Restricted	Permanently Restricted	
Revenues and support:					
Grant income	\$ 247,861	\$ -	\$ -	\$ -	\$ 247,861
Investment income (loss), net	(10,389)	-	(27,655)	-	(38,044)
Contribution and fundraising	67,747	47,858	78,857	-	194,462
Grazing fees	84,803	-	-	-	84,803
Fees for services	135,060	-	-	-	135,060
Membership dues	54,603	-	-	-	54,603
Gain on sale of property	-	12,142	-	-	12,142
Miscellaneous income	11,145	-	-	-	11,145
Rental income	12,000	-	-	-	12,000
Beef sales	46,051	-	-	-	46,051
Total revenues and support before net assets released from restrictions	648,881	60,000	51,202	-	760,083
Net assets released from restrictions	218,046	-	(218,046)	-	-
Total revenues and support after reclassification of net assets released from restrictions	866,927	60,000	(166,844)	-	760,083
Costs and expenses:					
Program services	592,156	-	-	-	592,156
Fundraising	120,791	-	-	-	120,791
General and administrative	242,152	-	-	-	242,152
Sierra Lands Beef, LLC	78,768	-	-	-	78,768
Total costs and expenses	1,033,867	-	-	-	1,033,867
Changes in net assets	(166,940)	60,000	(166,844)	-	(273,784)
Net assets, beginning of year	595,772	486,601	2,107,208	7,751,126	10,940,707
Net assets, end of year	\$ 428,832	\$ 546,601	\$ 1,940,364	\$ 7,751,126	\$ 10,666,923

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

**SIERRA FOOTHILL CONSERVANCY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services	Supporting Services		Sierra Lands Beef	Total
		Fundraising	General and Administrative		
Personnel costs:					
Salaries and wages	\$ 417,988	\$ 96,959	\$ 115,556	\$ -	\$ 630,503
Employee benefits	6,425	1,490	1,776	-	9,691
Payroll taxes	37,527	8,705	10,375	-	56,607
Total personnel costs	461,940	107,154	127,707	-	696,801
Other costs and expenses:					
Advertising and promotion	-	-	-	3,194	3,194
Auto expense	12,120	2,811	3,350	4,918	23,199
Bank and finance charges	2,916	-	-	100	3,016
Community education	5,070	1,176	1,402	-	7,648
Conference expenses	9,498	2,203	2,626	-	14,327
Conservation easement	8,172,686	-	-	-	8,172,686
Contracted services	921,759	5,500	6,458	-	933,717
Cost of cattle sold	-	-	-	32,562	32,562
Dues and subscriptions	4,988	1,157	1,379	170	7,694
Feed supplements	-	-	-	3,143	3,143
Grazing fees	-	-	-	11,714	11,714
Insurance	16,733	3,882	4,626	2,389	27,630
Interest	2,169	503	599	-	3,271
Licenses and permits	3,127	725	865	-	4,717
Loss on disposition of assets	-	-	-	-	-
Member events	2,253	31,475	958	-	34,686
Miscellaneous	1,758	408	486	41	2,693
Office expense	17,334	4,020	4,792	1,240	27,386
Postage and delivery	247	2,768	850	-	3,865
Printing and copying	5,562	15,287	4,496	-	25,345
Professional fees	44,171	3,196	3,808	762	51,937
Property taxes	4,525	1,050	1,251	-	6,826
Rent and related	12,003	2,784	3,318	-	18,105
Repairs and maintenance	32,506	-	606	1,071	34,183
Taxes and licenses	-	-	-	800	800
Travel	9,185	1,591	5,083	-	15,859
Utilities	10,929	2,535	3,021	-	16,485
Total other costs and expenses	9,291,539	83,071	49,974	62,104	9,486,688
Subtotal	9,753,479	190,225	177,681	62,104	10,183,489
Depreciation	34,266	7,948	9,473	-	51,687
Total costs and expenses	\$ 9,787,745	\$ 198,173	\$ 187,154	\$ 62,104	\$ 10,235,176

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

**SIERRA FOOTHILL CONSERVANCY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services	Supporting Services		Sierra Lands Beef	Total
		Fundraising	General and Administrative		
Personnel costs:					
Salaries and wages	\$ 249,715	\$ 67,719	\$ 105,812	\$ -	\$ 423,246
Employee benefits	11,709	3,175	4,961	-	19,845
Payroll taxes	<u>22,002</u>	<u>5,967</u>	<u>9,323</u>	-	<u>37,292</u>
Total personnel costs	283,426	76,861	120,096	-	480,383
Other costs and expenses:					
Advertising and promotion	-	-	-	722	722
Auto expenses	8,736	2,369	3,701	2,449	17,255
Bank and finance charges	-	-	-	80	80
Community education	3,779	1,025	1,601	-	6,405
Conference expenses	6,023	1,633	2,552	-	10,208
Conservation easements	-	-	-	-	-
Contracted services	76,589	5,000	27,197	-	108,786
Cost of cattle sold	-	-	-	13,305	13,305
Dues and subscriptions	3,960	1,074	1,678	-	6,712
Feed supplements	-	-	-	4,689	4,689
Grazing fees	-	-	-	43,816	43,816
Insurance	41,100	1,620	14,240	2,816	59,776
License and permits	5,313	1,441	2,252	-	9,006
Loss on disposition of assets	-	-	-	1,259	1,259
Member events	23,018	6,242	9,754	-	39,014
Miscellaneous	3,967	1,076	1,681	214	6,938
Office expenses	4,965	1,346	2,104	1,087	9,502
Postage and delivery	241	3,522	1,255	129	5,147
Printing and copying	8,513	2,309	3,608	-	14,430
Professional fees	51,099	-	21,533	271	72,903
Property taxes	4,950	-	1,650	-	6,600
Rent and related	12,324	3,342	5,222	-	20,888
Repairs and maintenance	10,160	-	3,386	129	13,675
Taxes and licenses	-	-	-	800	800
Travel	5,108	1,385	2,164	-	8,657
Utilities	<u>8,501</u>	<u>2,306</u>	<u>3,603</u>	-	<u>14,410</u>
Total other costs and expenses	<u>278,346</u>	<u>35,690</u>	<u>109,181</u>	<u>71,766</u>	<u>494,983</u>
Subtotal	561,772	112,551	229,277	71,766	975,366
Depreciation	<u>30,384</u>	<u>8,240</u>	<u>12,875</u>	<u>7,002</u>	<u>58,501</u>
Total costs and expenses	<u>\$ 592,156</u>	<u>\$ 120,791</u>	<u>\$ 242,152</u>	<u>\$ 78,768</u>	<u>\$ 1,033,867</u>

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

**SIERRA FOOTHILL CONSERVANCY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
Cash flows from operating activities:		
Changes in net assets	\$ 5,924,181	\$ (273,784)
Adjustments to reconcile change in net assets to		
Net cash provided by (used in) operating activities:		
Depreciation	51,687	58,501
Unrealized investment (gains) losses	(489,078)	163,826
Loss on disposition of assets	-	1,259
Gain on sale of land	-	(12,142)
Change in operating assets and liabilities:		
Grants and other receivable	(244,581)	(14,550)
Prepaid expenses and other assets	2,567	990
Inventories	(5,200)	(10,096)
Accounts payable	(58,876)	24,556
Accrued expenses	6,447	(3,555)
Agency and trust fund and deferred revenue	(18,065)	(43,680)
Net cash provided by (used in) operating activities	5,169,082	(108,675)
Cash flows from investing activities:		
Purchase of property, equipment and breeding cattle	(55,450)	(5,860)
Proceeds from sale of assets	-	52,594
Proceeds from sale of investment securities	945,680	206,593
Purchase of investment securities	(5,580,792)	(207,558)
Net cash provided by (used in) investing activities	(4,690,562)	45,769
Cash flows from financing activities:		
Principal advances on line of credit	105,404	-
Principal payments on line of credit	(105,404)	-
Net cash provided by (used in) financing activities	-	-
Net increase (decrease) in cash and cash equivalents	478,520	(62,906)
Cash and cash equivalents, beginning of year	431,863	494,769
Cash and cash equivalents, end of year	\$ 910,383	\$ 431,863
Supplemental disclosures of cash flow information:		
Taxes paid	\$ 800	\$ 800
Interest paid	\$ 3,271	\$ -

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 – ORGANIZATION AND OPERATIONS

The Sierra Foothill Conservancy (the “Conservancy”) is a California non-profit corporation formed in 1996 to protect, manage, administer, and preserve land and wildlife in the Central California area. The Conservancy protects foothill land through land acquisition, conservation easements, public programs and education and scientific research. The Conservancy’s primary sources of revenue are contributions from the general public, grants, including gifts of land and conservation easements, fees for service and investment earnings.

During November 2010, the Conservancy established a wholly-owned subsidiary, Sierra Lands Beef, Limited Liability Company (the “LLC”) under the laws of the State of California. The primary purpose of the LLC is to raise and sell grass-fed beef. The LLC’s primary source of revenue is from the sale of grass-fed beef. All of the activities of the LLC have been recorded and reflected in the consolidated financial statements of the Conservancy.

The Conservancy is managed by its Board of Directors who are elected in accordance with its by-laws. While the Conservancy solicits “members” on an annual basis, it is not managed by such members.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Financial Statements

The consolidated financial statements are presented on the accrual basis of accounting and include all accounts of the Conservancy and LLC. All significant intercompany transactions have been eliminated.

Classification of Net Assets

The Conservancy’s net assets have been grouped into the following three classes:

Unrestricted Net Assets – Revenues derived from member dues, unrestricted contributions, grants and contracts, investment income, and other inflows of assets whose use by the Conservancy is not limited by donor-imposed restrictions.

Certain unrestricted net assets have been specifically designated by the Board of Directors to be separately maintained as land, land preservation funds, conservation project funds, and operating funds. Such funds are identified as Board Designated Net Assets.

Temporarily Restricted Net Assets – Contributions and other inflows of assets whose use by the Conservancy is limited by donor-imposed stipulations that either expire by passage of time or fulfillment of the purpose for which the assets were contributed.

Permanently Restricted Net Assets – Contributions and other inflows of assets that the Conservancy must permanently maintain. The Conservancy may, as specified by the donor, use the investment income and gains on its permanent funds. At times, the fair value of Permanently Restricted Endowment Funds may fall below the original amounts contributed by the donor (“Underwater Fund”). These deficits result from unfavorable market fluctuations occurring after the original contribution and are reported with Unrestricted Net Assets.

SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund and Endowment Investment Spending Policies

The Conservancy has adopted investment and spending policies for its Permanently Restricted Funds (“Endowment” Assets) whose goal is to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the Endowment Assets. The Conservancy’s spending and investment policies are expected to work together to achieve this objective. The investment policy establishes return objectives with diversification of asset classes. The Conservancy’s current long-term return objective is to earn 5% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term return objectives, the Conservancy relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Conservancy targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money to be annually distributed from the Conservancy’s various endowed funds, for conservation and/or administration. At June 30, 2017, the current spending policy is to distribute an amount up to 5% of the prior three fiscal years’ average fund balances. However, the individual endowment fund’s spending policy may also be dependent upon individual agreements with the donors.

Fair Value of Certain Financial Instruments

Due to the short-term nature of cash and cash equivalents, receivables, prepaid expense and other assets, accounts payable and accrued expenses, their fair values approximate their carrying values.

Cash and Cash Equivalents

Cash and cash equivalents consist of various demand and interest bearing accounts on deposit with insured financial and brokerage institutions. The Conservancy considers all investments with an original maturity of three months or less to be cash equivalents.

Investments

All of the Conservancy’s investments are available for sale. Investment income, including unrealized gains and losses, interest, dividends and related items are recognized in the Consolidated Statement of Activities as they are incurred. Investments are stated at their estimated fair value based on quoted closing prices or other information provided by the Conservancy’s professional investment advisors.

Inventories

Inventory comprises packaged beef available for sale and grass-fed livestock cattle raised for the sale of meat and by-products. The cost of packaged beef meat is generally determined using the specific identification of the cattle, including all necessary expenses for preparation and sale. Livestock cattle are generally valued at cost and include appropriate allocations of cost for feed, supplements, grazing, veterinary and other expenses.

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment comprises autos, improvements, equipment and livestock cattle used for breeding purposes. Amounts are stated at cost or, if donated, at the asset's estimated fair value at the date of donation. All assets acquired by the Conservancy whose initial value or cost exceeds \$1,000 are capitalized and depreciated. Routine repairs and maintenance, including planned major maintenance activities are expensed when incurred. Depreciation is recorded using the straight-line method over estimated useful lives of 5 to 40 years.

Conserved Land, Conservation Easements and Acquisition Costs

The Conservancy records conserved land at cost, if purchased, or at its appraised fair market value if received as a contribution.

The Conservancy capitalizes certain fees incurred in connection with the acquisition of conserved land and conservation easements. Legal and appraisal fees that are directly related to the potential acquisition of property are capitalized and included in the total value of the acquired land or conservation easement. Costs capitalized in connection with a potential acquisition that is unsuccessful are expensed in the period in which management believes, more likely than not, the ultimate acquisition of the property will not be completed.

Contributions, or purchases, of conservation easements are recorded as Program Service Expenses when acquired as, in the opinion of management, they represent contributions by the Conservancy to the Sierra Foothill and Central San Joaquin Valley communities.

Agency and Trust Fund

The Conservancy may serve as a fiscal agent for third party donors to conduct various community programs. As a fiscal agent the Conservancy may receive funds with donor-imposed restrictions for which it does not have either 1) a unilateral right to redirect the funds to other uses ("variance power") or 2) significant involvement in the determination of specific beneficiaries. Such funds are not considered to be contributions and are recorded as Agency and Trust Fund liabilities. Changes in the Agency and Trust Fund liabilities are reported separately and are not included in the Conservancy's Consolidated Statement of Activities.

Revenue Recognition

Contributions of land, land interests and conservation easements, and donations of other property are recorded when the donor makes an unconditional and enforceable promise to give and are considered unrestricted unless received with donor imposed stipulations that limit their use. Such contributions are stated at the fair market value at the date of donation, generally based on independent appraisals obtained by the donor.

Contributions and Grants

Contributions and grants are recorded as Unrestricted, Temporarily Restricted, or Permanently Restricted depending on the existence or nature of donor-imposed restrictions. Contributions and grants, including unconditional promises to give are recorded in the year made or received. When a donor restriction expires, when either a stipulated time restriction ends or a purpose restriction is accomplished, Temporarily Restricted Net Assets are reclassified to Unrestricted Net Assets and reported in the Statement of Activities as Net Assets Released from Restrictions. Contributions or grants received and expended in the same fiscal year are recorded as Unrestricted Funds.

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising and Promotion

The Conservancy expenses all advertising and promotion costs as incurred. Advertising and promotion expenses for the years ended June 30, 2017 and June 30, 2016 were \$3,194 and \$722, respectively.

Functional Classification of Expenses

The costs of providing the Conservancy's various charitable and general services have been summarized on a functional basis in the Consolidated Statement of Functional Expenses. Accordingly, direct and indirect expenses are allocated by management to program services and other activities based on their specific identification or the personnel utilized in the function. Expenses incurred in connection with the LLC have been classified as general and administrative expenses in the Consolidated Statement of Functional Expenses.

Use of Estimates

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

Tax Exempt Status

The Conservancy has qualified as a non-profit organization and has been granted tax-exempt status pursuant to the Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). The Conservancy and its LLC are subject to taxation on any unrelated business income, primarily related to the sale of grass-fed beef. The LLC is subject to the State of California's minimum entity tax.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Conservancy's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Reclassifications

Certain reclassifications were made to the 2016 financial statements in order to conform to the presentation shown. These reclassifications had no effect on the Conservancy's net assets at June 30, 2016.

NOTE 3 – INVESTMENTS

The fair value of investment securities consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Equity securities	\$ 4,909,622	\$ 1,979,922
Bond mutual funds	2,856,137	548,954
Central Valley Community Foundation Investment Pool	<u>-</u>	<u>112,693</u>
Total investments	<u>\$ 7,765,759</u>	<u>\$ 2,641,569</u>

See Independent Auditor's Report.

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 3 – INVESTMENTS (Continued)

The Conservancy maintains a portion of its investment funds at Sigma Financial Corporation, which are managed by Upstream Financial. At June 30, 2017 and 2016, approximately \$7,766,000 and \$2,529,000, respectively, of the Conservancy's investments were held at Sigma Financial Corporation.

The Conservancy maintains its remaining investment funds with the Central Valley Community Foundation, (the "Foundation"), a California non-profit corporation. The terms of the fund agreement specify the Conservancy as the beneficiary of that fund. The Foundation has discretion as to how the fund will be invested and has a unilateral right to redirect the funds to other uses ("variance power") if the Conservancy ceases to operate. During the year ended June 30, 2017, the Conservancy closed their investment account with the Foundation and transferred the related investment funds to the Sigma account.

Distributions made from the fund with the Foundation, to the Conservancy, may include principal and earnings in accordance with the fund agreement. At June 30, 2017, no funds were held with the Foundation. At June 30, 2016, approximately \$112,700 of the Conservancy's investments were held with the Foundation.

The Conservancy's investment activities consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 114,993	\$ 135,959
Realized and unrealized gains (losses)	489,078	(163,826)
Investment fees	<u>(3,160)</u>	<u>(10,177)</u>
Investment income (loss), net	<u>\$ 600,911</u>	<u>\$ (38,044)</u>

Investment securities are subject to various risks such as interest rate, market, and credit risks. Due to the level of risks associated with certain investment securities, it is likely that changes in the values of investment securities will occur in the near term and such changes could materially affect the Conservancy's account balances and amounts reported in the Consolidated Statement of Activities.

NOTE 4 – INVENTORIES

Inventories consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Cattle inventory	<u>\$ 19,200</u>	<u>\$ 14,000</u>
Inventories	<u>\$ 19,200</u>	<u>\$ 14,000</u>

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Autos and trucks	\$ 85,844	\$ 66,734
Improvements	763,689	731,442
Office equipment	4,605	4,605
Maintenance equipment	<u>41,167</u>	<u>38,340</u>
Subtotal	895,305	841,121
Less accumulated depreciation and amortization	<u>(409,218)</u>	<u>(358,797)</u>
Property and equipment, net	<u>\$ 486,087</u>	<u>\$ 482,324</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$51,687 and \$58,501, respectively.

NOTE 6 – CONSERVATION EASEMENTS

During the year ended June 30, 2017, the Conservancy received donated conservation easements valued at approximately \$8,173,000 on 2,705 acres of land. During the year ended June 30, 2016, the Conservancy did not acquire any conservation easements. At June 30, 2017, the Conservancy has acquired conservation easements, either through donations or purchases, on approximately 19,778 acres of land throughout the Central California area.

NOTE 7 – CONSERVED LAND

Conserved land consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Tivy Mountain Preserve:		
Tivy Mountain Preserve	\$ 164,000	\$ 164,000
DeLeon Property	100,000	100,000
Franklin Property	140,000	140,000
Carter Property	59,000	59,000
Beach Property	135,000	135,000
Morrison Property	<u>156,601</u>	<u>156,601</u>
Total Tivy Mountain Preserve	<u>\$ 754,601</u>	<u>\$ 754,601</u>

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 7 – CONSERVED LAND (Continued)

	<u>2017</u>	<u>2016</u>
Balance Carried Forward	\$ 754,601	\$ 754,601
Black Mountain Miller Preserve:		
Miller Preserve	142,000	142,000
Black Mountain Ridge	190,000	190,000
Ferrell Property	364,000	364,000
Staebler Property	67,891	67,891
Kneeland/Shows Property	<u>1,186,435</u>	<u>1,186,435</u>
Total Black Mountain Miller Preserve	1,950,326	1,950,326
Other Preserves:		
Table Mountain Preserve	592,000	592,000
Fine Gold Creek	2,793,260	2,793,260
Feliciano Mountain Preserve	110,000	110,000
Haslett Basin Property	75,325	75,325
Martin Preserve	785,380	785,380
Bean Creek	<u>203,000</u>	<u>203,000</u>
Total Other Preserves	<u>4,558,965</u>	<u>4,558,965</u>
Total Conserved Land	<u>\$ 7,263,892</u>	<u>\$ 7,263,892</u>

At June 30, 2017, the Conservancy owns in fee title approximately 6,400 acres of foothill land preserved and protected within the Central California area. The value of conserved land that has been permanently restricted by the donors totaled approximately \$6,648,000 each year at June 30, 2017 and 2016.

NOTE 8 – CONCENTRATION OF CREDIT RISK

The Conservancy maintains balances in various accounts with banks and brokerage institutions. At June 30, 2017 and 2016, there were no funds in excess of insurance provided by FDIC, SIPC and brokerage private insurance for cash and cash equivalents or investment securities, respectively.

Accounts maintained at SIGMA are protected in accordance with the Securities Investor Protection Corporation (“SIPC”) up to \$500,000. The \$500,000 total amount of SIPC protection is inclusive of up to \$250,000 protection for claims for cash. SIGMA also has additional protection for cash and covered securities called “excess of SIPC” coverage, from Lloyd’s of London together with other insurers. This additional protection would only be used when SIPC coverage is exhausted. Total aggregate excess of SIPC coverage available in excess of SIPC policy is \$1 billion. Neither coverage protects against a decline in the market value of securities, nor do they cover other claims for losses incurred while broker-dealers remain in business.

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 9 – LINES OF CREDIT AND LONG-TERM DEBT

The Conservancy has available for use, a \$100,000 working capital line of credit with Central Valley Community Bank (“CVCB”). During the year ended June 30, 2017, the highest balance drawn on the line of credit was \$105,404. No amounts were drawn on the line of credit during the year ended June 30, 2016. The Conservancy had no balances due on the line of credit for each of the years ended June 30, 2017 and 2016. Interest on the line accrues at the bank’s reference rate plus 2.75% and at no time will be less than 5.00%. Amounts drawn on the line of credit are secured by substantially all of the Conservancy’s assets, other than conserved land. The line of credit was renewed on substantially similar terms through August 2018.

The LLC had a commercial loan with CVCB during the year ended June 30, 2014 which was paid by the Conservancy. Concurrent with the principal payment to CVCB by the Conservancy during the year ended June 30, 2014, a promissory note was established with the LLC for repayment in the amount of \$232,391. Terms of the note requires repayment by the LLC at a rate of \$2,087 per month including interest accruing at a rate of 5.50% annually. At June 30, 2017, the balance remaining on the promissory note was \$159,071. Total interest paid to the Conservancy by the LLC for the year ended June 30, 2017 was \$9,493 and was eliminated as an inter-company transaction during consolidation of the financial statements.

NOTE 10 – FAIR VALUE MEASUREMENTS

In accordance with generally accepted accounting principles, fair value is defined as the price that the entity would receive upon selling an asset or pay to transfer a liability at the reporting date. Generally accepted accounting principles establishes a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the reporting entity’s own assumptions about the factors market participants would use in pricing the asset or liability developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, and fair value is determined through the use of other valuation methodologies

Level 3 – Valuations based on inputs that are not observable and significant to the overall fair value measurement, including the entity’s own assumptions in determining the fair value of assets or liabilities

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued)

The following is a summary of the inputs used as of June 30 in valuing the Conservancy's financial assets carried at fair value:

	2017			Total
	Level 1	Level 2	Level 3	
Types of investments:				
Equity securities	\$ 4,909,622	\$ -	\$ -	\$ 4,909,622
Bond mutual funds	2,856,137	-	-	2,856,137
Central Valley Community Foundation Investment Pool	-	-	-	-
Total investment securities	<u>\$ 7,765,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,765,759</u>

	2016			Total
	Level 1	Level 2	Level 3	
Types of investments:				
Equity securities	\$ 1,979,922	\$ -	\$ -	\$ 1,979,922
Bond mutual funds	548,954	-	-	548,954
Central Valley Community Foundation Investment Pool	-	112,693	-	112,693
Total investment securities	<u>\$ 2,528,876</u>	<u>\$ 112,693</u>	<u>\$ -</u>	<u>\$ 2,641,569</u>

NOTE 11 – BOARD DESIGNATED AND RESTRICTED NET ASSETS

Board Designated Net Assets

Board Designated Net Assets consisted of the following at June 30:

	2017	2016
Black Mountain Ridge	\$ 190,000	\$ 190,000
Franklin Property	140,000	140,000
Morrison Property	156,601	156,601
Reed Property	60,647	60,000
Total board designated net assets	<u>\$ 547,248</u>	<u>\$ 546,601</u>

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 11 – BOARD DESIGNATED AND RESTRICTED NET ASSETS (Continued)

Temporarily Restricted Net Assets

Temporarily Restricted Net Assets consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
McKenzie Trust	\$ 834,251	\$ 774,805
Conservation Easement Monitoring Fund	278,380	257,878
Kennedy Table Management	44,611	23,819
Fine Gold Management	64,128	45,335
Feliciana Mountain Maintenance Fund	65,746	46,091
Conservation Easement Defense Fund	123,093	71,690
Point Millerton CE Maintenance	-	13,714
Stewardship Council Fund	80,805	-
Land Trust Alliance Excellence Grant	-	7,500
Campos Fund	291,769	232,432
Martin Interim Fund	302,626	295,867
Lower Jamison Interim	415,119	-
Upper Jamison Interim	441,155	-
Tivy E. Interim	99,847	82,032
Tivy W. Interim	102,016	84,201
REI Trail Building Grant	-	5,000
	<u> </u>	<u> </u>
Total temporarily restricted net assets	<u>\$ 3,143,546</u>	<u>\$ 1,940,364</u>

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 11 – BOARD DESIGNATED AND RESTRICTED NET ASSETS (Continued)

Permanently Restricted Net Assets

Permanently Restricted Net Assets consisted of the original appraised values of land contributions and endowment funds as follows at June 30:

	<u>2017</u>	<u>2016</u>
Conserved Land:		
Tivy Mountain Preserve:		
Tivy Mountain Preserve	\$ 164,000	\$ 164,000
DeLeon Property	100,000	100,000
Carter Property	59,000	59,000
Beach Property	<u>135,000</u>	<u>135,000</u>
Total Tivy Mountain Preserve	458,000	458,000
Black Mountain Miller Preserve:		
Miller Preserve	142,000	142,000
Ferrell Property	364,000	364,000
Kneeland/Shows Property	<u>1,130,000</u>	<u>1,130,000</u>
Total Black Mountain Miller Preserve	1,636,000	1,636,000
Other Preserves:		
Table Mountain Preserve	592,000	592,000
Fine Gold Creek	2,793,260	2,793,260
Haslett Basin Property	70,000	70,000
Feliciana Mountain Preserve	110,000	110,000
Bean Creek	203,000	203,000
Martin Preserve	<u>785,380</u>	<u>785,380</u>
Total Other Preserve	4,553,640	4,553,640
Endowment Funds:		
Kennedy Table Endowment	144,336	144,336
Fine Gold Endowment	126,236	126,236
Feliciana Mountain Endowment	145,500	145,500
Campos Endowment	378,200	378,200
Lower Jamison Endowment	2,393,076	-
Upper Jamison Endowment	1,982,263	-
Tivy E. Endowment	105,732	105,732
Tivy W. Endowment	105,732	105,732
McKenzie/MQ2 Endowment	<u>97,750</u>	<u>97,750</u>
Total Endowment Funds	<u>5,478,825</u>	<u>1,103,486</u>
Total Permanently Restricted Net Assets	<u>\$ 12,126,465</u>	<u>\$ 7,751,126</u>

See Independent Auditor's Report.

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 11 – BOARD DESIGNATED AND RESTRICTED NET ASSETS (Continued)

Permanently Restricted Net Assets (Continued)

Changes in Permanently Restricted Funds and the related Unrestricted and Temporarily Restricted Funds, arising from such Permanently Restricted Funds consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ (247)	\$ 282,077	\$ 7,751,126	8,032,956
Total investment return, net	(233)	(12,324)	-	(12,557)
Contributions and others	-	-	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(16,257)</u>	<u>-</u>	<u>(16,257)</u>
Endowment net assets, June 30, 2016	(480)	253,496	7,751,126	8,004,142
Total investment return, net	480	409,480	-	409,960
Contributions and others	-	-	4,375,339	4,375,339
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(10,741)</u>	<u>-</u>	<u>(10,741)</u>
Endowment net assets, June 30, 2017	<u>\$ -</u>	<u>\$ 652,235</u>	<u>\$ 12,126,465</u>	<u>\$ 12,778,700</u>

A description of the amounts classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets at June 30 was as follows:

	<u>2017</u>	<u>2016</u>
Permanently restricted net assets:		
Portion of Permanently Restricted Funds that are required to be retained permanently either by explicit donor stipulations or by the Uniform Prudent Management of Institutional Funds Act ("UPMIFA")	<u>\$ 12,126,465</u>	<u>\$ 7,751,126</u>
Temporarily restricted net assets:		
Portion of Temporarily Restricted Funds, arising from Permanently Restricted Funds, subject to a purpose restriction under UPMIFA	\$ 652,235	\$ 253,496
Temporary net assets with purpose restriction	<u>2,491,311</u>	<u>1,686,868</u>
Total temporarily restricted net assets	<u>\$ 3,143,546</u>	<u>\$ 1,940,364</u>

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 11 – BOARD DESIGNATED AND RESTRICTED NET ASSETS (Continued)

Interpretation of Relevant Law

The Board of Directors of the Conservancy has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) to require classification, as Permanently Restricted Net Assets, 1) the fair value of a gift of Permanently Restricted Funds, 2) the original value of any subsequent such gifts, and 3) any non-spendable accumulations on such gifts.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no other subsequent events that have occurred from June 30, 2017 through the date the financial statements were available to be issued on November 29, 2017 that would require disclosure or adjustment.

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SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors of
Sierra Foothill Conservancy

We have audited the consolidated financial statements of Sierra Foothill Conservancy as of and for the years ended June 30, 2017 and 2016, and have issued our report thereon dated November 29, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating statements of financial position, activities, operating expenses and cash flows are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Price Paige & Company

Clovis, California
November 29, 2017

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Clovis, CA 93612

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SIERRA FOOTHILL CONSERVANCY
CONSOLIDATING SCHEDULE, STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	<u>Sierra Foothill Conservancy</u>	<u>Sierra Lands Beef</u>	<u>Eliminating Entries</u>	<u>Consolidated Balance</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 898,062	\$ 12,321	\$ -	\$ 910,383
Investments	7,765,759	-	-	7,765,759
Grants and other receivable	543,804	-	(163,814)	379,990
Prepaid expenses and other assets	9,728	-	-	9,728
Inventories	-	19,200	-	19,200
Property and equipment, net	485,939	148	-	486,087
Conserved land	<u>7,263,892</u>	<u>-</u>	<u>-</u>	<u>7,263,892</u>
Total assets	<u>\$ 16,967,184</u>	<u>\$ 31,669</u>	<u>\$ (163,814)</u>	<u>\$ 16,835,039</u>
<u>Liabilities and Net Assets</u>				
Liabilities:				
Accounts payable	\$ 18,905	\$ 7,742	\$ (4,743)	\$ 21,904
Accrued expenses	63,326	-	-	63,326
Deferred revenue	80,562	-	-	80,562
Agency and trust fund	78,143	-	-	78,143
Note payable	<u>-</u>	<u>159,071</u>	<u>(159,071)</u>	<u>-</u>
Total liabilities	<u>240,936</u>	<u>166,813</u>	<u>(163,814)</u>	<u>243,935</u>
Net Assets:				
Unrestricted:				
Undesignated	908,989	(135,144)	-	773,845
Board designated	<u>547,248</u>	<u>-</u>	<u>-</u>	<u>547,248</u>
Total unrestricted	1,456,237	(135,144)	-	1,321,093
Temporarily restricted	3,143,546	-	-	3,143,546
Permanently restricted	<u>12,126,465</u>	<u>-</u>	<u>-</u>	<u>12,126,465</u>
Total net assets	<u>16,726,248</u>	<u>(135,144)</u>	<u>-</u>	<u>16,591,104</u>
Total liabilities and net assets	<u>\$ 16,967,184</u>	<u>\$ 31,669</u>	<u>\$ (163,814)</u>	<u>\$ 16,835,039</u>

See Independent Auditor's Report.

**SIERRA FOOTHILL CONSERVANCY
CONSOLIDATING SCHEDULE, STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Sierra Foothill Conservancy</u>	<u>Sierra Lands Beef</u>	<u>Eliminating Entries</u>	<u>Consolidated Balance</u>
Revenues and support:				
Grant income	\$ 1,062,730	\$ -	\$ -	\$ 1,062,730
Investment income (loss), net	610,404	-	(9,493)	600,911
Contribution and fundraising	14,098,353	-	-	14,098,353
Grazing fees	9,056	82,084	-	91,140
Fees for services	231,977	-	(30,269)	201,708
Membership dues	27,899	-	-	27,899
Gain on sale of property	-	-	-	-
Miscellaneous income	8,090	-	-	8,090
Rental income	4,850	-	-	4,850
Beef sales	<u>-</u>	<u>63,676</u>	<u>-</u>	<u>63,676</u>
 Total revenues and support	 16,053,359	 145,760	 (39,762)	 16,159,357
 Total costs and expenses	 <u>10,173,072</u>	 <u>101,866</u>	 <u>(39,762)</u>	 <u>10,235,176</u>
 Changes in net assets	 5,880,287	 43,894	 -	 5,924,181
 Net assets (deficit), beginning of year	 <u>10,845,961</u>	 <u>(179,038)</u>	 <u>-</u>	 <u>10,666,923</u>
 Net assets (deficit), end of year	 <u>\$ 16,726,248</u>	 <u>\$ (135,144)</u>	 <u>\$ -</u>	 <u>\$ 16,591,104</u>

See Independent Auditor's Report.

**SIERRA FOOTHILL CONSERVANCY
CONSOLIDATING SCHEDULE, STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Sierra Foothill Conservancy</u>	<u>Sierra Lands Beef</u>	<u>Eliminating Entries</u>	<u>Total</u>
Personnel costs:				
Salaries and wages	\$ 630,503	\$ -	\$ -	\$ 630,503
Employee benefits	9,691	-	-	9,691
Payroll taxes	<u>56,607</u>	<u>-</u>	<u>-</u>	<u>56,607</u>
Total personnel costs	696,801	-	-	696,801
Other costs and expenses:				
Advertising and promotion	-	3,194	-	3,194
Auto expense	18,281	4,918	-	23,199
Bank and finance charges	2,916	100	-	3,016
Community education	7,648	-	-	7,648
Conference expenses	14,327	-	-	14,327
Conservation easement	8,172,686	-	-	8,172,686
Contracted services	933,717	-	-	933,717
Cost of cattle sold	-	32,562	-	32,562
Dues and subscriptions	7,524	170	-	7,694
Feed supplement	-	3,143	-	3,143
Grazing fees	-	11,714	-	11,714
Insurance	25,241	2,389	-	27,630
Interest expense	3,271	9,493	(9,493)	3,271
Licenses and permits	4,717	-	-	4,717
Loss on disposition of assets	-	-	-	-
Management fee	-	30,269	(30,269)	-
Member events	34,686	-	-	34,686
Miscellaneous	2,652	41	-	2,693
Office expense	26,146	1,240	-	27,386
Postage and delivery	3,865	-	-	3,865
Printing and copying	25,345	-	-	25,345
Professional fees	51,175	762	-	51,937
Property taxes	6,826	-	-	6,826
Rent and related	18,105	-	-	18,105
Repairs and maintenance	33,112	1,071	-	34,183
Taxes and licenses	-	800	-	800
Travel	15,859	-	-	15,859
Utilities	<u>16,485</u>	<u>-</u>	<u>-</u>	<u>16,485</u>
Total other costs and expenses	<u>9,424,584</u>	<u>101,866</u>	<u>(39,762)</u>	<u>9,486,688</u>
Subtotal	10,121,385	101,866	(39,762)	10,183,489
Depreciation	<u>51,687</u>	<u>-</u>	<u>-</u>	<u>51,687</u>
Total costs and expenses	<u>\$ 10,173,072</u>	<u>\$ 101,866</u>	<u>\$ (39,762)</u>	<u>\$ 10,235,176</u>

See Independent Auditor's Report.

**SIERRA FOOTHILL CONSERVANCY
CONSOLIDATING SCHEDULE, STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Sierra Foothill Conservancy</u>	<u>Sierra Lands Beef</u>	<u>Eliminating Entries</u>	<u>Consolidated Balance</u>
Cash flows from operating activities:				
Changes in net assets	\$ 5,880,287	\$ 43,894	\$ -	\$ 5,924,181
Adjustments to reconcile change in net assets to Net cash provided by (used in) operating activities:				
Depreciation	51,687	-	-	51,687
Unrealized investment (gains) losses	(489,078)	-	-	(489,078)
Loss on disposition of assets	-	-	-	-
Change in operating assets and liabilities:				
Grants and other receivable	(244,581)	-	-	(244,581)
Prepaid expenses and other assets	2,567	-	-	2,567
Inventories	-	(5,200)	-	(5,200)
Accounts payable	(24,108)	(34,768)	-	(58,876)
Accrued expenses	6,447	-	-	6,447
Agency and trust fund and deferred revenue	(18,065)	-	-	(18,065)
Net cash provided by (used in) operating activities	<u>5,165,156</u>	<u>3,926</u>	<u>-</u>	<u>5,169,082</u>
Cash flows from investing activities:				
Purchase of property, equipment and breeding cattle	(55,450)	-	-	(55,450)
Proceeds from sale of investment securities	945,680	-	-	945,680
Purchase of investment securities	(5,580,792)	-	-	(5,580,792)
Net cash provided by (used in) investing activities	<u>(4,690,562)</u>	<u>-</u>	<u>-</u>	<u>(4,690,562)</u>
Cash flows from financing activities:				
Principal advances on line of credit	105,404	-	-	105,404
Principal payments on line of credit	(105,404)	-	-	(105,404)
Net cash provided by (used in) financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	474,594	3,926	-	478,520
Cash and cash equivalents, beginning of year	<u>423,468</u>	<u>8,395</u>	<u>-</u>	<u>431,863</u>
Cash and cash equivalents, end of year	<u>\$ 898,062</u>	<u>\$ 12,321</u>	<u>\$ -</u>	<u>\$ 910,383</u>
Supplemental disclosures of cash flow information:				
Taxes paid	<u>\$ -</u>	<u>\$ 800</u>		
Interest paid	<u>\$ 3,271</u>	<u>\$ -</u>		

See Independent Auditor's Report.