



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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020**

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

JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sierra Foothill Conservancy
Mariposa, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Sierra Foothill Conservancy (the "Conservancy"), a nonprofit organization, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consolidated 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, 2021 and 2020, 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.

Other Matters

Supplementary and Other Information

Our audit was conducted 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 on pages 26-29 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2022, on our consideration of Sierra Foothill Conservancy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Conservancy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Conservancy's internal control over financial reporting and compliance.



Clovis, California
February 22, 2022

**SIERRA FOOTHILL CONSERVANCY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

	2021	2020
<u>Assets</u>		
Cash and cash equivalents	\$ 2,531,998	\$ 2,144,891
Investments	20,050,110	15,543,025
Grants and other receivables	701,382	1,010,258
Prepaid expenses and other assets	12,743	14,069
Inventories	12,000	19,200
Property and equipment, net	504,326	531,632
Conserved land	8,888,596	8,888,596
Total assets	\$ 32,701,155	\$ 28,151,671
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 39,637	\$ 66,106
Accrued expenses	102,791	90,057
Deferred revenue	103,575	69,426
Agency and trust fund	116,256	93,947
Note payable - Small Business Administration	171,441	169,100
Total liabilities	533,700	488,636
Net assets:		
Net assets without donor restrictions	2,225,766	1,726,981
Net assets with donor restrictions	29,941,689	25,936,054
Total net assets	32,167,455	27,663,035
Total liabilities and net assets	\$ 32,701,155	\$ 28,151,671

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, 2021**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues, gains and support:			
Grant income	\$ 805,157	\$ 250,000	\$ 1,055,157
Investment income, net	2,314	4,023,692	4,026,006
Contributions and fundraising	9,384,713	103,500	9,488,213
Grazing fees	77,081	-	77,081
Fees for services	330,006	-	330,006
Miscellaneous income	10,620	-	10,620
Rental income	11,800	-	11,800
Beef sales	77,649	-	77,649
Forgiveness of debt income	170,791	-	170,791
Total revenues, gains and support before net assets released from restrictions	10,870,131	4,377,192	15,247,323
Net assets released from restrictions	371,557	(371,557)	-
Total revenues, gains and support after reclassification of net assets released from restrictions	11,241,688	4,005,635	15,247,323
Costs and expenses:			
Program services	10,190,381	-	10,190,381
Fundraising	186,618	-	186,618
General and administrative	287,568	-	287,568
Sierra Lands Beef, LLC	78,336	-	78,336
Total costs and expenses	10,742,903	-	10,742,903
Changes in net assets	498,785	4,005,635	4,504,420
Net assets, beginning of year	1,726,981	25,936,054	27,663,035
Net assets, end of year	\$ 2,225,766	\$ 29,941,689	\$ 32,167,455

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, 2020**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues, gains and support:			
Grant income	\$ 1,065,846	\$ -	\$ 1,065,846
Investment income, net	11,554	699,738	711,292
Contribution and fundraising	16,566,787	7,956,653	24,523,440
Grazing fees	69,343	-	69,343
Fees for services	486,220	-	486,220
Membership dues	24,006	-	24,006
Miscellaneous income	643	-	643
Rental income	12,650	-	12,650
Beef sales	53,835	-	53,835
Total revenues, gains and support before net assets released from restrictions	<u>18,290,884</u>	<u>8,656,391</u>	<u>26,947,275</u>
Net assets released from restrictions	<u>444,630</u>	<u>(444,630)</u>	<u>-</u>
Total revenues, gains and support after reclassification of net assets released from restrictions	<u>18,735,514</u>	<u>8,211,761</u>	<u>26,947,275</u>
Costs and expenses:			
Program services	17,411,649	-	17,411,649
Fundraising	153,989	-	153,989
General and administrative	329,922	-	329,922
Sierra Lands Beef, LLC	67,243	-	67,243
Total costs and expenses	<u>17,962,803</u>	<u>-</u>	<u>17,962,803</u>
Changes in net assets	772,711	8,211,761	8,984,472
Net assets, beginning of year	<u>954,270</u>	<u>17,724,293</u>	<u>18,678,563</u>
Net assets, end of year	<u>\$ 1,726,981</u>	<u>\$ 25,936,054</u>	<u>\$ 27,663,035</u>

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, 2021**

	Program Services	Supporting Services		Sierra Lands Beef	Total
		Fundraising	General and Administrative		
Personnel costs:					
Salaries and wages	\$ 478,398	\$ 92,072	\$ 179,866	\$ -	\$ 750,336
Employee benefits	52,179	10,042	19,618	-	81,839
Payroll taxes	40,124	7,722	15,086	-	62,932
Total personnel costs	570,701	109,836	214,570	-	895,107
Other costs and expenses:					
Advertising and promotion	-	-	-	579	579
Auto expense	7,328	1,411	2,756	4,741	16,236
Bank and finance charges	3	2,969	711	948	4,631
Community education	1,863	358	700	-	2,921
Conference expenses	2,654	511	998	-	4,163
Conservation easement	8,805,100	-	-	-	8,805,100
Contracted services	566,377	15,946	1,008	450	583,781
Cost of cattle sold	-	-	-	45,898	45,898
Dues and subscriptions	12,510	2,408	4,704	70	19,692
Feed supplements	-	-	-	4,034	4,034
Grazing fees	-	-	-	16,715	16,715
Insurance	31,562	6,074	11,867	582	50,085
Interest expense	1,079	208	406	-	1,693
Licenses and permits	16,239	3,125	6,105	-	25,469
Program materials and supplies	4,143	8,258	78	-	12,479
Miscellaneous	720	138	269	83	1,210
Office expense	6,097	1,173	2,292	540	10,102
Postage and delivery	713	2,097	288	90	3,188
Printing and copying	222	13,990	2,677	-	16,889
Professional fees	54,010	2,711	6,381	306	63,408
Property taxes	1,014	195	381	-	1,590
Rent and related	12,853	2,474	4,833	-	20,160
Repairs and maintenance	18,888	-	-	1,800	20,688
Taxes and licenses	-	-	-	800	800
Travel	4,374	451	405	700	5,930
Utilities	15,346	2,953	5,770	-	24,069
Total other costs and expenses	9,563,095	67,450	52,629	78,336	9,761,510
Subtotal	10,133,796	177,286	267,199	78,336	10,656,617
Depreciation	56,585	9,332	20,369	-	86,286
Total costs and expenses	\$ 10,190,381	\$ 186,618	\$ 287,568	\$ 78,336	\$ 10,742,903

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, 2020**

	Supporting Services				Total
	Program Services	Fundraising	General and Administrative	Sierra Lands Beef	
Personnel costs:					
Salaries and wages	\$ 484,900	\$ 82,434	\$ 179,926	\$ -	\$ 747,260
Employee benefits	51,554	8,764	19,129	-	79,447
Payroll taxes	41,454	7,047	15,382	-	63,883
	<u>577,908</u>	<u>98,245</u>	<u>214,437</u>	<u>-</u>	<u>890,590</u>
Other costs and expenses:					
Advertising and promotion	-	-	-	816	816
Auto expenses	10,628	1,807	3,944	3,902	20,281
Bank and finance charges	283	2,667	787	729	4,466
Community education	410	70	152	-	632
Conference expenses	6,775	1,152	2,514	-	10,441
Conservation easements	15,914,286	-	-	-	15,914,286
Contracted services	657,464	957	8,307	350	667,078
Cost of cattle sold	-	-	-	37,601	37,601
Dues and subscriptions	10,285	1,748	3,816	-	15,849
Feed supplements	-	-	-	3,424	3,424
Grazing fees	-	-	-	17,667	17,667
Insurance	33,597	5,711	12,466	582	52,356
Interest expense	3,620	615	1,343	-	5,578
License and permits	9,356	1,591	3,472	-	14,419
Member events	11,699	5,138	944	-	17,781
Miscellaneous	2,465	419	915	-	3,799
Office expenses	6,736	1,145	2,499	406	10,786
Postage and delivery	1,005	1,825	371	-	3,201
Printing and copying	2,762	12,860	4,445	-	20,067
Professional fees	51,764	-	24,935	245	76,944
Property taxes	6,001	1,020	2,227	-	9,248
Rent and related	12,692	2,158	4,710	-	19,560
Repairs and maintenance	11,163	-	-	80	11,243
Taxes and licenses	-	-	-	800	800
Travel	10,070	2,845	11,412	641	24,968
Utilities	15,785	2,684	5,857	-	24,326
	<u>16,778,846</u>	<u>46,412</u>	<u>95,116</u>	<u>67,243</u>	<u>16,987,617</u>
Total other costs and expenses					
Subtotal	17,356,754	144,657	309,553	67,243	17,878,207
Depreciation	54,895	9,332	20,369	-	84,596
	<u>\$ 17,411,649</u>	<u>\$ 153,989</u>	<u>\$ 329,922</u>	<u>\$ 67,243</u>	<u>\$ 17,962,803</u>
Total costs and expenses					

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, 2021 AND 2020**

	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 4,504,420	\$ 8,984,472
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	86,286	84,596
Unrealized investment gains	(3,725,099)	(551,605)
Donated land	-	(1,624,704)
Forgiveness of debt	(170,791)	-
Change in operating assets and liabilities:		
Grants and other receivable	328,574	(801,001)
Prepaid expenses and other assets	1,326	(879)
Inventories	7,200	-
Accounts payable	(46,167)	(66,101)
Accrued expenses	14,425	(67,601)
Agency and trust fund and deferred revenue	56,458	(19,159)
	<u>1,056,632</u>	<u>5,938,018</u>
Cash flows from investing activities:		
Purchase of property, equipment and breeding cattle	(58,980)	-
Proceeds from sale of investment securities	1,552,181	-
Purchase of investment securities	(2,334,167)	(4,753,689)
	<u>(840,966)</u>	<u>(4,753,689)</u>
Cash flows from financing activities:		
Proceeds from issuance of note payable	171,441	169,100
	<u>171,441</u>	<u>169,100</u>
Net cash provided by (used in) operating activities		
Net cash provided by (used in) investing activities		
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash and cash equivalents	387,107	1,353,429
Cash and cash equivalents, beginning of year	2,144,891	791,462
Cash and cash equivalents, end of year	<u>\$ 2,531,998</u>	<u>\$ 2,144,891</u>
Supplemental disclosures of cash flow information:		
Taxes paid	\$ 800	\$ 800
Interest paid	\$ 1,693	\$ 5,578

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

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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.

New Accounting Pronouncements

In May 2014, the FASB issued guidance (Accounting Standards Codification [ASC] 606, Revenue from Contracts with Customers) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Conservancy adopted ASC 606 with a date of the initial application of July 1, 2020.

The Conservancy applied ASC 606 using the cumulative effect method, which resulted in recognizing the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets at July 1, 2020. The details of the significant changes and quantitative impact of the changes are discussed below.

As part of the adoption of ASC 606, the Conservancy elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

There were no significant changes that resulted from the adoption of ASC 606. The adoption of the new accounting policy did not have a significant impact on changes in net assets, and therefore, there was no adjustment to the opening balance of net assets. The Conservancy does not expect the adoption of the new revenue standard to have a material impact on its operations on an ongoing basis.

SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification of Net Assets

The consolidated financial statements of the Conservancy have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Conservancy to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Conservancy. These net assets may be used at the discretion of the Conservancy’s management and the Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Conservancy or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Fund and Endowment Investment Spending Policies

The Conservancy has adopted investment and spending policies for its Net Assets with Donor Restrictions (“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, 2021 and 2020, 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, grants and other 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.

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenue Recognition

The Conservancy recognizes revenue from service fees at a point in time when the services are performed. Grazing fees represent fees charged to customers for cattle grazing on Conservancy's property and recognized as revenue at a point in time. The Conservancy also has cattle and beef sales which is recognized at a point in time. The Conservancy also charges rental to tenants on Conservancy property and revenue is recognized at a point in time.

The Conservancy records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Conservancy recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Contributions

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 received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions and net assets released from restriction if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Advertising and Promotion

The Conservancy expenses all advertising and promotion costs as incurred. Total advertising expense totaled \$579 for the year ended June 30, 2021, and \$816 for the year ended June 30, 2020.

SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Exempt Status

Sierra Foothill 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.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities of the Conservancy have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities (fundraising and general and administrative) based on management's estimate of the actual personnel and facilities utilized in such activities.

Allocated expenses include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and Effort
Employee benefits	Time and Effort
Payroll taxes	Time and Effort
Auto expense	Time and Effort
Community education	Time and Effort
Conference expenses	Time and Effort
Dues and subscriptions	Time and Effort
Insurance	Time and Effort
Interest expense	Time and Effort
Licenses and permits	Time and Effort
Miscellaneous	Time and Effort
Office expense	Time and Effort
Property taxes	Time and Effort
Rent	Time and Effort
Utilities	Time and Effort
Depreciation	Time and Effort

Reclassifications

Certain reclassifications were made to the 2020 financial statements in order to conform to the presentation shown. These reclassifications had no effect on the Conservancy's net assets at June 30, 2020.

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 – AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure within one year consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,531,998	\$ 2,144,891
Investments	20,050,110	15,543,025
Grants and other receivables	<u>701,382</u>	<u>1,010,258</u>
	23,283,490	18,698,174
Less amounts not available to be used within one year		
Donor-restricted with liquidity horizons greater than one year	<u>(21,700,353)</u>	<u>(17,138,618)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,583,137</u>	<u>\$ 1,559,556</u>

The Conservancy's goal is generally to maintain financial assets to meet 180 days of operating expenses. As part of the Conservancy's liquidity management plan, cash in excess of daily requirements is maintained in cash and cash equivalent accounts for immediate access should those funds be needed. Funds in excess of daily cash requirements may be used to meet unexpected liquidity needs.

NOTE 4 – INVESTMENTS

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

	<u>2021</u>	<u>2020</u>
Equity securities	\$ 12,600,371	\$ 9,783,566
Bond mutual funds	7,348,348	5,658,424
Unit investment trusts	<u>101,391</u>	<u>101,035</u>
Total investments	<u>\$ 20,050,110</u>	<u>\$ 15,543,025</u>

The Conservancy maintains all of its investment funds at Vanguard Financial Corporation. At June 30, 2021 and 2020, investments held at Vanguard Financial Corporation had an approximate value of \$20,050,000 and \$15,543,000 respectively.

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 335,664	\$ 185,964
Realized and unrealized gains (losses)	3,725,099	551,605
Investment fees	<u>(34,757)</u>	<u>(26,277)</u>
Investment income, net	<u>\$ 4,026,006</u>	<u>\$ 711,292</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 Statements of Activities.

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 – MITIGATION RECEIVABLE

The Conservancy received a multi-year mitigation agreement totaling \$1,075,000 during the year ended June 30, 2020. Funds related to this agreement are restricted to the payment of costs associated with managing and monitoring the North Shore Mitigation Conservation Easement. The Conservancy received \$215,000 during the year ended June 30, 2020, \$430,000 during the year ended June 30, 2021, and expects to receive \$215,000 each year for the next two years starting June 30, 2022. Total mitigation receivable at June 30, 2021 was \$430,000.

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Autos and trucks	\$ 215,031	\$ 174,641
Structures and improvements	886,282	886,282
Office equipment	16,732	16,732
Maintenance equipment	82,415	75,825
Breeding cattle and horses	<u>18,500</u>	<u>6,500</u>
Subtotal	1,218,960	1,159,980
Less accumulated depreciation and amortization	<u>(714,634)</u>	<u>(628,348)</u>
Property and equipment, net	<u>\$ 504,326</u>	<u>\$ 531,632</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$86,286 and \$84,596, respectively.

NOTE 7 – CONSERVATION EASEMENTS

During the years ended June 30, 2021 and 2020, the Conservancy acquired conservation easements valued at approximately \$8,805,000 and \$15,909,000 on 8,560 and 8,241 acres of land, respectively. At June 30, 2021, the Conservancy acquired conservation easements, either through donations, purchases, or transfers, on approximately 39,880 acres of land throughout the Central California area.

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 – CONSERVED LAND

Conserved land consisted of the following at June 30:

	<u>2021</u>	<u>2020</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>
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	<u>1,950,326</u>	<u>1,950,326</u>
Other preserves:		
Table Mountain Preserve	592,000	592,000
Fine Gold Creek	2,793,260	2,793,260
Feliciana Mountain Preserve	110,000	110,000
Haslett Basin Property	75,325	75,325
Martin Preserve	785,380	785,380
Bean Creek	203,000	203,000
Mastin Preserve	<u>1,624,704</u>	<u>1,624,704</u>
Total other preserves	<u>6,183,669</u>	<u>6,183,669</u>
Total conserved land	<u>\$ 8,888,596</u>	<u>\$ 8,888,596</u>

At June 30, 2021, the Conservancy owns fee title in approximately 7,440 acres of foothill land preserved and protected within the Central California area. The value of conserved land that has been subject to restrictions in perpetuity by the donors totaled approximately \$8,272,000 for the years ended June 30, 2021 and 2020, respectively.

SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 – LINES OF CREDIT AND LONG-TERM DEBT

Line of Credit

The Conservancy has available for use, a \$250,000 working capital line of credit with Central Valley Community Bank (“CVCB”). During the years ended June 30, 2021 and 2020, the highest balance drawn on the line of credit were \$0 and \$44,000, respectively. There was no balance due on the line of credit at June 30, 2021 and June 30, 2020. Interest on the line accrues at 5.50% for the years ended June 30, 2021 and 2020, respectively. 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 January 31, 2022.

Paycheck Protection Program Note Payable

During April 2020, the Conservancy received a Small Business Administration Paycheck Protection Program (“SBA PPP”) loan in the amount of \$169,100. Principal and interest at 1.00% are payable monthly beginning after six months if forgiveness is not granted. Interest accrues between the date of disbursement and forgiveness on the amount of the loan that is not forgiven. The SBA PPP is a federal loan program designed to assist entities in sustaining their operations during the COVID-19 pandemic. The loan is forgivable if used for eligible costs, including payroll costs, rent payments and others. Specific criteria must be met under the program guidelines for the loan to be forgiven. The Conservancy received full forgiveness of principal and interest in the amount of \$170,791 from the SBA during the year ended June 30, 2021.

During February 2021, the Conservancy received a second disbursement of the Small Business Administration Paycheck Protection Program (“SBA PPP”) loan in the amount of \$171,441. Principal and interest at 1.00% are payable monthly beginning after six months if forgiveness is not granted. The Conservancy has not yet determined the total amount that may be forgiven or owed, if any, under this program. However, the Conservancy expects that a substantial, if not all, of the second disbursement loan amount to be forgiven and therefore no interest has been accrued on the loan. As such, the entire amount has been recorded as a note payable on the Consolidated Statement of Financial Position for the year ended June 30, 2021.

LLC Inter-company Note

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, 2021 and 2020, the balance remaining on the promissory note was \$86,367 and \$106,065, respectively. Total interest paid to the Conservancy by the LLC for the years ended June 30, 2021 and 2020 was \$5,342 and \$6,394, respectively and was eliminated as an inter-company transaction during consolidation of the financial statements.

NOTE 10 – CONCENTRATION OF CREDIT RISK

The Conservancy maintains balances in various accounts with banks and brokerage institutions. At June 30, 2021 and 2020, 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 Vanguard 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.

SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 – 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

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

	2021			Total
	Level 1	Level 2	Level 3	
Types of investments:				
Equity securities	\$ 12,600,371	\$ -	\$ -	\$ 12,600,371
Bond mutual funds	7,348,348	-	-	7,348,348
Unit investment trusts	101,391	-	-	101,391
Total investment securities	<u>\$ 20,050,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,050,110</u>
	2020			Total
	Level 1	Level 2	Level 3	
Types of investments:				
Equity securities	\$ 9,783,566	\$ -	\$ -	\$ 9,783,566
Bond mutual funds	5,658,424	-	-	5,658,424
Unit investment trusts	101,035	-	-	101,035
Total investment securities	<u>\$ 15,543,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,543,025</u>

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 – BOARD DESIGNATED NET ASSETS

Board designated net assets are net assets without donor restrictions in which the Board of the Conservancy has designated for specific purposes. Board designated net assets consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Black Mountain Ridge	\$ 190,000	\$ 190,000
Franklin Property	140,000	140,000
Morrison Property	156,601	156,601
Reed Property	<u>8,701</u>	<u>8,685</u>
 Total board designated net assets	 <u>\$ 495,302</u>	 <u>\$ 495,286</u>

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30:

	<u>2021</u>	<u>2020</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	<u>458,000</u>	<u>458,000</u>
 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	<u>1,636,000</u>	<u>1,636,000</u>
 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	785,380	785,380
Mastin Preserve	<u>1,624,704</u>	<u>1,624,704</u>
Total other preserves	<u>6,178,344</u>	<u>6,178,344</u>

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	<u>2021</u>	<u>2020</u>
Endowment funds:		
Kennedy Table Endowment	\$ 279,721	\$ 223,656
Fine Gold Endowment	276,939	222,275
Feliciana Mountain Endowment	288,480	234,370
Campos Endowment	858,908	682,792
Lower Jamison Endowment	3,984,798	3,161,139
Upper Jamison Endowment	3,080,713	2,449,024
Tivy E. Endowment	202,213	160,750
Tivy W. Endowment	202,213	160,750
McKenzie/MQ2 Endowment	158,024	125,622
North Shore Endowment	2,297,176	2,012,351
Fenston Ranch Endowment	2,932,970	2,331,575
Tesoro Viejo Endowment	2,258,026	1,795,026
Total endowment funds	<u>16,820,181</u>	<u>13,559,330</u>
Other funds:		
McKenzie Trust	1,200,431	980,830
Conservation Easement Monitoring Fund	542,277	369,145
Conservation Easement Defense Fund	404,864	309,917
Stewardship Council Fund	791,658	635,073
Campos Fund	33,883	41,426
Martin Interim Fund	326,324	279,777
Lower Jamison Interim	19,135	67,697
Upper Jamison Interim	157,973	204,335
Tivy E. Interim	88,497	76,415
Tivy W. Interim	90,666	78,584
Bohna Interim Fund	13,398	16,370
Bohna Long Term Fund	256,547	203,943
Youth Outside Grant	-	30,000
Stewardship Funds - Mastin CE	22,025	12,725
North Shore Interim Fund	-	21,867
Fenston Ranch Interim Fund	279,087	332,865
Tesoro Viejo Interim Fund	224,130	256,808
Hornitos Range Stewardship Fund	115,283	95,000
Dorrance Bean Creek Restoration Grant	72,986	91,603
Dorrance Bean Creek Wildlife Habitat Enhancement	210,000	-
Total other funds	<u>4,849,164</u>	<u>4,104,380</u>
Total net assets with donor restrictions	<u>\$ 29,941,689</u>	<u>\$ 25,936,054</u>

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions classified between time and purpose restrictions were as follows at June 30:

	2021	2020
<u>Time restrictions:</u>		
Mitigation receivable	\$ 430,000	\$ 860,000
Total time restrictions	430,000	860,000
<u>Program restrictions:</u>		
Stewardship	2,129,397	1,723,628
Conservation easement monitoring	2,031,917	1,949,232
Conservation easement defense	404,864	309,917
Restoration	282,986	91,603
Other	-	30,000
Total program restrictions	4,849,164	4,104,380
<u>Endowments:</u>		
Endowments funds and assets to be held in perpetuity	19,191,508	18,761,510
Endowments income and appreciation	5,471,017	2,210,164
Total endowments	24,662,525	20,971,674
Total net assets with donor restrictions	\$ 29,941,689	\$ 25,936,054

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 Endowment Net Assets (a component of net assets with donor restrictions), 1) the fair value of a gift of net assets with donor restrictions in which principal is to be maintained in perpetuity, 2) the original value of any subsequent such gifts, and 3) any non-spendable accumulations on such gifts.

**SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Endowment Net Assets

Changes in endowment net asset funds consisted of the following:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, June 30, 2019	\$ -	\$ 14,611,784	\$ 14,611,784
Total investment return, net	-	571,521	571,521
Contributions and others	-	5,805,303	5,805,303
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(16,934)</u>	<u>(16,934)</u>
Endowment net assets, June 30, 2020	-	20,971,674	20,971,674
Total investment return, net	-	3,291,536	3,291,536
Contributions and others	-	430,000	430,000
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(30,685)</u>	<u>(30,685)</u>
Endowment net assets, June 30, 2021	<u>\$ -</u>	<u>\$ 24,662,525</u>	<u>\$ 24,662,525</u>

NOTE 14 – EMPLOYEE RETIREMENT PLAN

The Conservancy maintains a Savings Incentive Match Plan (5305-SIMPLE) covering eligible employees who meet certain minimum service requirements. The Conservancy provides a matching contribution equal to the employee's salary reduction contributions up to a percentage limit of the employee's annual compensation for the year. This percentage is determined by the Board of Directors annually. The current matching percentage is 6%. Contributions totaling \$40,651 and \$29,641 for the years ended June 30, 2021 and 2020, respectively, were made by the Conservancy, in addition to elective deferrals made by employees.

NOTE 15 – UNCERTAINTY

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. Accordingly, some functions of the Conservancy's operations have been limited to protect the health and safety of its employees. The financial impact that could occur as a result of the pandemic is unknown at this time.

SIERRA FOOTHILL CONSERVANCY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 16 – REVENUES FROM CONTRACTS WITH CUSTOMERS

Revenues from contracts with customers comprises of charges for services on various of the Conservancy's programs, including fee for services, grazing fees, rental income and beef sales. The total revenue earned from contracts with customers are as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Grazing fees	\$ 77,081	\$ 69,343
Fees for services	330,006	486,220
Rental income	11,800	12,650
Beef sales	<u>77,649</u>	<u>53,835</u>
Revenue from Contracts with Customers	<u>\$ 496,536</u>	<u>\$ 622,048</u>

Revenues from contract with customers are all recognized at a point in time.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no subsequent events that have occurred from June 30, 2021 through the date the consolidated financial statements were available to be issued on February 22, 2022 that would require disclosure or adjustment.

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SUPPLEMENTARY INFORMATION

SIERRA FOOTHILL CONSERVANCY
CONSOLIDATING SCHEDULE, STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	<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	\$ 2,481,859	\$ 50,139	\$ -	\$ 2,531,998
Investments	20,050,110	-	-	20,050,110
Grants and other receivables	787,749	-	(86,367)	701,382
Prepaid expenses and other assets	12,743	-	-	12,743
Inventories	-	12,000	-	12,000
Property and equipment, net	492,178	12,148	-	504,326
Conserved land	<u>8,888,596</u>	<u>-</u>	<u>-</u>	<u>8,888,596</u>
 Total assets	 <u>\$ 32,713,235</u>	 <u>\$ 74,287</u>	 <u>\$ (86,367)</u>	 <u>\$ 32,701,155</u>
<u>Liabilities and Net Assets</u>				
Liabilities:				
Accounts payable	\$ 31,554	\$ 8,083	\$ -	\$ 39,637
Accrued expenses	102,791	-	-	102,791
Deferred revenue	103,575	-	-	103,575
Agency and trust fund	116,256	-	-	116,256
Note payable	<u>171,441</u>	<u>86,367</u>	<u>(86,367)</u>	<u>171,441</u>
 Total liabilities	 <u>525,617</u>	 <u>94,450</u>	 <u>(86,367)</u>	 <u>533,700</u>
Net assets:				
Net assets without donor restrictions	2,245,929	(20,163)	-	2,225,766
Net assets with donor restrictions	<u>29,941,689</u>	<u>-</u>	<u>-</u>	<u>29,941,689</u>
 Total net assets	 <u>32,187,618</u>	 <u>(20,163)</u>	 <u>-</u>	 <u>32,167,455</u>
 Total liabilities and net assets	 <u>\$ 32,713,235</u>	 <u>\$ 74,287</u>	 <u>\$ (86,367)</u>	 <u>\$ 32,701,155</u>

See Independent Auditor's Report.

**SIERRA FOOTHILL CONSERVANCY
CONSOLIDATING SCHEDULE, STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Sierra Foothill Conservancy</u>	<u>Sierra Lands Beef</u>	<u>Eliminating Entries</u>	<u>Consolidated Balance</u>
Revenues, gains and support:				
Grant income	\$ 1,055,157	\$ -	\$ -	\$ 1,055,157
Investment income, net	4,031,348	-	(5,342)	4,026,006
Contribution and fundraising	9,488,213	-	-	9,488,213
Grazing fees	20,125	56,956	-	77,081
Fees for services	330,006	-	-	330,006
Miscellaneous income	10,620	-	-	10,620
Rental income	11,800	-	-	11,800
Beef sales	-	77,649	-	77,649
Forgiveness of debt income	170,791	-	-	170,791
	<u>15,118,060</u>	<u>134,605</u>	<u>(5,342)</u>	<u>15,247,323</u>
Total revenues, gains and support				
Total costs and expenses	<u>10,664,567</u>	<u>83,678</u>	<u>(5,342)</u>	<u>10,742,903</u>
Changes in net assets	4,453,493	50,927	-	4,504,420
Net assets (deficit), beginning of year	<u>27,734,125</u>	<u>(71,090)</u>	<u>-</u>	<u>27,663,035</u>
Net assets (deficit), end of year	<u>\$ 32,187,618</u>	<u>\$ (20,163)</u>	<u>\$ -</u>	<u>\$ 32,167,455</u>

**SIERRA FOOTHILL CONSERVANCY
CONSOLIDATING SCHEDULE, STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Sierra Foothill Conservancy	Sierra Lands Beef	Eliminating Entries	Total
Personnel costs:				
Salaries and wages	\$ 750,336	\$ -	\$ -	\$ 750,336
Employee benefits	81,839	-	-	81,839
Payroll taxes	62,932	-	-	62,932
Total personnel costs	895,107	-	-	895,107
Other costs and expenses:				
Advertising and promotion	-	579	-	579
Auto expense	11,495	4,741	-	16,236
Bank and finance charges	3,683	948	-	4,631
Community education	2,921	-	-	2,921
Conference expenses	4,163	-	-	4,163
Conservation easement	8,805,100	-	-	8,805,100
Contracted services	583,331	450	-	583,781
Cost of cattle sold	-	45,898	-	45,898
Dues and subscriptions	19,622	70	-	19,692
Feed supplements	-	4,034	-	4,034
Grazing fees	-	16,715	-	16,715
Insurance	49,503	582	-	50,085
Interest expense	1,693	5,342	(5,342)	1,693
Licenses and permits	25,469	-	-	25,469
Member events	12,479	-	-	12,479
Miscellaneous	1,127	83	-	1,210
Office expense	9,562	540	-	10,102
Postage and delivery	3,098	90	-	3,188
Printing and copying	16,889	-	-	16,889
Professional fees	63,102	306	-	63,408
Property taxes	1,590	-	-	1,590
Rent and related	20,160	-	-	20,160
Repairs and maintenance	18,888	1,800	-	20,688
Taxes and licenses	-	800	-	800
Travel	5,230	700	-	5,930
Utilities	24,069	-	-	24,069
Total other costs and expenses	9,683,174	83,678	(5,342)	9,761,510
Subtotal	10,578,281	83,678	(5,342)	10,656,617
Depreciation	86,286	-	-	86,286
Total costs and expenses	\$ 10,664,567	\$ 83,678	\$ (5,342)	\$ 10,742,903

**SIERRA FOOTHILL CONSERVANCY
CONSOLIDATING SCHEDULE, STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

	Sierra Foothill Conservancy	Sierra Lands Beef	Eliminating Entries	Consolidated Balance
Cash flows from operating activities:				
Changes in net assets	\$ 4,453,493	\$ 50,927	\$ -	\$ 4,504,420
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	86,286	-	-	86,286
Unrealized investment gains	(3,725,099)	-	-	(3,725,099)
Forgiveness of debt	(170,791)	-	-	(170,791)
Change in operating assets and liabilities:				
Grants and other receivable	328,574	-	-	328,574
Prepaid expenses and other assets	1,326	-	-	1,326
Inventories	-	7,200	-	7,200
Accounts payable	(26,810)	(19,357)	-	(46,167)
Accrued expenses	14,425	-	-	14,425
Agency and trust fund and deferred revenue	56,458	-	-	56,458
Net cash provided by (used in) operating activities	<u>1,017,862</u>	<u>38,770</u>	<u>-</u>	<u>1,056,632</u>
Cash flows from investing activities:				
Purchase of property, equipment and breeding cattle	(46,980)	(12,000)	-	(58,980)
Proceeds from sale of investment securities	1,552,181	-	-	1,552,181
Purchase of investment securities	<u>(2,334,167)</u>	<u>-</u>	<u>-</u>	<u>(2,334,167)</u>
Net cash provided by (used in) investing activities	<u>(828,966)</u>	<u>(12,000)</u>	<u>-</u>	<u>(840,966)</u>
Cash flows from financing activities:				
Proceeds from issuance of note payable	<u>171,441</u>	<u>-</u>	<u>-</u>	<u>171,441</u>
Net cash provided by (used in) financing activities	<u>171,441</u>	<u>-</u>	<u>-</u>	<u>171,441</u>
Net increase (decrease) in cash and cash equivalents	360,337	26,770	-	387,107
Cash and cash equivalents, beginning of year	<u>2,121,522</u>	<u>23,369</u>	<u>-</u>	<u>2,144,891</u>
Cash and cash equivalents, end of year	<u>\$ 2,481,859</u>	<u>\$ 50,139</u>	<u>\$ -</u>	<u>\$ 2,531,998</u>
Supplemental disclosures of cash flow information:				
Taxes paid	<u>\$ 800</u>	<u>\$ 800</u>		
Interest paid	<u>\$ 1,693</u>	<u>\$ 5,578</u>		

**SIERRA FOOTHILL CONSERVANCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Program Title Grantor/Program or Cluster Title	Federal CFDA Number	Name of Grant	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Natural Resources Conservation Service			
Agricultural Conservation Easement Program	10.931 *	McKinney CE Acquisition 68-9104-19-003	\$ 1,755,530
Total U.S. Department of Agriculture			<u>1,755,530</u>
<u>U.S. Department of the Interior</u>			
Direct Program:			
Central Valley Project Conservation	15.564 *	Day Ranch CE Acquisition RA19AP00034	412,701
Passed through Vollmar Natural Lands Consulting, Inc.			
Central Valley Project Conservation	15.564 *	McKinney CE Acquisition R20AP00031	1,000,000
Total Central Valley Project Conservation			<u>1,412,701</u>
Direct Program:			
Partners for Fish and Wildlife	15.631	Mariposa Creek & Bean Meadow F19AC00422	1,815
Total U.S. Department of the Interior			<u>1,414,516</u>
Total Expenditures of Federal Awards			<u>\$ 3,170,046</u>

**Denotes a major program per Uniform Guidance.*

**SIERRA FOOTHILL CONSERVANCY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the Sierra Foothill Conservancy (the "Conservancy"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the schedule. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

BASIS OF ACCOUNTING

The accompanying SEFA is presented using the accrual basis of accounting, which is described in Note 2 of the Conservancy's consolidated financial statements.

RELATIONSHIP TO FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the Conservancy's consolidated financial statements.

INDIRECT COST RATE

The Conservancy has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance. For specific contracts, the Conservancy may negotiate an alternative indirect cost rate of up to 25 percent.

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OTHER INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Sierra Foothill Conservancy
Mariposa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Sierra Foothill Conservancy (the "Conservancy"), a nonprofit organization, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 22, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Conservancy's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of Conservancy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Conservancy's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Conservancy's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Conservancy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Conservancy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Clovis, California
February 22, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Sierra Foothill Conservancy
Mariposa, California

Report on Compliance for Each Major Federal Program

We have audited Sierra Foothill Conservancy's (the "Conservancy") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Conservancy's major federal programs for the year ended June 30, 2021. Conservancy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Conservancy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Conservancy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Conservancy's compliance.

Opinion on Each Major Federal Program

In our opinion, Sierra Foothill Conservancy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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Report on Internal Control Over Compliance

Management of the Conservancy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Conservancy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Conservancy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Clovis, California
February 22, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SIERRA FOOTHILL CONSERVANCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not
 considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial
 statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not
 considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required
 to be reported in accordance with 2CFR section
 200.516(a) _____ Yes X No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.931	Agricultural Conservation Easement Program
15.564	Central Valley Project Conservation

Dollar threshold used to distinguish between
 Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? _____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reportable.

SECTION III – FEDERAL AWARD FINDINGS

None reportable.

**SIERRA FOOTHILL CONSERVANCY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL STATEMENT FINDINGS

None reportable.

FEDERAL AWARD FINDINGS

None reportable.