

THE OJAI VALLEY LAND CONSERVANCY

FINANCIAL STATEMENTS

June 30, 2021

THE OJAI VALLEY LAND CONSERVANCY
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HUTCHINSON and

BLOODGOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

200 East Carrillo Street, Suite 303
Santa Barbara, CA 93101
t 805.963.1837 f 805.564.2150
www.hblp.com

Board of Directors
The Ojai Valley Land Conservancy

We have audited the accompanying statements of the Ojai Valley Land Conservancy (the “OVLC”), which comprise the statement of financial position as of June 30, 2021, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Ojai Valley Land Conservancy as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

Effective January 1, 2022, Damitz, Brooks, Nightingale, Turner & Morrisset merged with Hutchinson and Bloodgood, LLP. Damitz, Brooks, Nightingale, Turner & Morrisset has previously audited the financial statements of the OVLC as of June 30, 2020, and expressed an unmodified audit opinion on those financial statements in our report dated January 25, 2021. In our opinion, the summarized comparative financial information presented herein as of and for the nine months ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hutchinson and Bloodgood LLP

Hutchinson & Bloodgood LLP
Santa Barbara, California
March 30, 2022

THE OJAI VALLEY LAND CONSERVANCY
Statement of Financial Position
June 30, 2021
(With Summarized Information as of June 30, 2020)

<i>Assets</i>	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
<i>Current Assets</i>				
Cash and cash equivalents	\$ 721,979	\$ 98,959	\$ 820,938	\$ 981,662
Short-term investments	121,424	-	121,424	372,499
Program services revenue receivable	395,400	-	395,400	273,785
Inventory	20,922	-	20,922	22,188
Prepaid expenses	11,813	-	11,813	12,522
<i>Total current assets</i>	1,271,538	98,959	1,370,497	1,662,656
<i>Other Assets</i>				
Investments	11,881,582	185,000	12,066,582	930,984
Deposits	2,212	-	2,212	2,212
Construction in progress	82,109	-	82,109	77,547
Property held for conservation purposes, net	6,503,121	-	6,503,121	6,547,273
Property and equipment, net	32,965	-	32,965	51,743
<i>Total other assets</i>	18,501,989	185,000	18,686,989	7,609,759
<i>Total assets</i>	\$ 19,773,527	\$ 283,959	\$ 20,057,486	\$ 9,272,415
<i>Liabilities and Net Assets</i>				
<i>Current Liabilities</i>				
Accounts payable	\$ 25,383	\$ -	\$ 25,383	\$ 20,044
Accrued payroll	50,447	-	50,447	38,140
Accrued expenses	6,788	-	6,788	3,596
Contract liabilities	113,134	-	113,134	61,248
<i>Total current liabilities</i>	195,752	-	195,752	123,028
<i>Other Liabilities</i>				
SBA EIDL loan	25,000	-	25,000	25,000
<i>Total other liabilities</i>	25,000	-	25,000	25,000
<i>Total Liabilities</i>	220,752	-	220,752	148,028
<i>Net Assets</i>				
Without donor restrictions				
Undesignated	8,950,630	-	8,950,630	8,796,980
Board designated	10,602,145	-	10,602,145	126,832
Total net assets without donor restrictions	19,552,775	-	19,552,775	8,923,812
With donor restrictions				
Restricted for specified purpose	-	98,959	98,959	15,575
Restricted in perpetuity	-	185,000	185,000	185,000
Total net assets with donor restrictions	-	283,959	283,959	200,575
<i>Total net assets</i>	19,552,775	283,959	19,836,734	9,124,387
<i>Total liabilities and net assets</i>	\$ 19,773,527	\$ 283,959	\$ 20,057,486	\$ 9,272,415

THE OJAI VALLEY LAND CONSERVANCY
Statement of Activities
Year Ended June 30, 2021
(With Summarized Information for the Nine Months Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
<i>Support, Revenues, and Gains</i>				
<i>Public Support</i>				
Bequests	\$ 137,465	\$ -	\$ 137,465	\$ 25,532
Contributions	608,466	84,517	692,983	492,809
Donated services	30,022	-	30,022	26,319
Paycheck Protection Program loan forgiveness	108,948	-	108,948	116,195
<i>Total public support</i>	884,901	84,517	969,418	660,855
<i>Revenues and Gains</i>				
Program services revenue	409,118	-	409,118	335,068
Events	22,359	-	22,359	17,083
Special events:				
Special events - gross proceeds	24,964	-	24,964	11,440
Direct special event costs	(10,809)	-	(10,809)	(7,040)
Net special events proceeds	14,155	-	14,155	4,400
Investment income (loss)	259,648	4,043	263,691	(34,979)
Thomas fire settlement proceeds, net	10,472,542	-	10,472,542	10,000
Rental income	27,500	-	27,500	26,348
Other income	19,806	-	19,806	5,787
Net assets released from restrictions	5,176	(5,176)	-	-
<i>Total revenues and gains</i>	11,230,304	(1,133)	11,229,171	363,707
<i>Total support, revenues, and gains</i>	12,115,205	83,384	12,198,589	1,024,562
<i>Expenses</i>				
<i>Program Services</i>				
Programs	902,371	-	902,371	478,712
<i>Supporting Services</i>				
Management and general	450,499	-	450,499	349,175
Fundraising	133,372	-	133,372	119,740
<i>Total supporting services</i>	583,871	-	583,871	468,915
<i>Total expenses</i>	1,486,242	-	1,486,242	947,627
<i>Increase in net assets</i>	10,628,963	83,384	10,712,347	76,935
<i>Net assets, beginning of year</i>	8,923,812	200,575	9,124,387	9,047,452
<i>Net assets, end of year</i>	\$ 19,552,775	\$ 283,959	\$ 19,836,734	\$ 9,124,387

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

THE OJAI VALLEY LAND CONSERVANCY
Statement of Functional Expenses
Year Ended June 30, 2021
(With Summarized Information for the Nine Months Ended June 30, 2020)

	Projects		Supporting Services		Total 2021	Total 2020
	Total Programs	Management and General	Fundraising	Total Supporting Services		
Salaries and wages						
Salaries and wages	\$ 364,148	\$ 183,807	\$ 73,613	\$ 257,420	\$ 621,568	\$ 457,160
Payroll taxes	27,361	13,811	5,531	19,342	46,703	39,295
Employee benefits	43,220	21,816	8,737	30,553	73,773	46,197
Total salaries and wages by function	434,729	219,434	87,881	307,315	742,044	542,652
Bank fees	448	647	8,735	9,382	9,830	4,590
Contract labor	314,506	3,157	2,736	5,893	320,399	113,186
Depreciation and amortization	7,345	55,584	-	55,584	62,929	41,585
Dues and subscriptions	125	18,527	36	18,563	18,688	6,795
Insurance	-	22,230	-	22,230	22,230	19,018
Materials and supplies	88,212	4,408	3,204	7,612	95,824	25,530
Newsletter and printing	6,521	2,104	8,553	10,657	17,178	19,491
Occupancy	11,340	5,724	2,292	8,016	19,356	14,517
Office expenses	4,123	15,333	6,575	21,908	26,031	21,263
Postage	3,620	2,255	6,441	8,696	12,316	8,587
Professional fees	16,198	86,539	8,888	95,427	111,625	93,983
Repairs and maintenance	330	11,816	8,548	20,364	20,694	30,127
Travel	14,874	2,741	292	3,033	17,907	13,343
Total expenses by function	467,642	231,065	56,300	287,365	755,007	412,015
Less expenses included with revenues on the statement of activities						
Events expenses	-	-	(10,809)	(10,809)	(10,809)	(7,040)
2021 Total expenses	\$ 902,371	\$ 450,499	\$ 133,372	\$ 583,871	\$ 1,486,242	\$ 947,627
2020 Total expenses	\$ 478,712	\$ 349,175	\$ 119,740	\$ 468,915		

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

THE OJAI VALLEY LAND CONSERVANCY
Statement of Cash Flows
Year Ended June 30, 2021
(With Summarized Information for the Nine Months Ended June 30, 2020)

	2021	2020
<i>Cash flows from operating activities</i>		
Increase in net assets	\$ 10,712,347	\$ 76,935
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	62,929	41,585
Donated securities	(134)	(11,278)
Loss on sale of vehicle	-	1,836
Net (increase) decrease in unrealized gain on investments	(244,693)	50,754
Paycheck Protection Program loan forgiveness	(108,948)	(116,195)
(Increase) decrease in:		
Program services revenue receivable	(121,615)	31,132
Inventory	1,266	(9,142)
Prepaid expenses	709	(2,297)
Increase (decrease) in:		
Accounts payable	5,339	17,545
Accrued payroll	12,307	2,756
Deposits	-	(3,500)
Accrued expenses	3,192	(5,477)
Contract liabilities	51,886	(46,397)
<i>Net cash provided by operating activities</i>	10,374,585	28,257
<i>Cash flows from investing activities</i>		
Proceeds from sale of vehicle	-	2,166
Purchase of property and equipment	(4,562)	(5,833)
Purchase of property held for conservation and improvements	-	(14,419)
Purchase of investments	(10,639,695)	(15,314)
<i>Net cash used by investing activities</i>	(10,644,257)	(33,400)
<i>Cash flows from financing activities</i>		
Paycheck Protection Program loan	108,948	116,195
SBA EIDL loan	-	25,000
<i>Net cash provided by financing activities</i>	108,948	141,195
Net increase (decrease) in cash and cash equivalents	(160,724)	136,052
<i>Cash and cash equivalents, beginning of year</i>	981,662	845,610
<i>Cash and cash equivalents, end of year</i>	\$ 820,938	\$ 981,662

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

The Ojai Valley Land Conservancy
Notes to Financial Statements
June 30, 2021

1. ORGANIZATION AND ACTIVITIES

Nature of the OVLC

The Ojai Valley Land Conservancy (the “OVLC”), a California nonprofit public benefit corporation, was established and incorporated in 1987. The OVLC protects and restores the open space, wildlife habitat, watersheds, and views of the Ojai Valley for current and future generations. The OVLC facilitates and manages partnerships among private landowners, educational institutions, and government agencies to acquire and steward priority lands and provides information and materials to the public on ecology and land conservation issues. Increasingly, the OVLC seeks to enhance climate resilience through the ecological restoration of private lands throughout the Ojai Valley.

Accreditation

In September 2016, the Land Trust Accreditation Commission, an independent program of the Land Trust Alliance accredited the OVLC. This accreditation indicates the OVLC meets national quality standards for protecting important natural places and working lands forever and lets the public know that the accredited land trust has undergone an extensive, external review of the governance and management of its organization and the systems and policies it uses to protect land. The accreditation review is performed every five years and the OVLC expects to be re-accredited by the Commission in February of 2022.

Activities

The OVLC acquires land and conservation easements by purchase and by donation. As of June 30, 2021, the OVLC manages approximately 2,400 acres of open space in the Ojai Valley of which 2,000 acres are open for free public access. Donated interests in lands, where the landowner wishes to be eligible for certain federal and state conservation tax benefits, are required to have an appraisal commissioned by the landowner, in accordance with U.S. Internal Revenue Code Section 170(f)(11). When used to substantiate a tax deduction or credit, landowner appraisals are subject to federal and state tax audit, including penalties for misstatement of values in the appraisal. Purchased land interests require an appraisal prepared for the OVLC to the standards of the federal, state or local funding agency or private donor. The OVLC also engages in land stewardship and natural resource restoration projects, small scale and large, in collaboration with private landowners, public agencies and local community groups.

1. ORGANIZATION AND ACTIVITIES (Cont.)

During the year ended June 30, 2021, the OVLC was actively involved in several land conservation, restoration, public access and education projects, including, but not limited to:

A. Nature Preserves (Owned by the OVLC)

Ojai Meadows Preserve - The preserve was established in 2002, and comprises 58 acres of oak woodland, grasslands, and wetlands. It is one of the last remaining grasslands on the east side of the Ventura River with impressive views of the surrounding Los Padres National Forest. The preserve is connected to three other oak woodlands properties that hold high conservation values. Ultimately, the OVLC's goal is to protect critical wildlife corridors between this preserve, the Ventura River, and San Antonio Creek. The meadows had been heavily disturbed by humans, but the OVLC has restored the wetland, is planting oaks, native plants, and reintroducing native flora. This long-term project will improve habitat for birds and other wildlife. Since the restoration of the wetland, more than 100 bird species have returned to the preserve and 185 different bird species have been counted on the preserve. Walking trails are open to the public during daylight hours. These paths are enjoyed by hikers and bicyclists. OVLC is actively planning to install a bridge over the Happy Valley Drain on the preserve. Four schools are adjacent to the preserve and teachers use the area for outdoor and environmental education. The site is also used by bird watchers, artists, and those seeking a break from urban life.

San Antonio Creek Preserve - Nine acres of open space including a section of San Antonio Creek, dramatic views of Sulphur Mountain and a part of the wildlife corridor to the Ojai Meadows Preserve are just a few highlights of this preserve. A longtime eyesore covered in junked cars, debris, and derelict buildings, the property was cleaned-up and generously donated by Betty McCurley in March 2002. The property is open to the public by written permission only.

Ventura River-Confluence Preserve - The Ventura River Confluence Preserve was established in April 2004. It's a 13-acre parcel named for the merging of the Ventura River and San Antonio Creek. Large stature cottonwood and sycamores tower over lush undergrowth, providing one of the best remaining examples of Ventura River riparian forests. The rich riparian habitat is home to a wide variety of wildlife such as the federally endangered California red-legged frog and southern steelhead trout. This open space bounds both sides of Highway 33 just south of the San Antonio Creek Bridge at the base of the Arnaz Grade.

Rio Vista Preserve - The 54-acre Rio Vista Preserve is less than a half mile from the Confluence Preserve on the Ventura River. The preserve is three-quarters of a mile long and sits next to the Ojai-Ventura bike path. The land was acquired in 2009, with a grant from the California Coastal Conservancy. The OVLC has successfully removed the damaging invasive plant giant reed (*Arundo donax*), so that live oaks, alluvial scrub, and possibly the endangered bird Least Bell's vireo can return. This restored land is an important asset in protecting a free-flowing river and wildlife corridor.

1. ORGANIZATION AND ACTIVITIES (Cont.)

A. Nature Preserves (Owned by the OVLC) (cont.)

Ventura River Preserve - Located in the western Ojai Valley, the Ventura River Preserve protects 1,600 acres and three miles of the Ventura River and surrounding canyons. Diverse topography creates ideal conditions for a variety of plant communities. Steep north facing slopes in Will's Canyon offer refuge for shade-loving plants while chaparral blanketed hillsides are exposed to summer sun. Pockets of grasslands and meadows offer a colorful variety of spring wildflowers and grasses. This land is a haven for over 300 animal and plant species. The preservation of this property is made even more significant by its location adjacent to the Los Padres National Forest and the Ventura River watershed. The OVLC has a highly significant restoration project occurring on this parcel to restore the bottomland oak woodlands. This preserve is open to the public during daylight hours and offers over twelve miles of mixed-use trails for hikers, mountain bikers, and equestrians to enjoy. The OVLC estimates that 60,000 visitors per year utilize the preserve for recreation. In June 2019, OVLC added a 31.15-acre parcel to the Ventura River Preserve which includes portions of the Ventura River. This additional property has the same attributes of the larger, contiguous Preserve property.

Ilvento Preserve - The Ilvento Preserve was the first acquisition for the OVLC when it was donated by the Ilvento Family in December of 1996. The 80-acre chaparral ridge is located near the Thacher School on the east end of the Ojai Valley. The preserve has diverse native plant communities and provides habitat linkages for wildlife.

Ventura River Steelhead Preserve - In June 2011, the OVLC received a grant from the state Coastal Conservancy to acquire 63 acres and an additional mile of the Ventura River that offers perhaps the river's best refuge for the endangered Southern steelhead trout, as well as a home for several other rare, threatened, or endangered species. The Ventura River Steelhead Preserve also has a historic ranch house and out-buildings which are currently occupied by the Executive Director under a lease agreement. Refer to Note 10. This arrangement has enabled frequent use of the structure and grounds for donor events, outreach, and meetings.

Valley View Preserve - In 2013, the OVLC purchased 208 acres near downtown Ojai and the Valley View Preserve was established. The purchase of this preserve was entirely community funded. The south facing chaparral covered hills of the Valley View Preserve serve as the natural scenic backdrop to the north end of the Ojai Valley. Not only offering the iconic view from town, hiking the preserve's steep trails offers a spectacular view of the Ojai Valley as well. This preserve provides access to hiking trails less than one mile from downtown Ojai and provides extensive trail connections into the Los Padres National Forest.

Senior Canyon Preserve - In August 2014, the OVLC was the successful bidder at auction of an important 160-acre parcel for the Ojai Valley's water supply. The forested parcel on the edge of the Ojai Valley is remote, wild, and largely surrounded by national forest. It is also an important catchment basin that provides water to a number of Ojai Valley residents. Due to its role as a water supply and important wildlife habitat, the preserve is closed to the public.

1. ORGANIZATION AND ACTIVITIES (Cont.)

B. Conservation Easements and Stewardship

Fuel Break Trail Easement - Runs east/west and is approximately one mile long, connecting the U.S. Forest Service's (USFS) Fuelbreak Road and Gridley Trail. The trail easement ensures permanent access through private property linking numerous trails to other USFS and OVLC trails, including those on the nearby Valley View Preserve.

Oso Ridge Conservation Easement – Provides views of Rancho Matilija and the surrounding area with views of Lake Casitas. The easement provides the high point of the entire Ventura River Preserve at 1,320 feet, which provides a panoramic view of the preserve and Ojai Valley.

Wilson Conservation Easement - Protects 36 acres of pastureland and oak woodland featuring several waterways important to the protection of the San Antonio Creek, the largest tributary to the Ventura River. This land's relatively rare intact riparian woodland provides a home for a variety of animals including bobcat, coyote, mule deer, mountain lion, California quail and potential habitat for threatened species such as Southern steelhead trout, Southwestern Pond turtle and Pacific tree frog.

Krishnamurti Foundation of America Trail Easement - The trails on this now expired 5-year trail easement offer an up-close view of one of Ojai's signature landscapes along Highway 33 and connects more neighborhoods to the Ojai Meadows Preserve.

C. Other Activities

In addition to land preservation, the OVLC also provides the following:

Ecological Restoration – The OVLC has an active grant-funded restoration program. Work has mainly focused on the Ojai Meadows Preserve, Ventura River, and San Antonio Creek. Restoration projects have included removing invasive species such as giant reed from the watershed, restoring wetlands, restoring native oak woodlands and oak savannas as well as restoring old orange orchards back to native habitat. The OVLC seeks to expand its restoration activities with a programmatic objective of enhancing water resilience.

Trailhead Hosts - The OVLC trained docents may work at various OVLC preserve trailheads to provide services to visitors looking for information about trails, wildlife, plants, history, scenic places, restoration projects, etc.

Interpretive Tours - The OVLC trained docents may assist with school groups, preserve tours, hikes, and nature walks. Each tour or hike has an individual theme dependent on the interests of the individual docent or the group requesting the tour.

California Naturalist Program – The OVLC offers this unique program some years in partnership with University of California Cooperative Extension. The California Naturalist training is an innovative program developed by the University of California Cooperative Extension to foster a committed corps of volunteer naturalists and citizen scientists trained and ready to take an active role in natural resource conservation, education, and restoration. The course is a combination of classroom work and field training.

1. ORGANIZATION AND ACTIVITIES (Cont.)

C. Other Activities (cont.)

All About Ojai -All About Ojai is the OVLC's environmental learning series. The OVLC hosts approximately ten educational programs a year ranging from lectures, films, nature walks, and tours on a variety of topics. It is a great way to learn more about our local area and larger environmental issues.

Mountainfilm on Tour – Each year the OVLC hosts Mountainfilm on Tour, bringing the original films and experience of the annual festival in Telluride to Ojai. This community event brought 2,000 people together in 2019 to enjoy live music and inspiring films. Coupled with Under the Open Sky, a night of dinner and film before the main event Saturday night, this is OVLC's premier event. In 2020, due to the COVID-19 pandemic, the event went virtual, but OVLC looks forward to hosting it live again in the coming years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Accounting principles generally accepted in the United States of America (GAAP) require that the OVLC report information regarding its financial position and activities according to two classes of net assets based on the existence and nature of donor-imposed restrictions as follows:

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 OVLC.

Net assets with donor restrictions: Net assets with donor restrictions are classified as such based on the nature of donor restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the OVLC or by the passage of time. When a restriction expires or is met, donor restricted net assets are reclassified to net assets without donor restrictions and are reported in the accompanying statement of activities as net assets released from restrictions. Other donor restrictions are permanent in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Fiscal Year Change

Effective October 1, 2019, the OVLC changed from a fiscal year end of September 30 to June 30. A nine month fiscal transition period from October 1, 2019 through June 30, 2020, precedes the start of the new fiscal year cycle. The year ended June 30, 2021 marks the first complete year after the fiscal year change.

Prior-Period Summarized Information

The financial statements include certain prior-period summarized comparative information in total but not presented by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the OVLC's financial statements for the nine months ended June 30, 2020 from which the summarized information was derived.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, cash in banks, cash in money market funds and exclude cash equivalents held for investment. (See *Fair Value Measurements* below).

Short-term Investments

The OVLC includes in short-term investments certificates of deposits. Certificates of deposit are valued utilizing benchmark yields, reported trades or broker dealer quotes and are Level 2. (See *Fair Value Measurements* below).

Revenue Recognition

All revenue is recognized in the period when the contribution or unconditional promise to give is received. In the absence of donor restrictions, contributions are considered to be available for use. All donor restricted contributions are reported as increases in net assets with donor restrictions.

Investments

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. There were no investment advisory fees for the year ended June 30, 2021 and the nine months ended June 30, 2020, respectively.

Property and Equipment

The OVLC's investment in farm vehicles, furniture and computer equipment is stated at cost, or fair market value if donated. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is calculated using the straight-line method over an estimated useful life of three to twenty seven and a half years. The OVLC capitalizes all assets which have a useful life greater than one year and a cost greater than \$2,500.

Property Held for Conservation Purposes

Property held for conservation purposes includes purchased or donated properties and conservation easements to be maintained as nature preserves. Purchased land is stated at the lesser of cost or fair market value. Donated properties are initially recorded at their appraised values at the date of contribution, and are carried at the lower of this amount or fair market value. Preserved land and conservation easements are treated as commitments and are recorded in property held for conservation purposes as \$1 each and also net assets with donor restrictions. All nature reserve land and buildings have fair market values of \$0 due primarily to deed restrictions, which affect potential sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Fair Value Measurements

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* issued by the Financial Accounting Standards Board (FASB) defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. Pursuant to ASC 820, assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure fair value. ASC 820 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Following is a description of the valuation methodologies used for investments measured at fair value.

Cash: Valued at face value (Level 1)

Cash equivalents – money market funds: Valued at face value. (Level 1)

Short-term investments – certificates of deposit: Valued utilizing benchmark yields, reported trades or broker dealer quotes. (Level 2)

Common stock and exchange traded funds: Valued utilizing quoted prices available in active markets for identical investments as of the reporting date. (Level 1)

Donated Services

The OVLC recognizes contribution revenue for specialized services that would otherwise be purchased by the OVLC in an amount equal to the fair value of those services. Donated services, which meet certain authoritative criteria and can be objectively valued, have been reflected as donated services in the accompanying statements. The OVLC also received donated services from a variety of unpaid volunteers which included 1,853 hours for programs, 484 hours for management and general, and 176 hours for fundraising for the year ended June 30, 2021. Although these services are an integral part of OVLC's ability to sustain OVLC's mission, they do not meet the criteria for recognition under GAAP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Functional Expenses

The OVLC allocates its expenses on a functional basis among its various projects and support services. Expenses that can be identified with a specific project and support service are allocated directly according to their expenditure classification. Other expenses that are common to several functions are allocated using various statistical bases.

Program Services Revenues

Program services revenue are received from federal, state, and local agencies are recorded as revenue as the related costs are incurred. Costs incurred under the contracts are subject to audit by government agencies. Management believes that the disallowance of costs, if any, would not be material to the financial statements. Amounts received prior to OVLC providing services required by the grant or contract are recorded as contract liabilities. Contract liabilities were \$113,134 and \$61,248 as of June 30, 2021 and 2020, respectively. As of June 30, 2021 management determined that no reserve for program services revenue receivable was required. The determination is based on management's evaluation of the current status of existing receivables, evaluation of factors surrounding credit risk, historical trends, and other information.

Tax Exempt Status

The OVLC is an exempt OVLC under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code, and is considered a public charity.

Uncertain Tax Positions

Financial Accounting Standards Board's ASC 740-10, *Accounting for Uncertainty in Income Taxes*, prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The OVLC files tax returns in the U.S. federal jurisdiction and in the state of California. The OVLC's tax returns from the year 2017 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2016 to the present remain subject to examination by the state of California. Management has evaluated its tax positions for all jurisdictions in which the statute of limitations remains open and has determined that the OVLC had taken no uncertain tax positions that require adjustment to the financial statements. The OVLC is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes.

Use of Estimates

Financial statements prepared in accordance with GAAP require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Subsequent Events

Management has evaluated subsequent events through March 30, 2022, the date which the financial statements were available to be issued. Refer to Note 19.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of June 30, 2021:

Cash and cash equivalents	\$ 721,979
Short-term investments	121,424
Program services revenue receivable	395,400
Investments	11,881,582
Less board-designated endowment funds	<u>(129,603)</u>
	<u>\$ 12,990,782</u>

Based on the available liquidity as of June 30, 2021 and expected cash income from grants, contributions, and program services revenue for the fiscal year ending June 30, 2022, the OVLC will have sufficient cash to fund operations for the fiscal year ending June 30, 2022.

4. INVESTMENTS

Investments consist of the following as of:

<u>June 30, 2021</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Cash	\$ 10,890,011	\$ 10,890,011	\$ -
Certificate of deposit	121,424	121,424	-
Common stock	6,655	13,754	7,099
Exchange traded funds			
Real estate	42,097	48,968	6,871
U.S. equity	181,697	345,272	163,575
Foreign equity	273,452	376,746	103,294
Fixed income	336,584	338,880	2,296
Other	50,809	52,951	2,142
	<u>\$ 11,902,729</u>	<u>\$ 12,188,006</u>	<u>\$ 285,277</u>

4. INVESTMENTS (Cont.)

<u>June 30, 2020</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Excess (Deficit) of Fair Value Over Cost</u>
Cash	\$ 12,907	\$ 12,907	\$ -
Certificate of deposit	372,499	372,499	-
Common stock	6,519	9,561	3,042
Exchange traded funds			
Real estate	41,080	36,736	(4,344)
U.S. equity	177,701	229,010	51,309
Foreign equity	266,532	275,454	8,922
Fixed income	334,852	332,470	(2,382)
Other	50,809	34,846	(15,963)
	<u>\$ 1,262,899</u>	<u>\$ 1,303,483</u>	<u>\$ 40,584</u>

Investment income (loss) consists of the following for the year ended June 30, 2021 and the nine months ended June 30, 2020:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 18,998	\$ 15,775
Net change in unrealized gain	<u>244,693</u>	<u>(50,754)</u>
	<u>\$ 263,691</u>	<u>\$ (34,979)</u>

5. FAIR VALUE MEASUREMENTS

The following sets forth by level, within the fair value hierarchy, the OVLC's assets measured at fair value on a recurring basis as of June 30, 2021:

	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
Cash	\$ 10,890,011	\$ -	\$ -
Certificate of deposit	-	121,424	-
Common stock	13,754	-	-
Exchange traded funds	1,162,817	-	-
	<u>\$ 12,066,582</u>	<u>\$ 121,424</u>	<u>\$ -</u>

5. FAIR VALUE MEASUREMENTS (Cont.)

The following sets forth by level, within the fair value hierarchy, the OVLC's assets measured at fair value on a recurring basis as of June 30, 2020:

	Fair Value (Level 1)	Fair Value (Level 2)	Fair Value (Level 3)
Cash	\$ 12,907	\$ -	\$ -
Certificate of deposit	-	372,499	-
Common stock	9,561	-	-
Exchange traded funds	908,516	-	-
	<u>\$ 930,984</u>	<u>\$ 372,499</u>	<u>\$ -</u>

6. PROPERTY HELD FOR CONSERVATION PURPOSES

Property held for conservation purposes is summarized by major classifications as follows at June 30, 2021 and June 30, 2020:

	2021	2020
Land easements	\$ 5	\$ 5
Land and building	<u>7,116,721</u>	<u>7,116,721</u>
	7,116,726	7,116,726
Less accumulated depreciation	<u>(613,605)</u>	<u>(569,453)</u>
	6,503,121	6,547,273
Construction in progress	<u>82,109</u>	<u>77,547</u>
Total property held for conservation purposes	<u>\$ 6,585,230</u>	<u>\$ 6,624,820</u>

Depreciation expense for the year ended June 30, 2021 and the nine months ended June 30, 2020, was approximately \$44,200 and \$26,500, respectively.

7. PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows at June 30, 2021 and June 30, 2020:

	2021	2020
Furniture	\$ 16,964	\$ 16,964
Office equipment	30,510	30,510
Machinery and equipment	7,738	7,738
Vehicles	<u>52,722</u>	<u>52,722</u>
	107,934	107,934
Less accumulated depreciation and amortization	<u>(74,969)</u>	<u>(56,191)</u>
	<u>\$ 32,965</u>	<u>\$ 51,743</u>

Depreciation and amortization expense for the year ended June 30, 2021 and the nine months ended June 30, 2020 was approximately \$18,800 and \$15,100, respectively.

8. OPERATING LEASE

The OVLC leases its office on a month to month basis and has rent payments of \$1,613 per month.

9. NOTE PAYABLE

In June 2020, the OVLC received an Economic Injury Disaster Loan (EIDL) from the Small Business Administration in the amount of \$25,000. The note bears an interest rate of 2.75% and matures in June 2051.

The following is a schedule by year of the maturity of the note payable:

Year ending June 30,		
	2022	\$ 73
	2023	886
	2024	910
	2025	936
	2026	962
	Thereafter	<u>21,233</u>
		<u>\$ 25,000</u>

No interest was paid on the note for the year ended June 30, 2021.

10. RENTAL INCOME – RELATED PARTIES

Steelhead Preserve

In August 2020, OVLC executive director Tom Maloney began renting the Steelhead Preserve property. Base rent payments of \$2,500 are made monthly to OVLC. Rental income received from related parties for the year ended June 30, 2021 and 2020 was approximately \$27,000.

11. CONDITIONAL GRANTS

Paycheck Protection Program Loans

In February 2021, the OVLC received a second draw loan of approximately \$108,900 under the Small Business Administration Paycheck Protection Program. Loans received under this program are eligible for forgiveness as documented in the regulations. On July 19, 2021, the OVLC received notice of full loan forgiveness and recognized the loan balance of approximately \$108,900 as loan forgiveness income in the statement of activities for the year ended June 30, 2021.

In May 2020, the OVLC received a loan of approximately \$116,200 under the Small Business Administration Paycheck Protection Program. Loans received under this program are eligible for forgiveness as documented in the regulations. The OVLC has met the forgiveness criteria described in the regulations for approximately \$116,200 as of June 30, 2020 and recognized the loan forgiveness income in statement of activities the period ended June 30, 2020. The OVLC received notice of forgiveness in March 2021.

12. SETTLEMENT PROCEEDS

Thomas Fire Settlement

In March 2021, OVLC received a \$13,500,000 settlement from utility company due to damages caused by the Thomas Fire to OVLC conservation lands. After fees and associated cost the OVLC received net proceeds of \$10,472,542.

The net settlement proceeds as recorded in the statement of activities is as follows:

Gross settlement	\$	13,500,000
Less: Attorney's fees		(2,618,136)
Attorney's holdback		(202,500)
Litigation costs		<u>(206,822)</u>
Net settlement proceeds	\$	<u>10,472,542</u>

13. CONCENTRATIONS AND RISKS

Credit Risk

The OVLC maintains cash balances at several financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Cash balances held in brokerage accounts are insured by the Securities Investor Protection Corporation (SIPC) up to \$250,000 per institution. Uninsured cash balances at June 30, 2021 totaled approximately \$11,192,000. The uninsured cash balances primarily consisted of cash held in investment accounts.

Market Risk

The OVLC holds its investments in a diversified portfolio, pursuant to a Board adopted investment policy. Nevertheless, these investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

14. COMMITMENTS

Easements

The OVLC has agreed to undertake annual monitoring and enforcement activities to ensure compliance with the terms and conditions of five conservation easements. The OVLC is the owner of five properties restricted to open space uses.

Casitas Pass Bridge

As of June 30, 2021, the OVLC had incurred approximately \$46,000 in expenditures related to the construction of the Casitas Pass Bridge. These are recorded as construction in progress in the statement of financial position as June 30, 2021. The Casitas Water District ("CWD") is advancing payment for the remaining construction costs of the bridge, which are estimated to be approximately \$300,000. Further, the CWD expects to receive approximately \$172,000 from the Federal Emergency Management Agency related to the Thomas Fire settlement to offset the costs related to the bridge. The OVLC is responsible for the reimbursement of the net amount of construction costs incurred by the CWD, which are expected to be approximately \$128,000.

15. LINE OF CREDIT

In March 2019, the OVLC obtained an unsecured, revolving operating line of credit of \$100,000, with interest at the current Wall Street Journal Prime Rate plus 2%. Monthly payments of interest calculated based on the outstanding balance are required. The line of credit has a maturity date of March 25, 2021. As of June 30, 2021, there is no outstanding balance on the line of credit.

16. ENDOWMENT FUNDS

Interpretation of Relevant Law

The Board of Directors of the OVLC has interpreted the California adopted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the OVLC classifies as permanently restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the donor gift instrument.

In accordance with California UPMIFA the OVLC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds;

- (1) The duration and preservation of the fund
- (2) The purposes of the OVLC and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the OVLC
- (7) The investment policies of the OVLC

Return Objectives and Risk Parameters

The OVLC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The OVLC expects its endowment funds, over time, to provide an average annual rate of return of approximately two to five percent. Actual returns in any given year may vary from this amount.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the OVLC to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021 or June 30, 2020.

16. ENDOWMENT FUNDS (Cont.)

Endowment net asset composition by type of fund as of June 30, 2021, was as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Board designated endowment funds	\$ 129,603	\$ -	\$ -	\$ 129,603
Donor restricted endowment funds	-	4,043	185,000	189,043
Total	<u>\$ 129,603</u>	<u>\$ 4,043</u>	<u>\$ 185,000</u>	<u>\$ 318,646</u>

Changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Beginning endowment net assets	\$ 126,832	\$ -	\$ 185,000	\$ 311,832
Net investment return	2,771	4,043	-	6,814
Additions	-	-	-	-
Appropriation of endowment for expenditure	-	-	-	-
Ending endowment net assets	<u>\$ 129,603</u>	<u>\$ 4,043</u>	<u>\$ 185,000</u>	<u>\$ 318,646</u>

Endowment net asset composition by type of fund as of June 30, 2020, was as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Board designated endowment funds	\$ 126,832	\$ -	\$ -	\$ 126,832
Donor restricted endowment funds	-	-	185,000	185,000
Total	<u>\$ 126,832</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 311,832</u>

16. ENDOWMENT FUNDS (Cont.)

Changes in endowment net assets for the nine months ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Beginning endowment net assets	\$ 126,832	\$ -	\$ 185,000	\$ 311,832
Net investment return	-	-	-	-
Additions	-	-	-	-
Appropriation of endowment for expenditure	-	-	-	-
Ending endowment net assets	<u>\$ 126,832</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 311,832</u>

17. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following as of June 30:

	2021	2020
Undesignated	\$ 8,950,630	\$ 8,796,980
Board designated:		
Operational endowment	103,035	100,832
Ojai Meadows Preserve endowment	26,568	26,000
Stewardship fund	<u>10,472,542</u>	<u>-</u>
Total net assets without donor restrictions	<u>\$ 19,552,775</u>	<u>\$ 8,923,812</u>

18. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2021 and June 30, 2020, net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose:

	2021	2020
Bridges	\$ 17,498	\$ 4,885
Cluff Vista endowment accumulated earnings	1,311	-
Environmental Education for Young Adults With Moderate to Severe Disabilities	293	293
Grazing program	5,000	-
Intern program	377	-
Land acquisition	26,474	10,000
Matilija acquisitions	44,610	-
Oaks on Ventura River Preserve	-	397
Operational endowment accumulated earnings	2,732	-
Trail repair & recovery	664	-
	<u>\$ 98,959</u>	<u>\$ 15,575</u>

Subject to OVLC's endowment spending policy and appropriation:

Cluff Vista endowment	\$ 60,000	\$ 60,000
Donor restricted endowment for operational support	<u>125,000</u>	<u>125,000</u>
	<u>185,000</u>	<u>185,000</u>
 Total net assets with donor restrictions	 <u>\$ 283,959</u>	 <u>\$ 200,575</u>

19. SUBSEQUENT EVENTS

Parkway Preserve

In a partnership with the Trust for Public Land, the OVLC accepted title on 28.65 acres of land along the Ventura River in November 2021. This property will be the focus of concentrated restoration activities and will provide a new spot for recreational river access to under-served populations of the City of Ventura. In order to care for and steward the property, the OVLC has received donor restricted endowment funds in the amount of \$260,000 with an additional \$240,000 to be donated over the next four years.

Economic Injury Disaster Loan

In December 2021, the OVLC repaid the Economic Injury Disaster Loan from the Small Business Administration (Note 9).