



TreePeople
LAND TRUST

FINANCIAL STATEMENTS
DECEMBER 31, 2020
(with Summarized Totals for 2019)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
TreePeople Land Trust

Report on the Financial Statements

We have audited the accompanying financial statements of TreePeople Land Trust (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements 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.

Auditors' 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TreePeople Land Trust as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of TreePeople Land Trust, as of and for the year ended December 31, 2019, were audited by other auditors whose report dated April 23, 2020 expressed an unmodified audit opinion on those financial statements. The summarized information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California
August 4, 2021

TREEPEOPLE LAND TRUST

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

ASSETS

| | December 31, | |
|-------------------------------------|---------------------|---------------------|
| | 2020 | 2019 |
| ASSETS | | |
| Cash and cash equivalents | \$ 629,552 | \$ 59,102 |
| Restricted cash | 158,099 | 651,005 |
| Accounts and other receivables, net | 144,986 | 431,746 |
| Investments | 1,964,948 | 2,048,295 |
| Prepaid expenses and other assets | 14,538 | 13,338 |
| Property held for sale | 1,460,080 | 1,210,080 |
| Property and equipment, net | 380 | 2,923 |
| Property held for conservation | 39,064 | 39,063 |
| TOTAL ASSETS | \$ 4,411,647 | \$ 4,455,552 |

LIABILITIES AND NET ASSETS

| | | |
|---|---------------------|---------------------|
| LIABILITIES | | |
| Accounts payable | \$ 71,319 | \$ 142,252 |
| Accrued liabilities | 5,363 | 7,432 |
| Insurance proceeds liability | 405,116 | 758,167 |
| | <u>481,798</u> | <u>907,851</u> |
| COMMITMENTS AND CONTINGENCIES (Note 9) | | |
| NET ASSETS | | |
| Without donor restrictions | <u>2,235,412</u> | <u>1,606,566</u> |
| With donor restrictions | | |
| Restricted for time and purpose | 634,841 | 938,898 |
| Restricted in perpetuity | 1,059,596 | 1,002,237 |
| | <u>1,694,437</u> | <u>1,941,135</u> |
| Total net assets | <u>3,929,849</u> | <u>3,547,701</u> |
| TOTAL LIABILITIES AND NET ASSETS | \$ 4,411,647 | \$ 4,455,552 |

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

TREEPEOPLE LAND TRUST

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> | |
|--|---|------------------------------------|---------------------|---------------------|
| | | | <u>2020</u> | <u>2019</u> |
| REVENUE, SUPPORT AND OTHER INCOME | | | | |
| Contributions | \$ 97,713 | \$ 6,254 | \$ 103,967 | \$ 255,834 |
| Government grants and contributions | 212,444 | - | 212,444 | 743,510 |
| Mitigation fees | 100,000 | 162,359 | 262,359 | 303,305 |
| Special events | - | - | - | 7,800 |
| Investment income, net | 93,463 | 70,000 | 163,463 | 471,288 |
| Other income | 57,120 | - | 57,120 | 33,667 |
| PPP loan forgiveness | 153,375 | - | 153,375 | - |
| Net assets released from restriction | 485,311 | (485,311) | - | - |
| | <u>1,199,426</u> | <u>(246,698)</u> | <u>952,728</u> | <u>1,815,404</u> |
| EXPENSES | | | | |
| Program services | 365,806 | - | 365,806 | 759,768 |
| Management and general | 186,227 | - | 186,227 | 219,075 |
| Fundraising | 18,547 | - | 18,547 | 20,568 |
| | <u>570,580</u> | <u>-</u> | <u>570,580</u> | <u>999,411</u> |
| CHANGE IN NET ASSETS | 628,846 | (246,698) | 382,148 | 815,993 |
| NET ASSETS, BEGINNING OF YEAR | <u>1,606,566</u> | <u>1,941,135</u> | <u>3,547,701</u> | <u>2,731,708</u> |
| NET ASSETS, END OF YEAR | <u>\$ 2,235,412</u> | <u>\$ 1,694,437</u> | <u>\$ 3,929,849</u> | <u>\$ 3,547,701</u> |

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

TREEPEOPLE LAND TRUST

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

| | Program Services | Management and General | Fundraising | Total | |
|---------------------------------------|---------------------|---------------------------|------------------|-------------------|-------------------|
| | | | | 2020 | 2019 |
| PERSONNEL EXPENSES | | | | | |
| Salaries | \$ 220,737 | \$ 118,711 | \$ 11,824 | \$ 351,272 | \$ 643,367 |
| Employee benefits | 4,117 | 358 | 441 | 4,916 | 76,045 |
| Payroll taxes | 23,073 | 8,488 | 1,268 | 32,829 | 60,284 |
| Total personnel expenses | 247,927 | 127,557 | 13,533 | 389,017 | 779,696 |
| OPERATIONAL EXPENSES | | | | | |
| Depreciation | - | 513 | - | 513 | 2,137 |
| Equipment and vehicles | 1,248 | 4,458 | - | 5,706 | 8,405 |
| Miscellaneous | - | 4,350 | - | 4,350 | 4,620 |
| Occupancy | 12,261 | 2,819 | - | 15,080 | 17,096 |
| Operations | 4,388 | 30,334 | 5,014 | 39,736 | 73,117 |
| Professional services | 99,075 | 15,766 | - | 114,841 | 96,061 |
| Staff development | - | 94 | - | 94 | 764 |
| Travel | 907 | 336 | - | 1,243 | 17,515 |
| Total operational expenses | 117,879 | 58,670 | 5,014 | 181,563 | 219,715 |
| TOTAL 2020 FUNCTIONAL EXPENSES | \$ 365,806 | \$ 186,227 | \$ 18,547 | \$ 570,580 | |
| PERCENTAGE OF EXPENSES | 64% | 33% | 3% | 100% | |
| TOTAL 2019 FUNCTIONAL EXPENSES | \$ 759,768 | \$ 219,075 | \$ 20,568 | | \$ 999,411 |
| PERCENTAGE OF EXPENSES | 76% | 22% | 2% | | 100% |

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

TREEPEOPLE LAND TRUST

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

| | For the Year Ended December 31, | |
|---|------------------------------------|------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 382,148 | \$ 815,993 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 513 | 2,137 |
| Loss on disposal of property and equipment | 2,030 | - |
| Net realized and unrealized gains on investments | (163,463) | (368,886) |
| Contributions of property held for conservation | (1) | (2,001) |
| Change in operating assets and liabilities: | | |
| Accounts receivable and other receivables | 286,760 | (275,874) |
| Prepaid expenses and other assets | (1,200) | 1,285 |
| Accounts payable | (70,933) | (242,316) |
| Accrued liabilities | (2,069) | (35,048) |
| Insurance proceeds liability | (353,051) | (78,211) |
| Net Cash Provided By (Used In) Operating Activities | 80,734 | (182,921) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of land for investment | (250,000) | - |
| Reinvested interest and dividends | (89,573) | - |
| Purchase of investments | (198,512) | (164,667) |
| Proceeds on sale of investments | 534,895 | 393,966 |
| Net Cash Provided By (Used In) Investing Activities | (3,190) | 229,299 |
| NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | 77,544 | 46,378 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR | 710,107 | 663,729 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR | \$ 787,651 | \$ 710,107 |

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

TREEPEOPLE LAND TRUST

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 1 – Description of Organization

Mountains Restoration Trust dba TreePeople Land Trust (the Trust) is a non-profit accredited land trust dedicated to preserving natural land in the Santa Monica Mountains through restoration, education and land acquisition. Founded in 1981, The Trust collaborates with members of the public and government agencies in an ongoing effort to maintain a cooperative relationship between urbanization and native land.

During 2020, the Trust filed a Fictitious Business Name Statement with the County of Los Angeles to allow the Trust to “do business as” TreePeople Land Trust.

The Trust achieves its goal of preserving the Santa Monica Mountains’ natural resources by implementing three distinct programs: Acquisitions, Restoration and Education.

Program 1 – Acquisition / Real Estate: The Trust owns 1,376 acres in fee title, 1,364.78 acres in conservation easements, and 5.28 acres of trail easements. There are 12 acres of leased land and building at Headwaters Corner. The Trust acquires land to protect the significant ecological areas of Cold Creek, La Sierra, and other strategic habitats.

Program 2 – Land Stewardship and Restoration: The Santa Monica Mountains contain renowned ecosystems for biodiversity, and are, in fact, recognized as a global “biodiversity hotspot.” Mediterranean-climates, found here and on only 2.25% of the world’s surface, support nearly 50,000 plant species. It also supports a significant amount of humans, human developments and invasive species due to its short wet winters and long dry summers. The Trust has a staff of field specialists and technicians working 6 days a week at various restoration sites across the Santa Monica Mountains to remove invasive plants and aquatic species, provide native plantings and restore critical habitats, including oak woodlands, riparian streams, chaparral and sage-scrub hillsides across the approximately 3,000 acres owned or managed by the Trust. The Trust also continues to work with state and national park units on collaborative projects, as well as jurisdictional agencies on mitigation for unavoidable impacts.

Program 3 – Environmental Education: The Trust has five naturalists providing outdoor education field trips for K-12 students from the Greater Los Angeles region. The one-day field trips provide hands-on and experimental environmental science education for approximately 2,500 students per year, primarily from Title 1, or underprivileged schools.

TREEPEOPLE LAND TRUST

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 1 – Description of Organization (Continued)

During 2020, due to the global COVID-19 pandemic, in-person educational programming was suspended for the safety of staff and students. Educational programming is expected to resume by 2022, pending public health official guidelines.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

In preparing the financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such financial information should be read in conjunction with the Trust financial statements for the year ended December 31, 2019 from which the summarized financial information was derived.

Reclassifications

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's format.

TREEPEOPLE LAND TRUST

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Classes of Net Assets

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Trust are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives.

Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Without Donor Restrictions - These generally result from revenue generated by receiving contributions without donor restrictions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

With Donor Restrictions – The Trust reports gifts of cash and other assets as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from purpose or time restrictions. Other donor stipulations may be perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity but permits the Trust to expend all of the income (or other economic benefits) derived from the donated assets.

Cash, Cash Equivalents, and Restricted Cash

For purposes of the statement of cash flows, the Trust considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Trust places its cash and cash equivalents with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Trust has not incurred losses related to these investments and believes it is not exposed to any significant credit risk on cash.

The Trust has certain cash funds that are required by donors or third-parties to be restricted from general operating funds.

TREEPEOPLE LAND TRUST

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents, and Restricted Cash (Continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------------|------------------------------|------------------------------|
| Cash and cash equivalents | \$ 629,552 | \$ 59,102 |
| Restricted cash | <u>158,099</u> | <u>651,005</u> |
| | <u>\$ 787,651</u> | <u>\$ 710,107</u> |

Accounts and Other Receivables

The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, collection efforts, type of customer, the age of outstanding receivables and existing economic conditions. At December 31, 2020 and 2019, determined no allowance was necessary.

Investments

Investments in marketable securities with readily determinable fair values and money market funds are reported at fair value. Interest and dividend income and gains and losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Amortization of leasehold improvements is over the term of the lease agreement. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

TREEPEOPLE LAND TRUST

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

The estimated useful lives of property and equipment are as follows:

| | |
|--------------------------|---------|
| Computer Equipment | 5 years |
| Transportation Equipment | 5 years |

Property Held for Conservation

Property held for conservation purposes includes purchased or donated properties to be sold or transferred to governmental agencies or other individuals and organizations for conservation purposes or maintained as a nature preserve in perpetuity. Land and conservation easements are treated as commitments and are recorded in property held for conservation purposes at a minimal value of \$1,000 for each parcel of land and \$1 for each easement, due to deed restrictions, which affect potential sales and the principal market value.

Long-Lived Assets

The Trust reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the year ended December 31, 2020 and 2019.

Revenue Recognition

Beginning January 1, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2016-09) and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08).

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. 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 are substantially met.

TREEPEOPLE LAND TRUST

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Revenue from certain federal, state, and county grants are conditioned upon certain performance requirements, which can include the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Trust has incurred expenditures in compliance with specific contract or grant provisions and any other conditions are met. Any difference between expenses incurred and the total funds received (not to exceed the grant maximum) is recorded as a receivable or an advance, whichever is applicable.

The Trust is party to conditional grants with grant terms through 2021 and additional funding of approximately \$259,000 that have not been recognized at December 31, 2020 because qualifying expenditures have not yet been incurred.

Mitigation fee revenue is in accordance with the California Environmental Quality Act in coordination with government agencies, such as the California Department of Fish and Wildlife and the United States Department of Fish and Wildlife, which requires that the potential impacts on species, habitat and farmland, from development be considered. A project proponent may pay an in lieu fee to a lead agency or other designated agency to be used to acquire the required mitigation land or conservation easement. As an approved mitigation agency, the Trust receives mitigation fee revenue from project proponents. These funds may contain certain conditions or restrictions for use of the funding.

Contributed Goods and Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Concentration of Credit Risks

The accounts receivable balance outstanding at December 31, 2020 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of the Trust receivables consist of earned fees from contract programs granted by governmental agencies.

The Trust holds investments in the form of money market funds and mutual. Market values of such investments are routinely reviewed by the Board of Directors.

TREEPEOPLE LAND TRUST

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes

The Trust is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”) as a charitable organization whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The Trust currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Organization is also exempt under California Revenue and Taxation Code Section 23701(d).

The Trust is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California purposes is generally three and four years, respectively.

Functional Allocation of Expenses

The costs of providing the Trust programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Trust uses full-time equivalents to allocate indirect costs.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities are measured at fair value using a three-level fair value hierarchy that ranks the quality and reliability of the information used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reporting date.

TREEPEOPLE LAND TRUST

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Level 3 - Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and, therefore, have little or no price transparency are classified as level 3.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. During June 2020, the FASB approved a deferral of the effective date of *Topic 842* until annual reporting periods beginning after December 15, 2021. The Trust is currently evaluating the impact of the adoption of the new standard.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The ASU is effective for annual reporting periods beginning after June 15, 2021. The Trust is currently evaluating the impact of the adoption of the new standard.

Subsequent Events

The Trust has evaluated subsequent events from the statement of financial position date through August 4, 2021, the date the financial statements were available to be issued for the year ended December 31, 2020.

TREEPEOPLE LAND TRUST

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 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 statement of position date, comprise the following:

| | |
|---|-----------------------|
| Cash and cash equivalents | \$ 629,552 |
| Restricted cash | 158,099 |
| Accounts and other receivables | 144,986 |
| Investments | <u>1,964,948</u> |
| | <u>2,897,585</u> |
| | |
| Funds held for insurance proceeds | (405,116) |
| Donor-imposed restrictions: | |
| Funds subject to purpose or time restrictions | (634,841) |
| Funds restricted in perpetuity | <u>(1,059,596)</u> |
| | <u>\$ 798,032</u> |

The Trust maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4 – Investments

Investments measured at fair value consists of the following:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|------------------------------|---------------------|----------------|----------------|---------------------|
| December 31, 2020: | | | | |
| Marketable equity securities | \$ 1,964,948 | \$ - | \$ - | \$ 1,964,948 |
| | <u>\$ 1,964,948</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,964,948</u> |
| | | | | |
| December 31, 2019: | | | | |
| Mutual funds | \$ 133,587 | \$ - | \$ - | \$ 133,587 |
| Marketable equity securities | <u>1,914,708</u> | <u>-</u> | <u>-</u> | <u>1,914,708</u> |
| | <u>\$ 2,048,295</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,048,295</u> |

TREEPEOPLE LAND TRUST

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 5 – Property Held for Sale

Property held for sale at December 31, 2020 consists of the following:

| | Acres | Value |
|-------------------------------|--------------|--------------|
| Land - Los Angeles County, CA | 138.62 | \$ 1,460,080 |

The property is recorded at cost if purchased, or at fair value at the date of donation if donated. The property can be sold and the proceeds used towards the programs or they can be contributed to other organizations.

NOTE 6 – Property and Equipment

Property and equipment at December 31 consists of the following:

| | 2020 | 2019 |
|--|-------------|-------------|
| Computer equipment and software | 1,077 | 1,077 |
| Transportation equipment | 1,490 | 9,610 |
| | 2,567 | 10,687 |
| Less accumulated depreciation and amortization | (2,187) | (7,764) |
| Property and equipment, net | \$ 380 | \$ 2,923 |

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was \$513 and \$2,137, respectively.

NOTE 7 – Property Held for Conservation

At December 31, 2020 and 2019, the Organization held 1,376 acres in Los Angeles County that it valued at \$39,000, which is restricted for use in its programs and conservation.

Additionally, at December 31, 2020, the Organization held the following easements that are restricted for use in its programs:

| | Acres | Value |
|------------------------|--------------|--------------|
| Los Angeles County, CA | 903.23 | \$ 59 |
| Ventura County, CA | 466.83 | 5 |
| | 1,370.06 | \$ 64 |

TREEPEOPLE LAND TRUST

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 8 – Insurance Proceeds Liability

The Trust sustained significant damages due to a fire in 2016, destroying a building and a bridge. Insurance proceeds were received by the lessor and are required to be used to rebuild the building and bridge, as well as to cover overhead expenses directly related to repairing the fire damage. As of December 31, 2020, insurance proceeds received, but not yet used, totaled \$405,116 and are considered to be conditional for use of rebuilding after the fires.

NOTE 9 – Commitments and Contingencies

Contracts

The Trust's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Trust has no provision for the possible disallowance of program costs on its financial statements.

Obligations under Operating Leases

The Trust has a \$1 per year lease agreement with the City of Calabasas commencing on October 1, 2014, and terminating on September 30, 2024. Additionally, the Trust is granted the right to extend the lease term for one additional period of ten years, until September 30, 2034.

Litigation

A quiet title action was filed in Los Angeles County Superior Court by Canyon Vineyard Estates, LLC against Mountains Restoration Trust, et al. on October 5, 2017. The subject is the conservation restrictions placed on the Tuna Canyon DeJoria property in January 2002. The plaintiff does not seek any monetary damages from the Trust. At the time of the audit report, the court has granted the Trust's motion for summary adjudication on its cross claim that the plaintiff threatened to harm its conservation easement. An appeal is anticipated from the plaintiff.

TREEPEOPLE LAND TRUST

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 9 – Commitments and Contingencies (Continued)

Other

The Trust and the California Coastal Conservancy (the Conservancy) are working mutually to find a resolution on a disagreement regarding the repayment of a grant provided by the Conservancy in 1984. At the time of this audit, it is unclear how much the Trust may owe to the Conservancy, or if repayment is indeed warranted. In the event that the Conservancy found that the Trust was in violation of the grant agreement, the Conservancy's course of remedy would be the enactment of reversionary interest in four parcels owned by the Trust. With each of these four parcels deed-restricted and valued at \$1,000, the financial implications of this potential liability would be a reduction of \$4,000 to the Trust's assets.

Business Risks Associated with the Impact of COVID-19

Because of the severity and global nature of the COVID-19 pandemic, the impact on the Trust's business could be significant and have a material impact on its financial position and operating results. Management continues to evaluate the potential future impact on its business and financial statements.

NOTE 10 – Net Assets With Donor Restrictions

Net Assets Restricted for Time and Purpose

Net assets with donor restrictions for time and purpose are restricted for the following:

| | December 31, | |
|-------------------------------------|---------------------|-------------------|
| | 2020 | 2019 |
| USACE Valley 2 (Argo Ditch) | \$ 200,937 | \$ 203,348 |
| USACE Creekside | 178,771 | 191,624 |
| USACE Ballard (The Gas Co.) | 29,550 | 185,395 |
| Other USACE | 117,269 | 151,539 |
| Non-USACE | 44,952 | 163,374 |
| Stewardship and legal defense funds | 63,362 | 43,618 |
| | <u>\$ 634,841</u> | <u>\$ 938,898</u> |

TREEPEOPLE LAND TRUST

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 10 – Net Assets With Donor Restrictions (Continued)

Net Assets Restricted in Perpetuity

Net assets with donor restrictions that are restricted in perpetuity at December 31, 2020 and 2019 relate to its endowment funds. (See Note 11.)

NOTE 11 – Endowments

The Trust's endowments consist of funds established by donor-restricted gifts and bequests to an endowment held in perpetuity to provide a permanent source of income to the Trust for stewardship and restoration.

The Trust has interpreted the California Uniform Prudent Management of Institutional Funds Act (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 Trust classifies as donor restricted net assets: (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Trust has utilized investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As a result, the endowment assets are invested in a manner that is intended to produce results that, over the long-term, allow it to grow at a rate exceeding expected inflation. This is consistent with the Trust's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as, to provide additional real growth through new gifts and investment return.

To satisfy its long-term rate-of-return objectives, the Trust 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 Trust targets a diversified asset allocation that places a greater emphasis on equity-based investments, diversified between sectors, to achieve its long-term return objectives within prudent risk constraints.

The composition of the endowments at December 31, 2020 consisted of donor-restricted gifts required to be maintained in perpetuity.

TREEPEOPLE LAND TRUST

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 11 – Endowments (Continued)

The changes in the endowments for the year ended December 31, 2020 are as follows:

| | |
|--|---------------------|
| Endowment net assets – December 31, 2019 | \$ 1,002,237 |
| Contributions | 57,359 |
| Investment return | 70,000 |
| Expenditure appropriations | <u>(70,000)</u> |
| Endowment net assets – December 31, 2020 | <u>\$ 1,059,596</u> |

NOTE 12 – PPP Loan

In March 2020, Congress passed the Paycheck Protection Program (PPP), authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities and interest on mortgages. Loans obtained through the PPP are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain other conditions are met.

In May 2020, the Organization received a loan in the amount of \$153,375 through the PPP. The Trust has chosen to recognize the PPP loan as a conditional grant. As of December 31, 2020, the Trust determined it had met the conditions for forgiveness in the agreement as it had spent the PPP loan on qualifying costs, and therefore recognized the grant as revenue for the year ended December 31, 2020. In February 2021, the Trust received approval notification for forgiveness of the loan in full from the Small Business Administration.

In March 2021, the Trust received a second draw from the PPP in the amount of \$77,380. To the extent it is not forgiven, the Trust would be required to repay that portion at an interest rate of 1% over a period of five years, beginning ten months after the covered period. Management believes that the proceeds were used only for qualifying purposes; therefore, management anticipates that the loan will be substantially forgiven.

TREEPEOPLE LAND TRUST

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 13 – Related-Party Transactions

The Trust is a wholly owned subsidiary of TreePeople, Inc. The Trust and TreePeople, Inc. have certain common board members, executives and employees. During the year ended December 31, 2020, costs allocated to the Trust for overhead expenses and management and administrative services provided by TreePeople, Inc. totaled \$148,330.