



*San Joaquin River  
Parkway and  
Conservation Trust, Inc.*

**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2017 AND 2016**

**SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.**  
**(A NON-PROFIT ORGANIZATION)**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2017 AND 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
San Joaquin River Parkway and  
Conservation Trust, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of San Joaquin River Parkway and Conservation Trust, Inc., (the "Trust"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust'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 Trust'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 qualified audit opinion.

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### **Basis for Qualified Opinion**

As disclosed in Note 6 to the financial statements, the Trust acquired Sand Gravel Rights (the "Rights") during 2003 in the amount of \$2,990,222. Generally accepted accounting principles require that such Rights be stated at the lower of their cost or impaired (fair) value. The Trust believes that the Rights are not impaired and that their carrying value is equal to, or less than, their actual current fair value. An asset impairment exists when the expected future cash flows from an asset are estimated to be less than the carrying value of that asset. However, since their acquisition, the Trust has not obtained a detailed geological assessment or current appraisal of their actual fair value. In conducting our audit, we were unable to obtain evidence that corroborated management's conclusion that the Rights are stated at the lesser of their cost or fair value.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the San Joaquin River Parkway and Conservation Trust, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Price Pange & Company*

Clovis, California  
April 24, 2018

**SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.**  
**(A NON-PROFIT ORGANIZATION)**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash in bank	\$ 220,438	\$ 393,631
Investments	2,854,594	2,180,842
Unconditional promises to give, due within one year, net	7,390	-
Grants and other receivable	154,701	271,323
Inventory	4,552	4,975
Prepaid expenses	<u>5,026</u>	<u>3,075</u>
Total current assets	<u>3,246,701</u>	<u>2,853,846</u>
Property and equipment, net	3,822,061	3,828,638
Other assets	31,480	29,869
Sand and gravel rights	<u>2,990,222</u>	<u>2,990,222</u>
Total fixed assets	<u>6,843,763</u>	<u>6,848,729</u>
Total assets	<u>\$ 10,090,464</u>	<u>\$ 9,702,575</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable	\$ 54,271	\$ 166,889
Accrued expenses	17,894	18,763
Line of credit	19,994	20,000
Notes payable, due within one year	<u>27,016</u>	<u>25,618</u>
Total current liabilities	<u>119,175</u>	<u>231,270</u>
Notes payable	389,856	416,902
Deferred revenue	<u>5,117</u>	<u>24,926</u>
Total liabilities	<u>514,148</u>	<u>673,098</u>
Net assets:		
Unrestricted:		
Undesignated	6,435,131	6,049,586
Board designated	<u>495,660</u>	<u>495,660</u>
Total unrestricted net assets	<u>6,930,791</u>	<u>6,545,246</u>
Temporarily restricted	2,539,590	2,378,296
Permanently restricted	<u>105,935</u>	<u>105,935</u>
Total net assets	<u>9,576,316</u>	<u>9,029,477</u>
Total liabilities and net assets	<u>\$ 10,090,464</u>	<u>\$ 9,702,575</u>

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

**SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.**  
**(A NON-PROFIT ORGANIZATION)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board- Designated			
Revenues and support:					
Memberships	\$ 222,486	\$ -	\$ -	\$ -	\$ 222,486
Grant income	654,204	-	-	-	654,204
Special events, net of expenses of \$23,897	113,009	-	-	-	113,009
Contributions and donations	127,158	-	344,575	-	471,733
Program services	313,311	-	-	-	313,311
Educational scholarships	45,104	-	-	-	45,104
Investment income, net	419,249	-	-	-	419,249
Merchandise sales, net	11,325	-	-	-	11,325
Park operations	66,904	-	-	-	66,904
Other	18,076	-	-	-	18,076
Total revenues and support before net assets released from restrictions	1,990,826	-	344,575	-	2,335,401
Net assets released from restrictions	183,281	-	(183,281)	-	-
Total revenues and support after reclassification of net assets released from restrictions	2,174,107	-	161,294	-	2,335,401
Costs and expenses:					
Program services	1,389,134	-	-	-	1,389,134
General and administrative	177,125	-	-	-	177,125
Fundraising	222,303	-	-	-	222,303
Total expenses	1,788,562	-	-	-	1,788,562
Change in net assets	385,545	-	161,294	-	546,839
Net assets, beginning of year	6,049,586	495,660	2,378,296	105,935	9,029,477
Net assets, end of year	\$ 6,435,131	\$ 495,660	\$ 2,539,590	\$ 105,935	\$ 9,576,316

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

**SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.**  
**(A NON-PROFIT ORGANIZATION)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board- Designated			
Revenues and support:					
Memberships	\$ 205,485	\$ -	\$ -	\$ -	\$ 205,485
Grant income	976,906	-	-	-	976,906
Special events, net of expenses of \$21,935	62,999	-	-	-	62,999
Contributions and donations	191,001	-	17,777	-	208,778
Program services	313,404	-	-	-	313,404
Educational scholarships	38,604	-	-	-	38,604
Investment income, net	224,637	-	-	-	224,637
Merchandise sales, net	9,204	-	-	-	9,204
Park operations	66,878	-	-	-	66,878
Other	36,697	-	-	-	36,697
Total revenues and support before net assets released from restrictions	2,125,815	-	17,777	-	2,143,592
Net assets released from restrictions	173,259	20,944	(194,203)	-	-
Total revenues and support after reclassification of net assets released from restrictions	2,299,074	20,944	(176,426)	-	2,143,592
Costs and expenses:					
Program services	1,558,118	-	-	-	1,558,118
General and administrative	207,856	-	-	-	207,856
Fundraising	203,607	-	-	-	203,607
Total expenses	1,969,581	-	-	-	1,969,581
Change in net assets	329,493	20,944	(176,426)	-	174,011
Net assets, beginning of year	5,720,093	474,716	2,554,722	105,935	8,855,466
Net assets, end of year	\$ 6,049,586	\$ 495,660	\$ 2,378,296	\$ 105,935	\$ 9,029,477

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

**SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.**  
**(A NON-PROFIT ORGANIZATION)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services	General and Administrative	Fundraising	Total
Personnel costs:				
Salaries and wages	\$ 412,667	\$ 92,007	\$ 130,927	\$ 635,601
Payroll taxes	41,660	7,841	11,545	61,046
Employee benefits	94,786	7,172	25,650	127,608
Total personnel costs	549,113	107,020	168,122	824,255
Other costs and expenses:				
Accounting and legal	12,862	15,714	-	28,576
Advertising	738	390	59	1,187
Bank and credit card fees	13,586	857	5,890	20,333
Contract labor	177,600	-	-	177,600
Dues and subscriptions	15,128	700	230	16,058
Equipment rental	4,578	7,732	-	12,310
Insurance	33,785	19,789	753	54,327
Interest	22,423	1,206	-	23,629
Investment fees	46	1,424	-	1,470
Outside services	6,177	-	-	6,177
Miscellaneous	1,354	2,348	-	3,702
Postage and delivery	553	541	10,054	11,148
Printing and copying	81	2,304	21,758	24,143
Professional fees	133,239	13,001	10,832	157,072
Property taxes	1,719	-	-	1,719
Rent	8,080	-	-	8,080
Repairs and maintenance	83,569	-	-	83,569
Security	8,462	-	-	8,462
Supplies	39,997	2,340	2,510	44,847
Taxes and licenses	800	149	-	949
Travel and conferences	8,773	-	184	8,957
Transportation for programs	17,400	-	-	17,400
Utilities	13,558	-	1,360	14,918
Community relations	1,200	-	-	1,200
Staff development	3,536	253	-	3,789
Easement acquisition	123,440	-	-	123,440
Total other costs and expenses	732,684	68,748	53,630	855,062
Subtotal	1,281,797	175,768	221,752	1,679,317
Depreciation	107,337	1,357	551	109,245
Total costs and expenses	\$ 1,389,134	\$ 177,125	\$ 222,303	\$ 1,788,562
Percentage results	78%	10%	12%	100%

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



**SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.**  
**(A NON-PROFIT ORGANIZATION)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs:				
Salaries and wages	\$ 401,242	\$ 106,091	\$ 123,235	\$ 630,568
Payroll taxes	40,430	9,610	10,897	60,937
Employee benefits	<u>104,484</u>	<u>11,614</u>	<u>24,661</u>	<u>140,759</u>
 Total personnel costs	 <u>546,156</u>	 <u>127,315</u>	 <u>158,793</u>	 <u>832,264</u>
Other costs and expenses:				
Accounting and legal	10,212	15,958	-	26,170
Advertising	695	677	41	1,413
Bank and credit card fees	13,285	1,431	4,388	19,104
Contract labor	39,660	-	-	39,660
Dues and subscriptions	5,947	1,119	160	7,226
Equipment rental	-	10,808	-	10,808
Insurance	24,655	23,563	753	48,971
Interest	23,962	588	-	24,550
Investment fees	-	1,255	-	1,255
Outside services	7,688	-	-	7,688
Miscellaneous	1,530	-	116	1,646
Postage and delivery	951	1,439	6,453	8,843
Printing and copying	4,507	351	20,392	25,250
Professional fees	503,624	17,643	8,436	529,703
Property taxes	5,588	-	-	5,588
Rent	4,420	-	-	4,420
Repairs and maintenance	72,687	1,500	-	74,187
Security	6,858	-	-	6,858
Supplies	145,855	2,108	728	148,691
Taxes and licenses	1,061	-	-	1,061
Travel and conferences	8,447	744	49	9,240
Transportation for programs	13,272	-	-	13,272
Utilities	11,928	-	1,125	13,053
Community relations	-	-	-	-
Staff development	-	-	-	-
Easement acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total other costs and expenses	 <u>906,832</u>	 <u>79,184</u>	 <u>42,641</u>	 <u>1,028,657</u>
 Subtotal	 1,452,988	 206,499	 201,434	 1,860,921
 Depreciation	 <u>105,130</u>	 <u>1,357</u>	 <u>2,173</u>	 <u>108,660</u>
 Total costs and expenses	 <u>\$ 1,558,118</u>	 <u>\$ 207,856</u>	 <u>\$ 203,607</u>	 <u>\$ 1,969,581</u>
 Percentage results	 <u>79%</u>	 <u>11%</u>	 <u>10%</u>	 <u>100%</u>

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

**SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.**  
**(A NON-PROFIT ORGANIZATION)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 546,839	\$ 174,011
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	109,245	108,660
Investment gains	(382,214)	(156,689)
Loss on disposition of assets	-	16,820
Changes in operating assets and liabilities:		
Unconditional promises to give and grants receivable	109,232	(81,320)
Inventory	424	(989)
Prepaid and other assets	(3,562)	(3,306)
Accounts payable and accrued expenses	(113,487)	59,942
Agency and trust fund	<u>(19,809)</u>	<u>5,558</u>
Net cash provided by operating activities	<u>246,668</u>	<u>122,687</u>
Cash flows from investing activities:		
Purchase of property and equipment	(102,668)	(48,067)
Purchase of marketable securities	(803,775)	(520,122)
Proceeds from sale of marketable securities	<u>512,237</u>	<u>283,159</u>
Net cash (used in) investing activities	<u>(394,206)</u>	<u>(285,030)</u>
Cash flows from financing activities:		
Principal payments on notes payable	(25,648)	(24,768)
Principal payments on line-of-credit	(85,006)	(124,210)
Proceeds from issuance of notes payable	<u>85,000</u>	<u>144,210</u>
Net cash (used in) financing activities	<u>(25,654)</u>	<u>(4,768)</u>
Net decrease in cash and cash equivalents	(173,193)	(167,111)
Cash in bank, beginning of year	<u>393,631</u>	<u>560,742</u>
Cash in bank, end of year	<u>\$ 220,438</u>	<u>\$ 393,631</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Interest paid	<u>\$ 23,629</u>	<u>\$ 25,128</u>
Taxes paid	<u>\$ 800</u>	<u>\$ 800</u>

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

**SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 1 – NATURE OF ACTIVITIES**

Organization and Operations

The San Joaquin River Parkway and Conservation Trust (the "Trust") is a California non-profit corporation formed in 1988 to protect, manage, administer, and preserve the cultural and economic resources of the San Joaquin River. The Trust protects and preserves the San Joaquin River through land acquisition, public programs and education and scientific research. The Trust's primary sources of revenue are contributions from the general public, program services, federal, state and private foundation grants, and investment earnings.

In connection with the acquisition of certain Sand and Gravel Rights (see Note 6), the Trust also received at nominal cost, options to acquire up to three remnant parcels of real estate contiguous with property acquired by the San Joaquin River Conservancy (the "Conservancy"). In 2008, the Trust elected to exercise its options. The Trust formed the SJ Running River, Limited Liability Company (the "LLC") to hold title to these remnant parcels to protect itself from any claims related to them. The ultimate use and disposition of the parcels has yet to be determined by the Trust. In 2009, the LLC received title to one of the three remnant parcels.

These financial statements include the account balances and financial activities of the Trust and its wholly owned LLC. All significant inter-entity accounts and balances have been eliminated.

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Classification of Net Assets

The Trust's net assets have been grouped into the following three classes:

Unrestricted Net Assets – Revenues derived from member dues, unrestricted contributions, grants and contracts, investment income, and other inflows of assets whose use by the Trust is not limited by donor-imposed restrictions. Unrestricted net assets also include decreases, if any, in the fair market value of any permanently restricted net assets.

Certain unrestricted net assets have been specifically designated by the Board of Directors to be separately maintained for various projects and operating funds. Such funds are identified as Board Designated Net Assets.

Temporarily Restricted Net Assets – Contributions and other inflows of assets whose use by the Trust is limited by donor-imposed stipulations that either expire by passage of time or fulfillment of the purpose for which the assets were contributed. When a restriction expires or is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as Net Assets Released from Restrictions. Donations or grants received and expended in the same fiscal year are recorded as Unrestricted Net Assets.

Permanently Restricted Net Assets – Contributions and other inflows of assets whose use by the Trust is limited by donor-imposed stipulations that the Trust must maintain the resources permanently.

**SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 Trust considers all investments with an original maturity of three months or less to be cash equivalents.

Investments

All of the Trust's Investments are available for sale. Investments are stated at their estimated fair value based on quoted closing prices. Investment income, including unrealized gains and losses, interest, dividends and related items are recognized in the Statement of Activities as they are incurred.

Fair Value of Certain Financial Instruments

The Trust considers its cash and cash equivalents, grants receivable, prepaid expenses, accounts payable and accrued expenses to be short-term in nature, and therefore their fair values approximate their carrying values.

Allowance for Doubtful Accounts

The Trust provides an allowance for doubtful accounts based upon management's review and analysis of specific grants, pledges or accounts receivable and considers the age of past due amounts. Receivables are written-off when deemed uncollectible. Recoveries, if any, of receivables previously written-off are recorded as income when received.

At December 31, 2017 and 2016, based on its analysis and review, management believes that all receivables due will be collected in full and thus determined that an Allowance for Doubtful Accounts is not required at those dates.

Inventory

Inventory consists of merchandise held for sale at the Trust's River Store. Inventory is stated at the lower of cost (determined on the first-in, first-out basis) or market. Revenues from gift merchandise sold at the Trust's River Center store are recorded in the Statement of Activities, net of their costs.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the asset's estimated fair value on the date of donation. All assets acquired by the Trust whose initial value or cost exceeds \$1,000 are capitalized and depreciated over their estimated useful lives. 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 3 to 40 years.

**SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributions and Bequests

Contributions are generally recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. Enforceable Unconditional Promises to Give in future periods, principally bequests or pledges, are recorded as they are made, at their estimated net present, realizable value and reported as temporarily restricted funds. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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. Conservation easements are recorded as Program Service Expenses when acquired as, in the opinion of management, they represent contributions by the Trust to the Community.

Government Grants and Contracts

Government grants and contracts are considered to be exchange transactions, the majority of which are cost-reimbursable grants. Revenue, including approved indirect cost recovery, is recognized when allowable costs have been incurred. The Trust's costs incurred under its government grants and contracts may be subject to audit by the granting agency. Management believes that future disallowance of costs, if any, would not be material to the financial statements.

Agency and Trust Fund

From 2009 to 2015 the Trust served as the coordinator and fiscal agent for the San Joaquin River Partnership, a collaboration of various non-profit organizations having mutual goals to improve the San Joaquin River's natural resources and conduct various community programs. As fiscal agent, the Trust received grant funds with donor-imposed restrictions for which it did not have the unilateral right to redirect the funds to other uses ("variance power"). Such funds were not considered contributions and were recorded as Agency and Trust Fund liabilities. Changes in the Agency and Trust Fund liability are not included in the Trust's Statement of Activities. During the year ended December 31, 2015, the Partnership coordinator role shifted to River Partners, another organization within the Partnership. The remaining grant funding related to the Partnership was for a report completed by the Trust and submitted to the Grantor in 2016. Upon completion and closeout of this grant agreement, the Trust received a "contribution" by the Partnership and the grant income was recognized on the Trust's financials during the year ended December 31, 2016.

Donated In-Kind Gifts and Services

Donated in-kind gifts are recognized as contributions if they have ascertainable fair values and are able to be realized in cash or other liquid assets. During the years ended December 31, 2017 and 2016, the Trust received and recognized approximately \$1,565 and \$200, respectively, of donated materials and supplies.

Donated services are recognized as contributions if they 1) significantly enhance non-financial assets or 2) involve a professional service that would otherwise have been purchased and whose values can be objectively measured. During the years ended December 31, 2017 and 2016, the Trust received and recognized approximately \$1,400 and \$7,400 respectively, of donated professional services.

**SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Advertising

The Trust expenses all advertising costs as incurred. Total advertising expense for the years ended December 31, 2017 and 2016 was \$1,187 and \$1,413, respectively.

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 will differ from those estimates.

Functional Classification of Expenses

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

Tax Exempt Status

The Trust has qualified as a non-profit organization and has been granted tax-exempt status pursuant to Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and is exempt from Federal and State of California income taxes.

Generally accepted accounting principles provide accounting and disclosures 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 Trust's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

**NOTE 3 – INVESTMENTS**

Investment securities consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Certificate of deposit	\$ 7,008	\$ 7,005
US Equities	1,695,539	1,229,871
International Equities	536,166	380,526
Investment Pool CVCF	58,818	52,027
Fixed income	483,900	397,772
Bond mutual funds	<u>73,163</u>	<u>113,641</u>
Total investments	<u>\$ 2,854,594</u>	<u>\$ 2,180,842</u>

**SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 3 – INVESTMENTS (Continued)**

The Trust's investment activities consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 74,098	\$ 64,189
Realized and unrealized gains	<u>345,151</u>	<u>160,448</u>
Total investment income, net	<u>\$ 419,249</u>	<u>\$ 224,637</u>

**NOTE 4 – GRANTS RECEIVABLE**

Grants Receivable consists of amounts billed to Grantors under contractual agreements for program related services. Grant contracts are typically billed in arrears as services are performed. Grants Receivable at December 31, 2017 and 2016 totaled \$154,701 and \$271,323, respectively, and are due from various grantors. The Trust did not incur any Bad Debt expense for the years ended December 31, 2017 and 2016.

**NOTE 5 – PROPERTY AND EQUIPMENT, NET**

Property and equipment consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,193,049	\$ 1,193,049
Building and improvements	3,714,313	3,632,775
Vehicles	88,586	71,923
Equipment	55,434	55,434
Furniture and fixtures	<u>207,753</u>	<u>207,753</u>
	5,259,135	5,160,934
Accumulated depreciation	<u>(1,437,074)</u>	<u>(1,332,296)</u>
Property and equipment, net	<u>\$ 3,822,061</u>	<u>\$ 3,828,638</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$109,245 and \$108,660, respectively.

**NOTE 6 – SAND AND GRAVEL RIGHTS**

The Trust acquired certain Sand and Gravel Rights (the "Rights") on real property owned by the Conservancy. The Rights were purchased in 2003 in connection with the Conservancy's acquisition of the fee simple title to the Spano River Ranch. Funds to purchase the Rights were obtained from a contribution to the Trust by the Packard Foundation. Since the acquisition, the Trust has not sought, or obtained, a detailed geological assessment of the actual extent of the sand and gravel material that comprise the Rights. Such an assessment is a condition precedent to completing an appraisal of the current fair value of the Rights. To date, there has been no mining activity on the property and the Rights have not produced any income for the Trust.

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**NOTE 6 – SAND AND GRAVEL RIGHTS (Continued)**

The Trust expects that the Rights will ultimately be sold to an appropriate state or federal agency, which would utilize the sand and gravel in its various San Joaquin River restoration activities. In 2008, the Trust made an offer to the Conservancy to sell the Rights. Meetings and communications between representatives of the Trust, the Conservancy, and San Joaquin River Restoration Program (a Federal Agency) have taken place and an appraisal is ultimately planned to further these discussions. Generally accepted accounting principles anticipates that management will annually review and evaluate the Trust's assets for impairment. An asset impairment exists when expected future cash flows from the asset are estimated to be less than the carrying value of that asset. When an asset impairment is indicated, an adjustment to the carrying value is made to reflect the difference between the carrying value and the fair value of the asset. Due to the unavailability of a detailed geological assessment and current appraisal of the fair value of the Rights, management is unable to conduct an impairment analysis of the Rights. Management of the Trust believes that the carrying value of the Rights are equal to or less than their actual fair value at December 31, 2017 and 2016, but has no objective basis for this conclusion since the appropriate geological analysis and appraisal have not been completed. Management expects that the detailed geological assessment and its appraisal will be completed at some future date. Management has not yet determined whether the Trust will advance the necessary funds to complete the geological assessment and appraisal and then seek reimbursement from the purchasing agency at the time the Rights are sold.

The eventual outcome of this matter cannot be determined at this time. At December 31, 2017 and 2016, Sand and Gravel Rights totaled \$2,990,222 each year.

**NOTE 7 – AGENCY AND TRUST FUND**

Activities in the Trust's Agency and Trust Fund Liability related to the Partnership were as follows:

	2017	2016
Income:	\$ -	\$ -
Expenses:		
Contribution expense for administrative support to Trust	-	19,368
Total agency and trust fund activity	-	(19,368)
Agency and trust fund balance, beginning of year	-	19,368
Agency and trust fund balance, end of year	\$ -	\$ -

As fiscal agent for the Partnership, the Trust also provided management and other program services to the Partnership. Professional Fees consisted of amounts paid to the Trust for the management and oversight of the Partnership's activities, in addition to professional fees paid to others. These fees have been included with Program Service revenue in the Statement of Activities for the Trust. During the year ended December 31, 2016 the Partnership was ended and the Trust received a contribution of excess funds previously earned by the partnership. The Trust Fund had a zero balance for the years ended December 31, 2017 and 2016.



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**NOTE 8 – BANK LINES-OF-CREDIT**

California Bank and Trust

During 2008, the Trust entered into a construction loan agreement with California Bank & Trust (the “Bank”) to provide the Trust with a \$450,000 line-of-credit in connection with the construction of the Trust’s administrative and headquarters facilities. The line-of-credit is secured by certain of the Trust’s property and land.

In July 2014, the Trust converted this line into a \$500,000 permanent loan payable over 15 years with approximate monthly principal and interest payments of \$4,006, final payment is due July 2029. The total balance due on the permanent loan at December 31, 2017 and 2016 was \$416,872 and \$442,520, respectively. Interest on the line accrues at a fixed rate of 5.133% annually. Total interest expense on the permanent loan was \$22,423 and \$23,786 during the years ended December 31, 2017 and 2016, respectively. Maturities of the loan payable for the next five years are as follows:

Year Ending December 31	Interest	Principal	Total
2018	\$ 21,055	\$ 27,016	\$ 48,071
2019	19,615	28,456	48,071
2020	18,151	29,920	48,071
2021	16,504	31,567	48,071
2022	14,821	33,250	48,071
Thereafter	<u>48,720</u>	<u>266,663</u>	<u>315,382</u>
Totals	<u>\$ 138,866</u>	<u>\$ 416,872</u>	<u>\$ 555,737</u>

In addition to the permanent loan, the Trust entered into a working capital line-of-credit agreement with California Bank & Trust in the amount of \$100,000 on September 20, 2016 and it subsequently renewed on October 1, 2017. There was an outstanding balance of \$19,994 on the line at December 31, 2017. There was an outstanding balance of \$20,000 on the line at December 31, 2016. The line is unsecured and accrues variable interest at an initial rate of 4.50% per annum. During the year ended December 31, 2017, the Trust incurred \$775 of interest related to this line-of-credit. During the year ended December 31, 2016 there was \$644 of interest incurred related to this line-of-credit. The line-of-credit expires on October 1, 2020.

**NOTE 9 – CONCENTRATION OF CREDIT RISK**

As of December 31, 2017, the Federal Deposit Insurance Corporation (FDIC) insured balances of a depositor, per financial institution, up to \$250,000, and the Securities Investor Protection Corporation (SIPC) insured balances of a depositor, per financial institution, up to \$500,000. As of December 31, 2017 and 2016, the Trust’s cash balances were fully guaranteed by the FDIC. As of December 31, 2017 and 2016, approximately \$2,244,000 and \$1,650,000 of the trust’s investments were in excess of the amount guaranteed by the SIPC, respectively.

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**NOTE 10 – RETIREMENT PLAN**

The Trust provides for a 403(b) plan (the “Plan”) covering eligible employees who meet certain minimum service requirements. The Plan is administered by All Valley Administrators. The Plan provides for the Trust to make discretionary contributions to deferring employees. During the year ended December 31, 2013, the Trust provided a 2.5% increase in base salary to employees that qualify under the Plan allowing them to contribute to the 403(b). The employees had the ultimate discretion whether they elected to contribute to the 403(b). During the year ended December 31, 2017, the Trust allotted \$9,529 to employees for their discretionary use or contribution to the Plan. During the year ended December 31, 2016, the Trust allotted \$9,029 to employees for their discretionary use or contribution to the Plan.

**NOTE 11 – CONTINGENCIES**

Liquidity and Financial Resources

Payments received for grant program services from the State of California and Federal sources are not sufficient to support the Trust's present level of operations. The Trust's operating expenses are funded by a combination of community donations, program service fees, grants, fundraising activities, loans and income earned on cash balances and investments. The Trust received donations during the years ended December 31, 2017 and 2016 which included significant (in excess of \$5,000), nonrecurring contributions from individual donors or bequests in the amount of approximately \$517,000 and \$248,000, respectively.

The ability of the Trust to maintain its present level of operations is dependent upon, among other things, governmental grants and the continuity of sufficient annual financial support from the San Joaquin Valley community.

**NOTE 12 – COMMITMENTS**

Lease Commitments

The Trust leases certain office equipment under operating leases. Monthly lease amounts include applicable taxes and other fees. The following table shows the future annual minimum payments for each of the years ending December 31:

	<u>Operating</u>
2018	\$ 8,454
2019	8,454
2020	7,247
2021	<u>1,009</u>
Total minimum lease payment	<u>\$ 25,164</u>

Total equipment rental expense on operating leases totaled \$12,310 and \$10,347 for the years ended December 31, 2017 and 2016, respectively.

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**NOTE 13 – FAIR VALUE MEASUREMENTS**

In accordance with generally accepted accounting principles, fair value is defined as the price that the Trust would either receive upon selling an asset or pay to transfer a liability at the reporting date. Fair value utilizes and 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 as developed from 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 Trust's own assumptions in determining the fair value of assets or liabilities

The following is a summary of the inputs used as of December 31, 2017 in valuing the Trust's assets carried at fair value:

<u>Asset Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Certificate of deposit	\$ 7,008	\$ -	\$ -	\$ 7,008
US Equities	1,695,539	-	-	1,695,539
International Equities	536,166	-	-	536,166
Investment Pool Central Valley Community Foundation	-	58,818	-	58,818
Fixed income	483,900	-	-	483,900
Bond mutual funds	<u>73,163</u>	<u>-</u>	<u>-</u>	<u>73,163</u>
Assets measured at fair value	<u>\$ 2,795,776</u>	<u>\$ 58,818</u>	<u>\$ -</u>	<u>\$ 2,854,594</u>

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**NOTE 13 – FAIR VALUE MEASUREMENTS (Continued)**

The following is a summary of the inputs used as of December 31, 2016 in valuing the Trust's assets carried at fair value:

<u>Asset Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Certificate of deposit	\$ 7,005	\$ -	\$ -	\$ 7,005
US Equities	1,229,871	-	-	1,229,871
International Equities	380,526	-	-	380,526
Investment Pool Central Valley Community Foundation	-	52,027	-	52,027
Fixed income	397,772	-	-	397,772
Bond mutual funds	<u>113,641</u>	<u>-</u>	<u>-</u>	<u>113,641</u>
Assets measured at fair value	<u>\$ 2,128,815</u>	<u>\$ 52,027</u>	<u>\$ -</u>	<u>\$ 2,180,842</u>

All of the Trust's investments are available for sale, and are stated at their fair value based on quoted closing prices.

**NOTE 14 – BOARD DESIGNATED AND RESTRICTED NET ASSETS**

Board Designated Net Assets consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Legal defense fund	\$ 72,500	\$ 72,500
Community supported agriculture	34,879	34,879
Parkway trailblazers	28,281	28,281
Owl hollow stewardship	<u>360,000</u>	<u>360,000</u>
Total board designated net assets	<u>\$ 495,660</u>	<u>\$ 495,660</u>

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**NOTE 14 – BOARD DESIGNATED AND RESTRICTED NET ASSETS (Continued)**

Temporarily Restricted Net Assets consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
EK Martin Land Acquisition Fund	\$ 2,107,195	\$ 1,917,176
Grants:		
Educational Programs	2,000	-
Gimbel Grant	22,567	-
Solar donation	20,450	20,450
Eaton Bridge Feasibility Project	179,298	179,298
Eaton Trail Improvements	25,000	2,978
Conservation easement monitoring fund	30,291	30,291
PGE farmland mitigation	-	83,275
Owl Hollow	51,191	51,191
PGE Foundation	-	5,000
Panoche Energy mitigation	-	73,823
Alex C Moir Memorial Fund	13,000	1,000
P4P Sponsor	23,774	-
River Camp Firebaugh	20,300	-
RC Scholarships	1,034	-
Special Appeal	32,715	-
Union Bank RC Scholarship	3,750	-
River Center Improvements	1,800	-
Staff Training	225	-
Patton Shade Arbor	5,000	-
Barn renovation	-	13,814
	<u>                    </u>	<u>                    </u>
Total temporarily restricted net assets	<u>\$ 2,539,590</u>	<u>\$ 2,378,296</u>

Permanently Restricted Net Assets consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Lundberg educational endowment	\$ 70,957	\$ 70,957
Land stewardship funds	<u>34,978</u>	<u>34,978</u>
	<u>                    </u>	<u>                    </u>
Total permanently restricted net assets	<u>\$ 105,935</u>	<u>\$ 105,935</u>

Management has elected to omit substantially all disclosures related to the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) for endowment funds, as the Trust’s endowment fund balance is less than 2.0% of the Trust’s total net assets at December 31, 2017 and 2016. The endowment fund balances do not represent a significant amount.

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**NOTE 15 – CONSERVATION EASEMENTS**

During the year ended December 31, 2017, the Trust funded a conservation easement valued at approximately \$123,000. This easement is held by Sequoia River Land Trust. During the year ended December 31, 2016, the Trust did not acquire or fund any conservation easements.

**NOTE 16 – SUBSEQUENT EVENTS**

Management has evaluated and concluded that there are no other subsequent events that have occurred from December 31, 2017 through the date the financial statements were available to be issued on April 24, 2018 that would require disclosure or adjustment.