



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

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015

SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.
(A NON-PROFIT ORGANIZATION)
FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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 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 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, 2016 and 2015, 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 14, 2017

SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
<u>ASSETS</u>		
Current assets:		
Cash in bank	\$ 393,631	\$ 560,742
Investments	2,180,842	1,787,190
Grants and other receivable	271,323	190,003
Inventory	4,975	3,986
Prepaid expenses	3,075	220
Total current assets	2,853,846	2,542,141
Property and equipment, net	3,828,638	3,906,051
Other assets	29,869	29,418
Sand and gravel rights	2,990,222	2,990,222
Total fixed assets	6,848,729	6,925,691
Total assets	\$ 9,702,575	\$ 9,467,832
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 166,889	\$ 109,745
Accrued expenses	18,763	15,965
Agency and trust fund	-	19,368
Line of credit	20,000	-
Notes payable, due within one year	25,618	24,257
Total current liabilities	231,270	169,335
Notes payable	416,902	443,031
Deferred revenue	24,926	-
Total liabilities	673,098	612,366
Net assets:		
Unrestricted:		
Undesignated	6,049,586	5,720,093
Board designated	495,660	474,716
Total unrestricted net assets	6,545,246	6,194,809
Temporarily restricted	2,378,296	2,554,722
Permanently restricted	105,935	105,935
Total net assets	9,029,477	8,855,466
Total liabilities and net assets	\$ 9,702,575	\$ 9,467,832

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				Total
	Undesignated	Board- Designated	Temporarily Restricted		
Revenues and support:					
Memberships	\$ 205,485	\$ -	\$ -	\$ -	\$ 205,485
Grant income	976,906	-	-	-	976,906
Special events	84,934	-	-	-	84,934
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	2,147,750	-	17,777	-	2,165,527
Net assets released from restrictions	173,259	20,944	(194,203)	-	-
Total revenues and support after reclassification of net assets released from restrictions	2,321,009	20,944	(176,426)	-	2,165,527
Costs and expenses:					
Program services	1,558,118	-	-	-	1,558,118
General and administrative	207,856	-	-	-	207,856
Fundraising	225,542	-	-	-	225,542
Total expenses	1,991,516	-	-	-	1,991,516
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 ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Board- Designated			
Revenues and support:					
Memberships	\$ 194,848	\$ -	\$ -	\$ -	\$ 194,848
Grant income	625,134	-	19,402	-	644,536
Special events	99,215	-	-	-	99,215
Contributions and donations	243,333	-	393,605	8,050	644,988
Program services	209,102	-	-	-	209,102
Educational scholarships	22,941	-	-	-	22,941
Investment losses, net	(499)	(1,884)	(62,849)	-	(65,232)
Merchandise sales, net	(374)	-	-	-	(374)
Park operations	51,686	-	-	-	51,686
Other	13,108	-	-	-	13,108
Total revenues and support before net assets released from restrictions	1,458,494	(1,884)	350,158	8,050	1,814,818
Net assets released from restrictions	164,991	360,000	(524,991)	-	-
Total revenues and support after reclassification of net assets released from restrictions	1,623,485	358,116	(174,833)	8,050	1,814,818
Costs and expenses:					
Program services	1,339,660	75,917	-	-	1,415,577
General and administrative	224,352	-	-	-	224,352
Fundraising	211,908	-	-	-	211,908
Total expenses	1,775,920	75,917	-	-	1,851,837
Change in net assets	(152,435)	282,199	(174,833)	8,050	(37,019)
Net assets, beginning of year	5,872,528	192,517	2,729,555	97,885	8,892,485
Net assets, end of year	<u>\$ 5,720,093</u>	<u>\$ 474,716</u>	<u>\$ 2,554,722</u>	<u>\$ 105,935</u>	<u>\$ 8,855,466</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 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	2,541	3,913
Bank and credit card fees	13,285	1,431	8,990	23,706
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	-	738	2,268
Postage and delivery	951	1,439	7,197	9,587
Printing and copying	4,507	351	24,700	29,558
Professional fees	503,624	17,643	13,555	534,822
Property taxes	5,588	-	-	5,588
Rent	4,420	-	1,130	5,550
Repairs and maintenance	72,687	1,500	1,047	75,234
Security	6,858	-	-	6,858
Supplies	145,855	2,108	2,540	150,503
Taxes and licenses	1,061	-	9	1,070
Travel and conferences	8,447	744	91	9,282
Transportation for programs	13,272	-	-	13,272
Utilities	<u>11,928</u>	<u>-</u>	<u>1,125</u>	<u>13,053</u>
Total other costs and expenses	<u>906,832</u>	<u>79,184</u>	<u>64,576</u>	<u>1,050,592</u>
Subtotal	1,452,988	206,499	223,369	1,882,856
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>\$ 225,542</u>	<u>\$ 1,991,516</u>
Percentage results	<u>78%</u>	<u>10%</u>	<u>11%</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)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs:				
Salaries and wages	\$ 479,411	\$ 104,491	\$ 100,610	\$ 684,512
Payroll taxes	49,393	9,412	9,606	68,411
Employee benefits	<u>131,669</u>	<u>24,988</u>	<u>25,750</u>	<u>182,407</u>
Total personnel costs	<u>660,473</u>	<u>138,891</u>	<u>135,966</u>	<u>935,330</u>
Other costs and expenses:				
Accounting and legal	16,590	14,729	-	31,319
Advertising	1,024	100	-	1,124
Bank and credit card fees	7,263	2,592	9,956	19,811
Contract labor	91,372	-	-	91,372
Dues and subscriptions	1,000	1,889	235	3,124
Equipment rental	-	10,125	-	10,125
Insurance	35,115	11,881	-	46,996
Interest	21,955	1,676	1,497	25,128
Investment fees	-	1,265	-	1,265
Outside services	8,963	611	611	10,185
Miscellaneous	32,288	4,126	-	36,414
Postage and delivery	811	2,326	4,234	7,371
Printing and copying	4,605	3,897	20,765	29,267
Professional fees	223,391	16,201	20,245	259,837
Property taxes	12,731	177	177	13,085
Rent	395	-	2,315	2,710
Security	4,987	340	340	5,667
Supplies	81,465	2,457	6,320	90,242
Taxes and licenses	-	1,314	519	1,833
Utilities	10,924	624	1,012	12,560
Transportation for programs	17,280	-	-	17,280
Travel and conferences	6,998	1,368	506	8,872
Repairs and maintenance	<u>54,122</u>	<u>3,774</u>	<u>4,773</u>	<u>62,669</u>
Total other costs and expenses	<u>633,279</u>	<u>81,472</u>	<u>73,505</u>	<u>788,256</u>
Subtotal	1,293,752	220,363	209,471	1,723,586
Depreciation	<u>121,825</u>	<u>3,989</u>	<u>2,437</u>	<u>128,251</u>
Total costs and expenses	<u>\$ 1,415,577</u>	<u>\$ 224,352</u>	<u>\$ 211,908</u>	<u>\$ 1,851,837</u>
Percentage results	<u>76%</u>	<u>12%</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ 174,011	\$ (37,019)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	108,660	128,251
Investment (gains) losses	(156,689)	65,232
Gain on disposition of assets	16,820	-
Changes in operating assets and liabilities:		
Unconditional promises to give and grants receivable	(81,320)	(57,426)
Inventory	(989)	6,702
Prepaid and other assets	(3,306)	429
Accounts payable and accrued expenses	59,942	33,539
Agency and trust fund	<u>5,558</u>	<u>4,148</u>
Net cash provided by (used in) operating activities	<u>122,687</u>	<u>143,856</u>
Cash flows provided by (used in) investing activities:		
Purchase of property and equipment	(48,067)	(5,294)
Proceeds from sale of property and equipment	-	-
Purchase of marketable securities	(520,122)	(12,281)
Proceeds from sale of marketable securities	<u>283,159</u>	<u>13,912</u>
Net cash provided by (used in) investing activities	<u>(285,030)</u>	<u>(3,663)</u>
Cash flows provided by (used in) financing activities:		
Principal payments on notes payable	(24,768)	(23,120)
Principal payments on line-of-credit	(124,210)	-
Proceeds from issuance of notes payable	<u>144,210</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(4,768)</u>	<u>(23,120)</u>
Net increase in cash and cash equivalents	(167,111)	117,073
Cash in bank, beginning of year	<u>560,742</u>	<u>443,669</u>
Cash in bank, end of year	<u>\$ 393,631</u>	<u>\$ 560,742</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 24,550</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, 2016 AND 2015

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 7), 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, 2016 AND 2015

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, 2016 and 2015, 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.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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

The Trust also serves as the fiscal agent for the San Joaquin River Partnership (the "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 has received funds with donor-imposed restrictions for which it does not have either a unilateral right to redirect the funds to other uses ("variance power") or significant involvement in the determination of specific expenditures. Such funds are not considered contributions and are 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, 2016, the Partnership completed its objective and the Trust received a contribution by the partnership.

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, 2016 and 2015, the Trust received and recognized approximately \$200 and \$1,338, 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, 2016 and 2015, the Trust received and recognized approximately \$7,400 and \$6,200, respectively, of donated professional services.

SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications were made to the prior-year financial statements to conform to the presentation shown. The reclassifications had the effect of decreasing Temporarily Restricted net assets by \$360,000, and increasing Board Designated Net Assets by \$360,000 at December 31, 2015.

Advertising

The Trust expenses all advertising costs as incurred. Total advertising expense for the years ended December 31, 2016 and 2015 was \$3,913 and \$1,124, 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 provides 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.

SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 – INVESTMENTS

Investment securities consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Certificate of deposit	\$ 7,005	\$ 7,003
US Equities	1,229,871	962,708
International Equities	380,526	312,576
Investment Pool CVCF	52,027	49,589
Fixed income	397,772	342,500
Bond mutual funds	<u>113,641</u>	<u>112,814</u>
Total investments	<u>\$ 2,180,842</u>	<u>\$ 1,787,190</u>

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

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 64,189	\$ 2,614
Realized and unrealized gains (losses)	<u>160,448</u>	<u>(67,846)</u>
Total investment income (loss), net	<u>\$ 224,637</u>	<u>\$ (65,232)</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, 2016 and 2015 totaled \$271,323 and \$190,003, respectively, and are due from various agencies of the State of California. The Trust did not incur any Bad Debt expense for the years ended December 31, 2016 and 2015.

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,193,048	\$ 1,193,049
Building and improvements	3,632,776	3,627,947
Vehicles	71,923	57,449
Equipment	55,434	55,434
Furniture and fixtures	<u>207,753</u>	<u>217,784</u>
	5,160,934	5,151,663
Accumulated depreciation	<u>(1,332,296)</u>	<u>(1,245,612)</u>
Property and equipment, net	<u>\$ 3,828,638</u>	<u>\$ 3,906,051</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$108,660 and \$128,251, respectively.

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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.

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, 2016 and 2015, 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, 2016 and 2015, Sand and Gravel Rights totaled \$2,990,222 each year.

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NOTE 7 – AGENCY AND TRUST FUND

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

	<u>2016</u>	<u>2015</u>
Income:		
Contribution and grants	\$ -	\$ 25,000
Expenses:		
Professional fees	-	18,313
Contribution expense for administrative support to Trust	19,368	-
Supplies	-	-
Telephone	-	816
Postage	-	-
Printing and copying	-	-
Travel and related	-	198
Conferences and meetings	-	1,150
Miscellaneous	-	375
	<u> </u>	<u> </u>
Total agency and trust fund activity	(19,368)	4,148
Agency and trust fund balance, beginning of year	<u>19,368</u>	<u>15,220</u>
Agency and trust fund balance, end of year	<u>\$ -</u>	<u>\$ 19,368</u>

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. At December 31, 2016, the Agency and Trust fund had no fund balance. At December 31, 2015, the Agency and Trust fund had a balance of \$19,368.

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.

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NOTE 8 – BANK LINES-OF-CREDIT (Continued)

California Bank and Trust (Continued)

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 May 2029. The total balance due on the permanent loan at December 31, 2016 and 2015 was \$442,520 and \$467,288, respectively. Interest on the line accrues at a fixed rate of 5.133% annually. Total interest expense on the permanent loan was \$23,786 and \$24,949 during the years ended December 31, 2016 and 2015, respectively. Maturities of the loan payable for the next five years are as follows:

Year Ending December 31	Interest	Principal	Total
2017	\$ 22,453	\$ 25,618	\$ 48,071
2018	21,087	26,984	48,071
2019	19,649	28,422	48,071
2020	18,187	29,884	48,071
2021	16,541	31,530	48,071
Thereafter	63,892	300,082	363,974
Totals	<u>\$ 161,809</u>	<u>\$ 442,520</u>	<u>\$ 604,329</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 18, 2014 and it subsequently renewed on September 20, 2016. There was an outstanding balance of \$20,000 on the line at December 31, 2016. There was no balance outstanding on the line at December 31, 2015. The line is unsecured and accrues variable interest at an initial rate of 4.50% per annum. There was no interest incurred on the line-of-credit for the year ended December 31, 2015. 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, 2017.

NOTE 9 – CONCENTRATION OF CREDIT RISK

As of December 31, 2016, 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, 2016, the Trust's cash balances were fully guaranteed by the FDIC. As of December 31, 2015, the Trust's cash balances in excess of the amount guaranteed by the FDIC were approximately \$243,000. As of December 31, 2016 and 2015, approximately \$1,650,000 and \$1,176,000 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, 2016, the Trust allotted \$9,029 to employees for their discretionary use or contribution to the Plan. During the year ended December 31, 2015, the Trust allotted \$11,291 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, 2016 and 2015 which included significant (in excess of \$5,000), nonrecurring contributions from individual donors or bequests in the amount of approximately \$248,000 and \$636,300, 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>
2017	\$ 8,454
2018	8,454
2019	8,454
2020	7,247
2021	<u>1,009</u>
Total minimum lease payment	<u>\$ 33,618</u>

Total equipment rental expense on operating leases totaled \$10,347 and \$9,756 for the years ended December 31, 2016 and 2015, 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, 2016 in valuing the Trust's assets carried at fair value:

Asset Description	Level 1	Level 2	Level 3	Total
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>

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NOTE 13 – FAIR VALUE MEASUREMENTS (Continued)

The following is a summary of the inputs used as of December 31, 2015 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	\$ 7,003	\$ -	\$ -	\$ 7,003
US Equities	962,708	-	-	962,708
International Equities	312,576	-	-	312,576
Investment Pool Central Valley Community Foundation	-	49,589	-	49,589
Fixed income	342,500	-	-	342,500
Bond mutual funds	<u>112,814</u>	<u>-</u>	<u>-</u>	<u>112,814</u>
Assets measured at fair value	<u>\$ 1,737,601</u>	<u>\$ 49,589</u>	<u>\$ -</u>	<u>\$ 1,787,190</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>2016</u>	<u>2015</u>
Legal defense fund	\$ 72,500	\$ 48,459
CSA	34,879	37,976
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>\$ 474,716</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>2016</u>	<u>2015</u>
Ted Martin bequest	\$ 1,917,176	\$ 2,047,190
Grants:		
Educational Programs	-	9,100
Solar donation	20,450	20,450
Eaton trail bridge	182,276	183,738
Wattenbarger easement monitoring	30,291	30,291
PGE farmland mitigation	83,275	83,275
Owl Hollow	51,191	74,807
PGE Foundation	5,000	-
Panoche Energy mitigation	73,823	80,500
Alex C Moir	1,000	-
Barn renovation	<u>13,814</u>	<u>25,371</u>
 Total temporarily restricted net assets	 <u>\$ 2,378,296</u>	 <u>\$ 2,554,722</u>

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

	<u>2016</u>	<u>2015</u>
Lundberg educational endowment	\$ 70,957	\$ 70,957
Land stewardship funds	<u>34,978</u>	<u>34,978</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, 2016 and 2015. The endowment fund balances do not represent a significant amount.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no other subsequent events that have occurred from December 31, 2016 through the date the financial statements were available to be issued on April 14, 2017 that would require disclosure or adjustment.