San Joaquin River Parkway and Conservation Trust, Inc.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.
(A NON-PROFIT ORGANIZATION)
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017, 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 7 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, 2018 and 2017, 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 Paige & Company

Clovis, California
April 23, 2019

SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current assets:		
Cash in bank	$ 140,919	$ 220,438
Investments	2,758,802	2,854,594
Unconditional promises to give, due within one year, net	-	7,390
Grants and other receivable	157,853	154,701
Bequest receivable	142,000	-
Inventory	4,723	4,552
Prepaid expenses	11,923	5,026
Total current assets	3,216,220	3,246,701
Property and equipment, net	4,874,082	3,822,061
Other assets	34,580	31,480
Sand and gravel rights	2,990,222	2,990,222
Total fixed assets	7,898,884	6,843,763
Total assets	$ 11,115,104	$ 10,090,464
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 25,632	$ 54,271
Accrued expenses	18,593	17,894
Line of credit	25,000	19,994
Notes payable, due within one year	28,456	27,016
Total current liabilities	97,681	119,175
Notes payable	361,401	389,856
Deferred revenue	33,443	5,117
Total liabilities	492,525	514,148
Net assets:		
Without donor restrictions	7,873,679	6,930,791
With donor restrictions	2,748,900	2,645,525
Total net assets	10,622,579	9,576,316
Total liabilities and net assets	$ 11,115,104	$ 10,090,464

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, 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and support:			
Memberships	$ 253,073	$ -	$ 253,073
Grant income	724,308	-	724,308
Special events, net of expenses of $46,090	39,884	-	39,884
Contributions and donations	1,162,869	286,724	1,449,593
Program services	327,090	-	327,090
Educational scholarships	56,652	-	56,652
Investment income (loss), net	(164,974)	-	(164,974)
Merchandise sales, net	15,049	-	15,049
Park operations	77,220	-	77,220
Gain on sale of assets	547	-	547
Other	37,417	-	37,417
Total revenues and support before net assets released from restrictions	2,529,135	286,724	2,815,859
Net assets released from restrictions	183,349	(183,349)	-
Total revenues and support after reclassification of net assets released from restrictions	2,712,484	103,375	2,815,859
Costs and expenses:			
Program services	1,395,327	-	1,395,327
General and administrative	198,614	-	198,614
Fundraising	175,655	-	175,655
Total expenses	1,769,596	-	1,769,596
Change in net assets	942,888	103,375	1,046,263
Net assets, beginning of year	6,930,791	2,645,525	9,576,316
Net assets, end of year	$ 7,873,679	$ 2,748,900	$ 10,622,579

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

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
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	6,545,246	2,484,231	9,029,477
Net assets, end of year	$ 6,930,791	$ 2,645,525	$ 9,576,316

SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	General and Administrative	Fundraising	Total
Personnel costs:				
Salaries and wages	$ 477,800	$ 111,225	$ 95,681	$ 684,706
Payroll taxes	50,273	9,489	7,924	67,686
Employee benefits	116,993	11,095	18,298	146,386
Total personnel costs	645,066	131,809	121,903	898,778
Other costs and expenses:				
Accounting and legal	7,760	16,083	-	23,843
Advertising	1,809	240	-	2,049
Bank and credit card fees	13,007	772	6,474	20,253
Contract labor	125,228	-	-	125,228
Dues and subscriptions	7,028	295	160	7,483
Equipment rental	24,588	9,896	-	34,484
Insurance	29,718	16,489	753	46,960
Interest	21,055	1,208	-	22,263
Investment fees	1,638	894	-	2,532
Lobbying	62,000	-	-	62,000
Outside services	3,842	-	-	3,842
Miscellaneous	1,547	2,427	380	4,354
Postage and delivery	940	836	11,575	13,351
Printing and copying	1,830	663	22,198	24,691
Professional fees	103,538	12,552	9,770	125,860
Property taxes	1,603	-	-	1,603
Rent	8,445	250	3	8,698
Repairs and maintenance	104,212	697	107	105,016
Security	6,593	999	-	7,592
Supplies	61,635	1,266	1,051	63,952
Taxes and licenses	800	150	-	950
Travel and conferences	13,485	-	42	13,527
Transportation for programs	17,400	-	-	17,400
Utilities	16,795	-	966	17,761
Staff development	3,946	-	100	4,046
Total other costs and expenses	640,442	65,717	53,579	759,738
Subtotal	1,285,508	197,526	175,482	1,658,516
Depreciation	109,819	1,088	173	111,080
Total costs and expenses	$ 1,395,327	$ 198,614	$ 175,655	$ 1,769,596
Percentage results	79%	11%	10%	100%

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%

SAN JOAQUIN RIVER PARKWAY AND CONSERVATION TRUST, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 1,046,263	$ 546,839
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	111,080	109,245
Investment (gains) losses	241,715	(382,214)
Changes in operating assets and liabilities:		
Unconditional promises to give, bequests and grants receivable	(137,762)	109,232
Inventory	(171)	423
Prepaid and other assets	(9,997)	(3,562)
Accounts payable and accrued expenses	(27,940)	(113,487)
Agency and trust fund	-	(19,809)
Deferred revenue	28,326	-
Net cash provided by operating activities	1,251,514	246,667
Cash flows from investing activities:		
Purchase of property and equipment	(1,163,101)	(102,668)
Purchase of marketable securities	(266,718)	(803,775)
Proceeds from sale of marketable securities	120,795	512,237
Net cash (used in) investing activities	(1,309,024)	(394,206)
Cash flows from financing activities:		
Principal payments on notes payable	(27,015)	(25,648)
Principal payments on line-of-credit	(69,994)	(85,006)
Advances on line-of-credit	75,000	85,000
Net cash (used in) financing activities	(22,009)	(25,654)
Net decrease in cash and cash equivalents	(79,519)	(173,193)
Cash in bank, beginning of year	220,438	393,631
Cash in bank, end of year	$ 140,919	$ 220,438
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 22,263	$ 23,629
Taxes paid	$ 800	$ 800

NOTE 1 – NATURE OF ACTIVITIES

Organization and Operations

The San Joaquin River Parkway and Conservation Trust (the "Trust") is a California 501(c)(3) non-profit corporation formed in 1988 to preserve and restore San Joaquin River lands having ecological, scenic or historic significance, to educate the public on the need for stewardship, to research issues affecting the river, and to promote educational, recreational and agricultural uses consistent with the protection of the river's resources. The Trust carries out its mission through land acquisition, education and recreation programs, and projects designed to enhance wildlife habitat or public access. 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

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. San Joaquin River Parkway and Conservation Trust, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Classification of Net Assets

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets (Continued)

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

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, 2018 and 2017, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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, 2018 and 2017, the Trust received and recognized approximately $8,293, and $1,565, 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, 2018 and 2017, the Trust received and recognized approximately $1,400 for each year of donated professional services.

Advertising

The Trust expenses all advertising costs as incurred. Total advertising expense for the years ended December 31, 2018 and 2017 was $6,685 and $1,187, respectively.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results 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.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages	Time study
Payroll taxes	Time study
Employee benefits	Time study
Bank and credit card fees	% of related revenue

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.

Endowment Investment and Spending Policies

The Trust has adopted investment and spending polices for endowment assets (net assets with donor restrictions) that attempt to provide a predictable stream of funding to programs supported by endowments while seeking to maintain the purchasing power of the endowments' assets. The Trust's spending and investment policies work together to achieve this objective. The investment policy establishes the projected return objective through diversification of asset classes. The portfolio is designed to generate real rates of return in excess of inflation with regard to an appropriate balance of risk and reward for long-term capital growth.

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 income (interest and dividends). The Trust targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Investment and Spending Policies (Continued)

The spending policy calculates the amount of money annually distributable from the Trust's various endowed funds for the operations and maintenance of trails, facilities and properties in addition to other donor restrictions. At December 31, 2018 and 2017, the general spending policy seeks to distribute an amount no greater than 90% of the earnings from the prior year. Distribution of the earnings should not decrease the total market value of the endowment fund below 110% of the permanently-restricted original contribution balance. The Trust's spending policy allows for the designees of the Board of Directors to adjust the spending plan according to market conditions. Accordingly, over the long term, the Trust expects its current spending policy to allow its endowment assets to grow at an average rate of approximately 5.00% annually. At such time that the fund exceeds $500,000, the Trust can elect to change the distribution calculation to a Market-Value Oriented methodology of 5% of the fund based on a three-year rolling average of the market value of the fund. This is consistent with the Trust's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment returns.

NOTE 3 – AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure within one year of the Statement of Financial Position date, consist of the following:

Cash in bank	$ 140,919
Grants and other receivables	299,853
Investments	2,758,802
Total financial assets	3,199,574
Less amounts not available to be used within one year:	
Board-designated with liquidity horizons greater than one year	(495,660)
Donor-restricted with liquidity horizons greater than one year	(2,596,732)
Financial assets not available to be used within one year	(3,092,392)
Financial assets available to meet general expenditures within one year	$ 107,182

The Trust has certain board-designated and donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. The Trust has other assets limited to use for donor-restricted purposes. Additionally, certain other board-designated assets are designated for future use including a legal defense fund and stewardship projects. However, the board-designated amounts could be made available, if necessary.

As part of the Trust's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. Funds that have been Board designated may be undersigned by the Board for alternative use to meet any unexpected liquidity needs.

Additionally, the Trust maintains a $100,000 line of credit, as discussed in more detail in Note 9. As of December 31, 2018, $75,000 remained available on the Trust's line of credit.

NOTE 4 – INVESTMENTS

Investment securities consist of the following at December 31:

	2018	2017
Certificate of deposit	$ 7,014	$ 7,008
US Equities	1,507,840	1,695,539
International Equities	483,637	536,166
Investment Pool CVCF	54,793	58,818
Fixed income	636,428	483,900
Bond mutual funds	69,090	73,163
Total investments	$ 2,758,802	$ 2,854,594

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

	2018	2017
Interest and dividends	$ 74,813	$ 74,098
Realized and unrealized gain (loss)	(239,787)	345,151
Total investment income (loss), net	$ (164,974)	$ 419,249

NOTE 5 – 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, 2018 and 2017 totaled $157,853 and $154,701, respectively, and are due from various grantors. The Trust did not incur any Bad Debt expense for the years ended December 31, 2018 and 2017.

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at December 31:

	2018	2017
Land	$ 1,193,049	$ 1,193,049
Building and improvements	4,876,266	3,714,313
Vehicles	87,883	88,586
Equipment	55,434	55,434
Furniture and fixtures	208,901	207,753
	6,421,533	5,259,135
Accumulated depreciation	(1,547,451)	(1,437,074)
Property and equipment, net	$ 4,874,082	$ 3,822,061

Depreciation expense for the years ended December 31, 2018 and 2017 was $111,080 and $109,245, respectively.

NOTE 7 – 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.

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, 2018 and 2017, 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, 2018 and 2017, Sand and Gravel Rights totaled $2,990,222 each year.

NOTE 8 – CONCENTRATION OF CREDIT RISK

As of December 31, 2018, 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, 2018 and 2017, the Trust's cash balances were fully guaranteed by the FDIC. As of December 31, 2018 and 2017, approximately $2,068,000 and $2,244,000 of the trust's investments were in excess of the amount guaranteed by the SIPC, respectively.

NOTE 9 – 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

NOTE 9 – BANK LINES-OF-CREDIT (Continued)

balance due on the permanent loan at December 31, 2018 and 2017 was $389,857 and $416,872, respectively. Interest on the line accrues at a fixed rate of 5.133% annually. Total interest expense on the permanent loan was $21,055 and $22,423 during the years ended December 31, 2018 and 2017, respectively. Maturities of the loan payable for the next five years are as follows:

Year Ending December 31	Interest	Principal	Total
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
2023	13,049	35,022	48,071
Thereafter	35,669	231,642	267,311
Totals	$ 117,809	$ 389,857	$ 507,666

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 $25,000 on the line at December 31, 2018. There was an outstanding balance of $19,994 on the line at December 31, 2017. The line is unsecured and accrues variable interest at an initial rate of 4.50% per annum. During the year ended December 31, 2018, the Trust incurred $601 of interest related to this line-of-credit. During the year ended December 31, 2017, there was $775 of interest incurred related to this line-of-credit. The line-of-credit expires on October 1, 2020.

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, 2018, the Trust allotted $12,889 to employees for their discretionary use or contribution to the Plan. During the year ended December 31, 2017, the Trust allotted $9,529 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, 2018 and 2017 which included significant (in excess of $5,000), nonrecurring contributions from individual donors or bequests in the amount of approximately $1,509,000 and $517,000, respectively.

NOTE 11 – CONTINGENCIES (Continued)

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:

	Operating
2019	$ 8,454
2020	7,247
2021	1,009
Total minimum lease payment	$ 16,710

Total equipment rental expense on operating leases totaled $8,585 and $12,310 for the years ended December 31, 2018 and 2017, respectively.

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.

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued)

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, 2018 in valuing the Trust's assets carried at fair value:

Asset Description	Level 1	Level 2	Level 3	Total
Investments:				
Certificate of deposit	$ 7,014	$ -	$ -	$ 7,014
US Equities	1,507,840	-	-	1,507,840
International Equities	483,637	-	-	483,637
Investment Pool Central Valley Community Foundation	-	54,793	-	54,793
Fixed income	636,428	-	-	636,428
Bond mutual funds	69,090	-	-	69,090
Assets measured at fair value	$ 2,704,009	$ 54,793	$ -	$ 2,758,802

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

Asset Description	Level 1	Level 2	Level 3	Total
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	73,163	-	-	73,163
Assets measured at fair value	$ 2,795,776	$ 58,818	$ -	$ 2,854,594

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 NET ASSETS AND NET ASSETS WITH DONOR RESTRICTIONS

Board Designated Net Assets (Net Assets Without Donor Restrictions) consist of the following at December 31:

	2018	2017
Legal defense fund	$ 72,500	$ 72,500
Community supported agriculture	34,879	34,879
Parkway trailblazers	28,281	28,281
Owl hollow stewardship	360,000	360,000
Total board designated net assets	$ 495,660	$ 495,660

Net Assets With Donor Restrictions consist of the following at December 31:

	2018	2017
EK Martin Land Acquisition Fund	$ 2,089,517	$ 2,107,195
Grants:		
Educational Programs	4,500	2,000
Gimbel Grant	694	22,567
Solar donation	20,450	20,450
Eaton Bridge Feasibility Project	119,298	179,298
Eaton Trail Improvements	25,000	25,000
Conservation easement monitoring fund	30,291	30,291
Owl Hollow	51,191	51,191
Alex C. Moir Memorial Fund	25,000	13,000
P4P Sponsor	30,134	23,774
River Camp Firebaugh	30,585	20,300
RC Scholarships	7,005	1,034
Special Appeal	-	32,715
Union Bank RC Scholarship	-	3,750
River Center Improvements	1,800	1,800
Staff Training	-	225
Patton Shade Arbor	10,000	5,000
Operations and maintenance endowment fund	197,500	-
Lundberg educational endowment	70,957	70,957
Land stewardship funds	34,978	34,978
Net assets with donor restrictions	$ 2,748,900	$ 2,645,525

NOTE 14 – BOARD DESIGNATED AND NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The Trust's endowment net assets by composition is as follows for the year ended December 31, 2017:

		With donor restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gains (Losses)	Total	Total All Funds
Board-designated funds	$ -	$ -	$ -	$ -	$ -
Donor-restricted funds:					
Underwater	-	-	-	-	-
Other funds	-	105,935	-	105,935	105,935
Total endowment funds, December 31, 2017	$ -	$ 105,935	$ -	$ 105,935	$ 105,935

The Trust's endowment net assets by composition is as follows for the year ended December 31, 2018:

		With donor restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gains (Losses)	Total	Total All Funds
Board-designated funds	$ -	$ -	$ -	$ -	$ -
Donor-restricted funds:					
Underwater	-	-	-	-	-
Other funds	-	303,435	-	303,435	303,435
Total endowment funds, December 31, 2018	$ -	$ 303,435	$ -	$ 303,435	$ 303,435

The changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2016	$ -	$ 105,935	$ 105,935
Investment return, net	-	-	-
Contributions and others	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Other changes and reclassifications	-	-	-
Endowment net assets, December 31, 2017	-	105,935	105,935
Investment return, net	-	-	-
Contributions and others	-	197,500	197,500
Appropriation of endowment assets for expenditure	-	-	-
Other changes and reclassifications	-	-	-
Endowment net assets, December 31, 2018	$ -	$ 303,435	$ 303,435

At any time, the fair value of assets associated with individual endowment funds may fall below the original level of the donor's original contributions. This deficit is usually the result of unfavorable market fluctuations that occur after the original contributions. Such deficits are reported as reductions to Net Assets With Donor Restrictions. At December 31, 2018 and 2017, the Trust had no endowment funds in which the value at year-end was below the original amount provided by the donor.

NOTE 15 – CONSERVATION EASEMENTS

During the year ended December 31, 2018, the Trust did not acquire or fund any 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.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no other subsequent events that have occurred from December 31, 2018 through the date the financial statements were available to be issued on April 23, 2019 that would require disclosure or adjustment.