

# **NEW MEXICO LAND CONSERVANCY**

## **Financial Statements**

**June 30, 2015 and 2014**

**(With Independent Auditors' Report Thereon)**



*Barraclough & Associates, P.C.*  
Certified Public Accountants & Consultants

# NEW MEXICO LAND CONSERVANCY

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# NEW MEXICO LAND CONSERVANCY

## OFFICIAL ROSTER

June 30, 2015

### BOARD OF DIRECTORS

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Member  
Member

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Advisor  
Advisor  
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Executive Director

**"30 Years of Excellence"**

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**Principals**

John E. Barracough, Jr., C.P.A.  
Annette V. Hayden, C.P.A.  
Sandra M. Shell, C.P.A./A.B.V., C.V.A.  
Rhonda G. Williams, C.P.A.  
Katherine M. Rowe, C.P.A.

**Managers**

Douglas W. Fraser, C.P.A.  
Laura Parker, C.P.A.  
Rick W. Reynolds, C.P.A.

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors of  
New Mexico Land Conservancy

We have audited the accompanying financial statements of New Mexico Land Conservancy (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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.

**Auditors' 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 audits 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

### **Auditors' Responsibility (Continued)**

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Mexico Land Conservancy as of June 30, 2015 and 2014, 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.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of functional expenses for the year ended June 30, 2015 and comparative totals for 2014 on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Barraclough & Associates, P.C.", is written over the printed name of the firm.

Barraclough & Associates, P. C.  
Santa Fe, New Mexico  
October 30, 2015

# NEW MEXICO LAND CONSERVANCY

## Statements of Financial Position

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 315,768	\$ 229,181
Promises to give	204,000	619,190
Other assets - deposit	-	30,000
Prepaid expenses	<u>7,138</u>	<u>8,335</u>
Total current assets	<u>526,906</u>	<u>886,706</u>
Non-current assets		
Cash - designated for stewardship fund	182,263	179,268
Investments - designated for stewardship fund	319,118	298,545
Land, building and equipment, partially pledged, net	579,046	593,722
Petchesky land subject to conservation easement, partially pledged	374,000	374,000
Other fee land, partially pledged	226,000	226,000
Long term promises to give, net	-	47,952
Prepaid expenses	5,850	7,020
Deferred loan costs, net	<u>3,542</u>	<u>4,256</u>
Total non-current assets	<u>1,689,819</u>	<u>1,730,763</u>
Total assets	<u><u>\$ 2,216,725</u></u>	<u><u>\$ 2,617,469</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 10,086	\$ 243,415
Accrued expenses	18,156	10,007
Current maturities of mortgage payable	<u>6,307</u>	<u>6,021</u>
Total current liabilities	34,549	259,443
Non-current liabilities		
Mortgage payable, less current maturities	<u>202,192</u>	<u>208,489</u>
Total liabilities	<u>236,741</u>	<u>467,932</u>
Net assets		
Unrestricted		
General unrestricted	1,226,600	972,095
Board designated stewardship fund	501,381	477,813
Board designated Petchesky Conservation Center maintenance fund	<u>20,003</u>	<u>10,000</u>
Total unrestricted	1,747,984	1,459,908
Temporarily restricted	<u>232,000</u>	<u>689,629</u>
Total net assets	<u>1,979,984</u>	<u>2,149,537</u>
Total liabilities and net assets	<u><u>\$ 2,216,725</u></u>	<u><u>\$ 2,617,469</u></u>

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

# NEW MEXICO LAND CONSERVANCY

## Statement of Activities

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Support and Revenue:</u>				
Support				
Landowner contributions	\$ 117,582	\$ 144,000	\$ -	\$ 261,582
Private grants	62,524	25,500	-	88,024
Individual contributions	24,151	-	-	24,151
Corporate contributions	4,820	-	-	4,820
Total support	<u>209,077</u>	<u>169,500</u>	<u>-</u>	<u>378,577</u>
Revenue				
Special events	29,530	-	-	29,530
Investment income	(298)	-	-	(298)
Fees for services	39,250	-	-	39,250
Net assets released from restrictions	627,129	(627,129)	-	-
Total revenue	<u>695,611</u>	<u>(627,129)</u>	<u>-</u>	<u>68,482</u>
Total support and revenue	<u>904,688</u>	<u>(457,629)</u>	<u>-</u>	<u>447,059</u>
<u>Expenses:</u>				
Program services	429,799	-	-	429,799
Management and general	107,226	-	-	107,226
Fundraising	79,587	-	-	79,587
Total expenses	<u>616,612</u>	<u>-</u>	<u>-</u>	<u>616,612</u>
Change in net assets	288,076	(457,629)	-	(169,553)
Net assets, beginning of the period	<u>1,459,908</u>	<u>689,629</u>	<u>-</u>	<u>2,149,537</u>
Net assets, end of the period	<u>\$ 1,747,984</u>	<u>\$ 232,000</u>	<u>\$ -</u>	<u>\$ 1,979,984</u>

The accompanying notes are an integral part of this financial statement.

# NEW MEXICO LAND CONSERVANCY

## Statement of Activities

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Support and Revenue:</u>				
Support				
Landowner contributions	\$ 431,302	\$ 436,030	\$ -	\$ 867,332
Private grants	47,976	448,000	-	495,976
Individual contributions	43,309	31,440	-	74,749
Corporate contributions	14,445	-	-	14,445
Governmental grants	-	160,000	-	160,000
Total support	537,032	1,075,470	-	1,612,502
Revenue				
Special events	35,805	-	-	35,805
Investment income	24,607	-	-	24,607
Other income	3,900	-	-	3,900
Fees for services	35,000	-	-	35,000
Net assets released from restrictions	439,191	(439,191)	-	-
Total revenue	538,503	(439,191)	-	99,312
Total support and revenue	1,075,535	636,279	-	1,711,814
<u>Expenses:</u>				
Program services	848,711	-	-	848,711
Management and general	104,322	-	-	104,322
Fundraising	86,436	-	-	86,436
Total expenses	1,039,469	-	-	1,039,469
Write-down of land value	54,000	-	-	54,000
Total expenses and losses	1,093,469	-	-	1,093,469
Change in net assets	(17,934)	636,279	-	618,345
Net assets, beginning of the period	1,477,842	53,350	-	1,531,192
Net assets, end of the period	\$ 1,459,908	\$ 689,629	\$ -	\$ 2,149,537

The accompanying notes are an integral part of this financial statement.



# NEW MEXICO LAND CONSERVANCY

## Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (169,553)	\$ 618,345
Adjustments to reconcile change in net assets to net cash		
(used) provided by operating activities:		
Depreciation and amortization	24,471	28,888
Unrealized loss/(gain) on investments	16,788	(14,536)
Write-down of land value	-	54,000
Bad debt expense	-	5,000
Discount on long term promises to give	-	2,048
(Increase) decrease in:		
Promises to give	463,142	(621,340)
Prepaid expenses	1,197	(8,101)
Other assets	30,000	(30,000)
Increase (decrease) in:		
Accounts payable	(233,329)	206,347
Accrued expenses	<u>8,149</u>	<u>1,809</u>
Net cash provided by operating activities	<u>140,865</u>	<u>242,460</u>
Cash flows from investing activities:		
Property and equipment purchases	(7,911)	(7,957)
Investments purchases	(139,142)	(50,200)
Investment sales and maturities	<u>101,781</u>	<u>16,275</u>
Net cash (used) by investing activities	<u>(45,272)</u>	<u>(41,882)</u>
Cash flows from financing activities:		
Principal payments mortgage payable	(6,011)	(5,686)
Payments on line of credit, net	<u>-</u>	<u>(100,000)</u>
Net cash (used) by financing activities	<u>(6,011)</u>	<u>(105,686)</u>
Increase in cash	89,582	94,892
Cash, beginning of period including cash designated for stewardship	<u>408,449</u>	<u>313,557</u>
Cash, end of period including cash designated for stewardship	<u>\$ 498,031</u>	<u>\$ 408,449</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 14,290</u>	<u>\$ 14,950</u>
Supplemental disclosure of noncash contributions:		
In-kind contributions	<u>\$ -</u>	<u>\$ 639</u>

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

# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements

June 30, 2015 and 2014

(1) Organization

The New Mexico Land Conservancy (NMLC) is a New Mexico nonprofit corporation founded in 2002. The mission of NMLC is to preserve New Mexico's land heritage by helping people conserve the places they love. As a statewide organization, NMLC works with private landowners, community groups, public agencies and other partners to protect significant wildlife habitat, productive agricultural lands, scenic open space, cultural and historic resources and recreational lands at community, watershed and landscape scales. As a member of the National Land Trust Alliance, NMLC is an accredited land trust and adheres to best established standards and practices of the industry.

NMLC defines its program services as follows:

*Land Conservation* – NMLC works to identify and protect the most important and threatened lands by working with willing landowners to find ways to protect the conservation values of their land for conservation purposes and public benefit. NMLC uses conservation easements and other private, voluntary land conservation methods to achieve its conservation goals, and uses evaluation and selection criteria to assess the status of conservation values, the threats to these values, and the potential for their successful conservation on each of the properties it works to protect.

*Land Stewardship* – NMLC provides stewardship for all of its land and easement holdings through baseline assessment, management planning, monitoring and legal defense. Annual monitoring is completed to ensure landowner compliance with the terms of the easements and that the conservation values are being adequately protected.

*Communications, Outreach and Education* – NMLC increases awareness about the benefits of private land conservation and the mission of NMLC. NMLC provides accurate and timely information about the techniques and benefits of private land conservation, educates landowners, public policy makers, and the general public on the value of preserving land.

*Capacity Building* – NMLC periodically engages in policy and legislative initiatives that promote land conservation, restoration and stewardship; and create or enhance tax and financial incentives to encourage private landowners to engage in land conservation.

NMLC is primarily supported by contributions from the public, including landowners, foundations, and individual donors.

# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements (Continued)

June 30, 2015 and 2014

### (2) Summary of Significant Accounting Policies

#### Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared on the accrual basis of accounting. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### Basis of Presentation

Financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 958-210-45, *Financial Statements of Non-Profit Entities*, which requires NMLC to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

*Unrestricted net assets* are assets not subject to stipulations imposed by the donor and are currently available for expenditures. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by explicit donor restrictions. Contributions are reported as unrestricted where donor-imposed restrictions are met in the same reporting period as they are received. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Unrestricted net assets include net assets transferred from temporarily restricted net assets after temporary restrictions imposed by the donor have been accomplished or the stipulated time period has elapsed. These unrestricted net assets include Board designated net assets that have been allocated for a specific purpose.

*Temporarily restricted net assets* are assets subject to explicit restrictions imposed by the donor on the expenditure of contributions or income and gains on contributed assets. The temporary restrictions may expire due to the passage of time or the occurrence of expenditures that fulfill the restrictions.

*Permanently restricted net assets* are assets subject to explicit stipulations imposed by the donor to be maintained in perpetuity by NMLC. NMLC does not have any permanently restricted net assets at June 30, 2015 and 2014.

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include cash on hand and cash in checking, savings accounts, money market mutual funds and U.S. Treasury bills if the maturity is three months or less when purchased.

# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements (Continued)

June 30, 2015 and 2014

### (2) Summary of Significant Accounting Policies (Continued)

#### Promises to Give

Promises to give include New Mexico landowner contributions and foundation grant agreements. Contributions are recognized when the donor makes a promise to give to NMLC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises that are expected to be collected within one year are recorded at net realizable value. Unconditional promises that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Based on past experience, management believes all pledges will be collected in full, therefore no allowance for doubtful accounts has been established.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains on investments that are restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

NMLC follows ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements.

In accordance with ASC 820, fair value is defined as the price that the NMLC would receive upon selling an investment in an orderly transaction to an independent buyer. ASC 820 has a three-tier hierarchy to establish classification of fair value measurements, summarized as follows:

- Level 1 – fair value is determined based on market data obtained from independent sources; for example, quoted prices in active markets for identical investments.
- Level 2 – fair value is determined using other assumptions obtained from independent sources; for example, quoted prices for similar investments.
- Level 3 – fair value is determined using the NMLC's own assumptions, developed based on the best information available in the circumstances.

# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements (Continued)

June 30, 2015 and 2014

### (2) Summary of Significant Accounting Policies (Continued)

#### Land, Buildings and Equipment

NMLC capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, NMLC reports expiration of donor restrictions when the donated or acquired assets are placed in service. NMLC reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to thirty-nine years.

#### Conservation Easements Property Interests

NMLC has acquired and holds a number of conservation easements, each representing a legal interest in land owned by another person or entity, and representing NMLC's right to monitor and protect the land for conservation purposes. NMLC evaluates each easement for its conservation values and then ensures that the terms of the easement will adequately protect and preserve these values. Due to the lack of foreseeable future cash flow benefits from the easements and the absence of a secondary easement market, the accompanying financial statements do not include any recorded amounts for these property interests. This accounting policy is consistent with the practices followed by many environmental land trusts. During the year ended June 30, 2015, NMLC expensed \$1,356 for one easement. During the year ended June 30, 2014, NMLC expensed \$374,750 for two easements. During the years ended June 30, 2015 and 2014, NMLC recorded \$10,000 and \$350,000, respectively, in grant revenue for easement purchases. NMLC completed five conservation easements in fiscal year 2015 (Wagon Mound Ranch Phase III, Ft. Union Ranch, Jones Ranch, Glorieta Pass Battlefield, and Ancheta Springs Ranch), protecting 17,137 acres and increasing its total portfolio from 58 conservation easements over 127,577 acres at the end of fiscal year 2014 to 63 conservation easements over 144,714 acres at the end of fiscal year 2015. The combined value of the non-cash, conservation easement contributions donated to NMLC for the year ended June 30, 2015 was \$3,148,246, as compared to \$2,518,200 for the year ended June 30, 2014. However, the organization does not report the appraised value of these non-cash, conservation easement donations as revenue as this would result in an overstatement of the organization's actual financial assets. While the easement donations represent value to the grantors based upon the appraised value of the development rights that they are foregoing through the conservation easements (which forms the basis of their charitable tax deductions), the easements have no real financial or marketable value once they are donated to the land trust.

#### Deferred Loan Costs

Loan costs relating to the mortgage payable are amortized on a straight line basis over a ten year period.

# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements (Continued)

June 30, 2015 and 2014

### (2) Summary of Significant Accounting Policies (Continued)

#### Compensated Absences

All eligible employees accrue vacation time at a rate based on their employment contract, typically two or three weeks per year. Employees may carry forward accrued vacation at year end not to exceed 80 hours, unless written permission is granted to carry forward more. A liability for compensated absences has been recorded.

#### Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

#### Conservation Easement Acquisition Funding Agreements

In certain circumstances, NMLC will enter into agreements with governmental entities as a cooperating/sponsorship organization to facilitate the governmental entity or entities participation in acquisition of conservation easements. Upon closing a conservation easement acquisition, where land title is passed through NMLC, NMLC will record revenue and an equal conservation easement acquisition expenditure for amounts that NMLC has passed through to the landowner.

In addition, NMLC may facilitate the closing of conservation easements in partnership with the U.S. National Resource Conservation Service (NRCS). Through cooperative agreements with NRCS, NMLC secures allocation of federal funds through the NRCS Farm and Ranchland Protection Program for the purchase of an easement from the landowner. When a project is nearing closing, NMLC requests an advance of these funds to be transferred directly by NRCS to an escrow account prior to closing and then paid directly to the landowner. Since title (the NRCS funding) does not pass through NMLC, the funding has not been recorded as revenue and an equal conservation easement acquisition expenditure. During the year ended June 30, 2015 and 2014, NMLC facilitated \$403,500 and \$346,000, respectively, of such federal funding which was paid directly to the landowners by NRCS.

#### Donated Services

Donated services are recognized as contributions in accordance with ASC 605, *Revenue Recognition Contributed Services* if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by NMLC. No amounts have been reflected in the financial statements for donated services as NMLC generally pays for services requiring specific expertise.

# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements (Continued)

June 30, 2015 and 2014

### (2) Summary of Significant Accounting Policies (Continued)

#### Income Taxes

NMLC is a nonprofit organization that is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. NMLC does not have unrelated business income and accordingly no provisions for income taxes have been made in the accompanying financial statements. NMLC files an annual information return (Form 990) with the Internal Revenue Service. There are no uncertain tax positions for the years ended June 30, 2015 and 2014.

#### Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Most expenses are allocated directly to the program or the support service benefited. Certain costs are allocated to the appropriate program or support service using a variable percentage base.

#### Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NMLC's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

#### Reclassification

Certain 2014 items may have been reclassified in order to conform to the 2015 financial statement presentation.

# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements (Continued)

June 30, 2015 and 2014

### (3) Promises to Give

Included in promises to give are current scheduled landowner contributions of \$144,000 and \$586,190 for June 30, 2015 and 2014, respectively. Also included in promises to give are current foundation grants of \$60,000 and \$33,000 for June 30, 2015 and 2014, respectively. Promises to give as of June 30 are included in the statements of financial position as follows:

		2015		
	Payment Year	Amount	Less Present Value Discount	Present Value
Total current promises to give	2016	\$ 204,000	\$ -	\$ 204,000
		2014		
	Payment Year	Amount	Less Present Value Discount	Present Value
	2015	\$ 619,190	\$ -	\$ 619,190
	2016	50,000	(2,048)	47,952
Total		669,190	(2,048)	667,142
Less current portion		(619,190)	-	(619,190)
Non-current promises to give		\$ 50,000	\$ (2,048)	\$ 47,952

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate. All promises to give for the year ended June 30, 2015 are current. For the year ended June 30, 2014, non-current promises to give used a discount rate of 2.12%.

During fiscal year 2014 management determined that a remaining balance of an unconditional promise to give for \$5,000 was uncollectible. The remaining balance of the promise to give was written off as bad debt expense during the year ended 2014. For the year ended June 30, 2015, management believes the balance of promises to give is fully collectible.



# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements (Continued)

June 30, 2015 and 2014

### (4) Investments

Investments consisted of the following at June 30:

	2015		
	<u>Basis</u>	<u>Unrealized Gain/(Loss)</u>	<u>Market Value</u>
Bond Mutual Funds	\$ 225,092	\$ (4,724)	\$ 220,368
Equity Funds	<u>92,147</u>	<u>6,603</u>	<u>98,750</u>
	<u>\$ 317,239</u>	<u>\$ 1,879</u>	<u>\$ 319,118</u>

  

	2014		
	<u>Basis</u>	<u>Unrealized Gain/(Loss)</u>	<u>Market Value</u>
Bond Mutual Funds	\$ 203,215	\$ 698	\$ 203,913
Equity Funds	<u>76,663</u>	<u>17,969</u>	<u>94,632</u>
	<u>\$ 279,878</u>	<u>\$ 18,667</u>	<u>\$ 298,545</u>

Investments at June 30, 2015 and 2014 were board designated net assets.

Substantially all of NMLC's investments for the years ended June 30, 2015 and 2014 were valued using the market price at year end (Level 1).

Market value risk: NMLC invests in mutual funds that contain various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements.

Interest income for the period ended June 30, 2015 and 2014 is net of investment fees of \$1,462 and \$1,302, respectively.

# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements (Continued)

June 30, 2015 and 2014

### (5) Land, Buildings and Equipment

A summary of property is as follows:

	2015	2014
Land	\$ 98,000	\$ 98,000
Buildings and improvements	560,519	555,433
Office equipment	41,974	45,860
Vehicles	45,154	45,154
	745,647	744,447
Less accumulated depreciation	(166,601)	(150,725)
Net land, buildings and equipment	\$ 579,046	\$ 593,722

Land and buildings and improvements are partially pledged for the mortgage payable (note 9) and the line of credit (note 10).

Depreciation expense for the year ended June 30, 2015 and 2014 was \$23,758 and \$28,175, respectively.

### (6) Petchesky Land Subject to Conservation Easement

In February 2009, NMLC was the recipient of a gift of the 262 acre Petchesky Ranch, a landmark property near the Santa Fe Community College. Ranch acreage amounting to 249 of the 262 acres is subject to a conservation easement held by the nonprofit Forest Trust (240 acres) and trail easements held by Santa Fe County (9 acres). The ranch house and related structures and certain land acreage serve as the operating offices of NMLC. NMLC has allocated \$374,000 to the acreage received not used in NMLC operations. This land is partially pledged for the mortgage payable (note 9) and the line of credit (note 10). The land is valued using a market approach. The land is a Level 3 valuation according to ASC 820, *Fair Value Measurements and Disclosure*. Level 3 values are the result of management's own judgment or estimation about the assumptions market participants would use in pricing the asset. Management believes there was no change in value during the years ended June 30, 2015 and 2014.

### (7) Other Fee Land

NMLC was named as a beneficiary in the Jane Petchesky will, which granted 20 acres adjacent to the Petchesky Ranch to NMLC. The 20 acre parcel was originally recorded at \$360,000 based on appraised value. The acreage was transferred to NMLC in February 2011. This land is partially pledged for the mortgage payable (note 9) and the line of credit (note 10). The land is valued using a market approach. The land is a Level 3 valuation according to ASC 820, *Fair Value Measurements and Disclosure*. Level 3 values are the result of management's own judgment or estimation about the assumptions market participants would use in pricing the asset. Management wrote down the land value by \$54,000 during the year ended June 30, 2014. The value of land at June 30, 2015 and 2014 is \$226,000, respectively.

# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements (Continued)

June 30, 2015 and 2014

(8) Deferred Loan Costs

At June 30, 2015 and 2014, accumulated amortization for deferred loan costs was \$3,585 and \$2,872, respectively. Amortization expense for the year ended June 30, 2015 and 2014 was \$713.

(9) Mortgage Payable

In June 2009 NMLC secured a \$240,000 mortgage with a local financial institution. The mortgage is secured by NMLC's operating facility and excess land and certain cash accounts with the financial institution. The mortgage bears interest at 3% above the weekly average yield on United States Treasury Securities adjusted to a constant maturity of five years, but in no case less than 5.5%. Terms call for monthly payments of \$1,485 including interest with a balloon payment due on June 5, 2019.

Mortgage payments for future years are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 6,307	\$ 11,498
2017	6,720	11,104
2018	7,105	10,720
2019	188,367	10,313
	<u>\$ 208,499</u>	<u>\$ 43,635</u>

(10) Line of Credit

In July 2011, NMLC obtained a line of credit for \$250,000 from a local bank. This agreement is collateralized by a right of cash offset, a second mortgage on the NMLC's operating facility and excess land. Interest is payable at 1.0% over the "Wall Street Journal" Prime Rate. The interest rate at June 30, 2015 and 2014 was 4.25%. The outstanding balance for the agreement as of June 30, 2015 and 2014 was \$0, respectively. The agreement was renewed in August 2015 with substantially the same terms.

(11) Net Assets

Temporarily restricted net assets of \$232,000 represents \$28,000 of grant funds restricted to purpose and \$204,000 of landowner and grant agreement promises to give due at June 30, 2015. Temporarily restricted net assets of \$689,629 represents \$22,487 of grant funds restricted to purpose and \$667,142 of landowner and grant agreement promises to give due at June 30, 2014.

# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements (Continued)

June 30, 2015 and 2014

### (11) Net Assets (Continued)

Up until 2010, NMLC's Board of Directors had adopted a policy of maintaining an average of \$10,000 per completed conservation easement and combining these funds for the purpose of future monitoring and, if necessary, legal defense of the conservation easements held. During the year ended June 30, 2011, the Board of Directors approved a temporary decrease to \$5,000 per completed conservation easement. In fiscal year 2013, the Board of Directors approved a policy to maintain an average level of \$8,000 per easement through fiscal year 2016. NMLC refers to these funds as "stewardship funds." These amounts have been set aside from NMLC's operating asset accounts and are held in separate bank accounts. Sources generating these funds are contributions from landowners. Applicable investment income has been added to the fund. NMLC has enrolled a conservation easement insurance program covering \$500,000 of combined annual insurance coverage for the legal defense of the easement portfolio. Board designated stewardship funds total \$501,381 and \$477,813 at June 30, 2015 and 2014, respectively.

In fiscal year 2014, NMLC's Board of Directors approved a designation of a Petchesky Conservation Center (PCC) maintenance fund. The PCC maintenance fund is to cover large expenditures for general maintenance costs of the operations facility. Board designated PCC maintenance funds total \$20,003 and \$10,000 at June 30, 2015 and 2014, respectively.

### (12) Commitments and Contingencies

Monitoring and, if necessary, legally defending the conservation easements held by NMLC is an important aspect of NMLC's mission. Costs associated with NMLC's stewardship efforts are expensed as incurred. The amount of future costs that will be incurred in NMLC's stewardship efforts will be expensed as incurred.

The Internal Revenue Service and the State of New Mexico have provided tax benefits in the form of deductions and credits to individuals or entities that donate conservation easements. These benefits represent a major incentive for contributing easements to NMLC. NMLC's ability to generate future contributions could be impaired if these tax benefits were eliminated or reduced.

### (13) Employee Benefit Plan

NMLC has established a Simple IRA plan for qualifying employees under Section 408(p) of the Internal Revenue Code, and is required to make a contribution of 2% of employee salaries annually. The amounts charged to pension expense for the years ended June 30, 2015 and 2014 amounted to \$3,454 and \$2,406, respectively.

### (14) Advertising Expenses

NMLC uses advertising to promote its programs among the public it serves. The costs of advertising are expensed as incurred. For the years ended June 30, 2015 and 2014, NMLC had advertising costs of \$1,019 and \$478, respectively.

## NEW MEXICO LAND CONSERVANCY

### Notes to Financial Statements (Continued)

June 30, 2015 and 2014

(15) Related Party Transactions

NMLC board members and employees provided \$9,146 and \$10,508 in cash contributions for the years ended June 30, 2015 and 2014, respectively. In addition, \$639 was provided in a non-cash donation for the year ended June 30, 2014.

During fiscal year 2013, NMLC entered into a Memorandum of Understanding with Intermountain Conservation Trust (ICT) and the San Pedro Creek Estates Homeowners Association (SPCEHOA). NMLC receives funds on behalf of the SPECHOA and disburses the funds on behalf of SPCEHOA and retains a 10% management fee. Funds received on behalf of the SPCEHOA for the years ended June 30, 2015 and 2014 were \$1,440 and \$1,600, respectively, and are reflected in the accompanying statement of activities as temporarily restricted revenue net of the management fee.

During fiscal year 2013, NMLC entered into an agreement with Chama Peak Land Alliance (CPLA). NMLC receives funds on behalf of the CPLA and disburses the funds on behalf of CPLA. Funds received on behalf of the CPLA were \$0 and \$30,000 for the year ended June 30, 2015 and 2014, respectively, and are reflected in the accompanying statement of activities as temporarily restricted revenue.

During the year ended June 30, 2014 NMLC rented office space to the Chama Peak Land Alliance (CPLA) at \$400 a month on a month-to-month basis. For the year ended June 30, 2014 NMLC recognized \$3,200 in rental revenue from CPLA. The rental arrangement ended as of December 31, 2013.

(16) Concentration of Credit Risk

NMLC's financial instruments that are exposed to concentrations of credit risk primarily consist of cash and investments. Periodically throughout 2015 and 2014, NMLC has maintained cash balances in excess of insured limits. As of June 30, 2015 and 2014, the amounts on deposit at the banks did not exceed the FDIC limit.

(17) Subsequent Events

Management and the Board of Directors of NMLC have evaluated subsequent events through October 30, 2015 the date which the financial statements were available to be issued. In July 2015, NMLC received a \$200,000 grant from New Cycle Foundation, of which \$190,833 is restricted for Mesa Ranch Conservation Easement and \$9,167 is unrestricted.

# NEW MEXICO LAND CONSERVANCY

## Supplemental Schedule of Functional Expenses

Years Ended June 30, 2015 and 2014

	Program Services	Management and General	Fundraising	2015 Total	2014 Total
Salaries and wages	\$ 182,773	\$ 57,901	\$ 35,845	\$ 276,519	\$ 221,144
Payroll taxes	17,456	5,636	3,429	26,521	17,673
Health benefits	18,425	4,462	2,503	25,390	19,075
Retirement benefits	2,566	492	396	3,454	2,406
Total salaries and related expenses	221,220	68,491	42,173	331,884	260,298
Project related professional services	87,001	19,772	5,711	112,484	193,369
Fundraising event	-	-	25,218	25,218	34,205
Facility costs	15,963	1,841	1,841	19,645	22,055
Printing and copying	18,625	215	-	18,840	18,345
Insurance	6,939	11,890	-	18,829	16,876
Interest	11,432	1,429	1,429	14,290	14,950
Communications	7,357	527	527	8,411	9,504
Project costs	7,310	-	-	7,310	385,016
Travel	6,059	-	-	6,059	10,138
Computer expense	4,673	286	-	4,959	7,092
Postage and delivery	4,732	-	-	4,732	1,383
Supplies	4,456	-	61	4,517	4,973
Meals and entertainment	4,159	-	180	4,339	4,017
Vehicle maintenance	3,181	-	-	3,181	1,002
Other	2,851	325	-	3,176	11,254
Business dues and fees	3,101	3	-	3,104	3,711
Conferences	1,163	-	-	1,163	3,095
Outreach events	-	-	-	-	4,298
Bad debt expense	-	-	-	-	5,000
Total expenses before depreciation	410,222	104,779	77,140	592,141	1,010,581
Depreciation and amortization	19,577	2,447	2,447	24,471	28,888
Total expenses	<u>\$ 429,799</u>	<u>\$ 107,226</u>	<u>\$ 79,587</u>	<u>\$ 616,612</u>	<u>\$ 1,039,469</u>

See the accompanying Independent Auditors' Report

