

# **NEW MEXICO LAND CONSERVANCY**

Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)



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

# NEW MEXICO LAND CONSERVANCY

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# NEW MEXICO LAND CONSERVANCY

## OFFICIAL ROSTER

June 30, 2016

### BOARD OF DIRECTORS

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Alan Overton	Treasurer
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Claudette Horn	Member
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Tessa Davidson	Member
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Judy Novotny Suiter	Member
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Joseph R. T. Montoya	Advisor
Elizabeth Richardson	Advisor
Dr. Jack Wright	Advisor

### ADMINISTRATIVE OFFICIAL

Scott Wilber	Executive Director
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***Barracough & Associates, P.C.***  
Certified Public Accountants & Consultants

**Principals**

John E. Barracough, Jr., CPA  
Annette V. Hayden, CPA  
Sandra M. Shell, CPA /ABV, CVA  
Rhonda G. Williams, CPA  
Katherine M. Rowe, CPA

**Managers**

Rick W. Reynolds, CPA

## 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, 2016 and 2015, 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, 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.

### **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, 2016 and comparative totals for 2015 on page 21 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  
November 11, 2016

# NEW MEXICO LAND CONSERVANCY

## Statements of Financial Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 270,217	\$ 315,768
Promises to give	658,000	204,000
Prepaid expenses	9,103	7,138
Accounts receivable	601	-
Total current assets	<u>937,921</u>	<u>526,906</u>
Non-current assets		
Cash - designated for stewardship fund	181,152	182,263
Investments - designated for stewardship fund	327,264	319,118
Land, building and equipment, partially pledged, net	560,604	579,046
Petchesky land subject to conservation easement, partially pledged	374,000	374,000
Other fee land, partially pledged	320,000	226,000
Prepaid expenses	4,225	5,850
Deferred loan costs, net	2,830	3,542
Total non-current assets	<u>1,770,075</u>	<u>1,689,819</u>
Total assets	<u><u>\$ 2,707,996</u></u>	<u><u>\$ 2,216,725</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 2,654	\$ 10,086
Accrued expenses	30,763	18,156
Current maturities of mortgage payable	6,720	6,307
Total current liabilities	<u>40,137</u>	<u>34,549</u>
Non-current liabilities		
Mortgage payable, less current maturities	<u>195,455</u>	<u>202,192</u>
Total liabilities	<u>235,592</u>	<u>236,741</u>
Net assets		
Unrestricted		
General unrestricted	1,255,380	1,226,600
Board designated stewardship fund	508,416	501,381
Board designated Petchesky Conservation Center maintenance fund	50,007	20,003
Total unrestricted	<u>1,813,803</u>	<u>1,747,984</u>
Temporarily restricted	<u>658,601</u>	<u>232,000</u>
Total net assets	<u>2,472,404</u>	<u>1,979,984</u>
Total liabilities and net assets	<u><u>\$ 2,707,996</u></u>	<u><u>\$ 2,216,725</u></u>

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

# NEW MEXICO LAND CONSERVANCY

## Statement of Activities

Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and Revenue:</u>				
Support				
Landowner contributions	\$ 233,424	\$ 660,500	\$ -	\$ 893,924
Private grants	297,500	44,800	-	342,300
Individual contributions	29,050	-	-	29,050
Corporate contributions	8,588	-	-	8,588
Total support	<u>568,562</u>	<u>705,300</u>	<u>-</u>	<u>1,273,862</u>
Revenue				
Special events	18,925	-	-	18,925
Investment income	7,636	-	-	7,636
Fees for services	160	-	-	160
Net assets released from restrictions	<u>278,699</u>	<u>(278,699)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>305,420</u>	<u>(278,699)</u>	<u>-</u>	<u>26,721</u>
Write-up of land value	<u>94,000</u>			<u>94,000</u>
Total support and revenue	<u>967,982</u>	<u>426,601</u>	<u>-</u>	<u>1,394,583</u>
<u>Expenses:</u>				
Program services	694,675	-	-	694,675
Management and general	123,753	-	-	123,753
Fundraising	83,735	-	-	83,735
Total expenses	<u>902,163</u>	<u>-</u>	<u>-</u>	<u>902,163</u>
Change in net assets	65,819	426,601	-	492,420
Net assets, beginning of the period	<u>1,747,984</u>	<u>232,000</u>	<u>-</u>	<u>1,979,984</u>
Net assets, end of the period	<u>\$ 1,813,803</u>	<u>\$ 658,601</u>	<u>\$ -</u>	<u>\$ 2,472,404</u>

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

# NEW MEXICO LAND CONSERVANCY

## Statement of Activities

Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<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

## Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 492,420	\$ (169,553)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	21,633	24,471
Unrealized loss on investments	2,518	16,788
Write-up of land value	(94,000)	-
(Increase) decrease in:		
Promises to give	(454,000)	463,142
Prepaid expenses	(340)	1,197
Other assets	(601)	30,000
Increase (decrease) in:		
Accounts payable	(7,432)	(233,329)
Accrued expenses	12,607	8,149
Net cash (used) provided by operating activities	(27,195)	140,865
Cash flows from investing activities:		
Property and equipment purchases	(2,477)	(7,911)
Investments purchases	(38,192)	(139,142)
Investment sales and maturities	27,528	101,781
Net cash (used) by investing activities	(13,141)	(45,272)
Cash flows from financing activities:		
Principal payments mortgage payable	(6,326)	(6,011)
Net cash (used) by financing activities	(6,326)	(6,011)
(Decrease) increase in cash	(46,662)	89,582
Cash, beginning of period including cash designated for stewardship	498,031	408,449
Cash, end of period including cash designated for stewardship	\$ 451,369	\$ 498,031
Supplemental disclosure of cash flow information:		
Interest paid	\$ 10,271	\$ 14,290

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

# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements

June 30, 2016 and 2015

(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, 2016 and 2015

### (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, 2016 and 2015.

#### 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, 2016 and 2015

### (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, 2016 and 2015

### (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, 2016, NMLC expensed \$190,833 for one easement. During the year ended June 30, 2015, NMLC expensed \$1,356 for one easement. During the years ended June 30, 2016 and 2015, NMLC recorded \$250,000 and \$10,000, respectively, in grant revenue for easement purchases. NMLC completed ten conservation easements in fiscal year 2016 (Tescolote de Mesa Portales, Bluewater Heritage Ranch, Ft. Union Ranch – Dog Creek, Fort Union Ranch – Dry Pasture, Mesa Ranch South, Twin Willows Ranch, Ranchos de Rito, Canones Creek, Cerro Bonito and Anchor Ranch), protecting 14,032 acres and increasing its total portfolio from 64 conservation easements over 144,714 acres at the end of fiscal year 2015 to 74 conservation easements over 158,746 acres at the end of fiscal year 2016. The combined value of the non-cash, conservation easement contributions donated to NMLC for the year ended June 30, 2016 was \$2,373,000, as compared to \$3,148,246 for the year ended June 30, 2015. 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, 2016 and 2015

### (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, 2016 and 2015, NMLC facilitated \$572,600 and \$403,500, 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, 2016 and 2015

### (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, 2016 and 2015.

#### 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, 2015, from which the summarized information was derived.

#### Reclassification

Certain 2015 items may have been reclassified in order to conform to the 2016 financial statement presentation.

# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements (Continued)

June 30, 2016 and 2015

### (3) Promises to Give

Included in promises to give are current scheduled landowner contributions of \$613,000 and \$144,000 for June 30, 2016 and 2015, respectively. Also included in promises to give are current foundation grants of \$45,000 and \$60,000 for June 30, 2016 and 2015, respectively. Promises to give as of June 30 are included in the statements of financial position as follows:

		2016		
	Payment		Less Present	
	Year	Amount	Value Discount	Present Value
Total current promises to give	2017	\$ 658,000	\$ -	\$ 658,000

		2015		
	Payment		Less Present	
	Year	Amount	Value Discount	Present Value
Total current promises to give	2016	\$ 204,000	\$ -	\$ 204,000

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 years ended June 30, 2016 and 2015 are current.

For the year ended June 30, 2016, management believes the balance of promises to give is fully collectible.



# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements (Continued)

June 30, 2016 and 2015

### (4) Investments

Investments consisted of the following at June 30:

	2016		
	<u>Basis</u>	<u>Unrealized Gain/(Loss)</u>	<u>Market Value</u>
Bond Mutual Funds	\$ 225,150	\$ (1,314)	\$ 223,836
Equity Funds	<u>102,753</u>	<u>675</u>	<u>103,428</u>
	<u>\$ 327,903</u>	<u>\$ (639)</u>	<u>\$ 327,264</u>

  

	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>

Investments at June 30, 2016 and 2015 were board designated net assets.

Substantially all of NMLC's investments for the years ended June 30, 2016 and 2015 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, 2016 and 2015 is net of investment fees of \$1,107 and \$1,462, respectively.

# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements (Continued)

June 30, 2016 and 2015

### (5) Land, Buildings and Equipment

A summary of property is as follows:

	2016	2015
Land	\$ 98,000	\$ 98,000
Buildings and improvements	560,519	560,519
Office equipment	44,452	41,974
Vehicles	45,154	45,154
	748,125	745,647
Less accumulated depreciation	(187,521)	(166,601)
Net land, buildings and equipment	<u>\$ 560,604</u>	<u>\$ 579,046</u>

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, 2016 and 2015 was \$20,920 and \$23,758, 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, 2016 and 2015.

### (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 had an appraisal done and the land value increased by \$94,000 during the year ended June 30, 2016. The value of land at June 30, 2016 and 2015 is \$320,000 and \$226,000, respectively.

# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements (Continued)

June 30, 2016 and 2015

(8) Deferred Loan Costs

At June 30, 2016 and 2015, accumulated amortization for deferred loan costs was \$4,298 and \$3,585, respectively. Amortization expense for the year ended June 30, 2016 and 2015 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>
2017	\$ 6,720	\$ 11,104
2018	7,105	10,720
2019	188,350	10,313
	<u>\$ 202,175</u>	<u>\$ 32,137</u>

(10) Line of Credit

NMLC renewed a line of credit for \$250,000 from a local bank in August 2015. 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, 2016 and 2015 was 4.5% and 4.25%, respectively. The outstanding balance for the agreement as of June 30, 2016 and 2015 was \$0, respectively. The agreement was renewed in August 2016 with substantially the same terms.

(11) Net Assets

Temporarily restricted net assets of \$658,601 represents landowner and grant agreement promises to give due at June 30, 2016. 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.

## NEW MEXICO LAND CONSERVANCY

### Notes to Financial Statements (Continued)

June 30, 2016 and 2015

(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 \$508,416 and \$501,381 at June 30, 2016 and 2015, 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 \$50,007 and \$20,003 at June 30, 2016 and 2015, 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, 2016 and 2015 amounted to \$3,990 and \$3,454, 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, 2016 and 2015, NMLC had advertising costs of \$1,874 and \$1,019, respectively.

# NEW MEXICO LAND CONSERVANCY

## Notes to Financial Statements (Continued)

June 30, 2016 and 2015

(15) Related Party Transactions

NMLC board members and employees provided \$7,295 and \$9,146 in cash contributions for the years ended June 30, 2016 and 2015, respectively.

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, 2016 and 2015 were \$1,440, 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 for the year ended June 30, 2016 and 2015, respectively, and are reflected in the accompanying statement of activities as temporarily restricted revenue.

(16) Leasing Arrangement

In March 2016, NMLC entered into an equipment lease with service plan for a term of 60 months with monthly payments of \$202. Future minimum payments under this agreement are as follows:

<u>Year Ending</u>	
2017	\$ 2,424
2018	2,424
2019	2,424
2020	2,424
2021	1,616
	<u>\$ 11,312</u>

Equipment lease expense amounted to \$808 for the year ended June 30, 2016.

(17) Concentration of Credit Risk

NMLC's financial instruments that are exposed to concentrations of credit risk primarily consist of cash and investments. Periodically throughout 2016 and 2015, NMLC has maintained cash balances in excess of insured limits. As of June 30, 2016 and 2015, the amounts on deposit at the banks did not exceed the FDIC limit.

## NEW MEXICO LAND CONSERVANCY

### Notes to Financial Statements (Continued)

June 30, 2016 and 2015

#### (18) New Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) with an effective date for the 2018 fiscal year. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, FASB issued ASU 2015-14 which allowed for a deferral of the effective date until the 2019 fiscal year. Early adoption for the original effective date is permitted. Entities can transition to the new guidance either retrospectively or as a cumulative effect adjustment as of the date of adoption. Management is assessing the impact the new revenue recognition guidance will have on its financial statements.

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842) which provides guidance on reporting previously unrecorded off-balance sheet obligations as a lease liability on the balance sheet. ASU 2016-02 will take effect for the 2020 fiscal year. Early adoption is permitted. Management is currently evaluating the impact of this pronouncement on its financial statements.

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources, and e) presentation of operating cash flows. The new standard will be effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Management is currently evaluating the impact of this pronouncement on its financial statements.

#### (19) Subsequent Events

Management and the Board of Directors of NMLC have evaluated subsequent events through November 11, 2016 the date which the financial statements were available to be issued. In July 2016, NMLC received a \$200,000 grant from New Cycle Foundation, of which \$175,000 is restricted for Fort Union Ranch Conservation Easements and \$25,000 is unrestricted.

NEW MEXICO LAND CONSERVANCY

Supplemental Schedule of Functional Expenses

Years Ended June 30, 2016 and 2015

	Program Services	Fundraising	Management and General	2016 Total	2015 Total
Salaries and wages	\$ 267,973	\$ 65,944	\$ 58,082	\$ 391,999	\$ 276,519
Payroll taxes	20,688	5,117	4,510	30,315	26,521
Health benefits	33,517	8,470	5,216	47,203	25,390
Retirement benefits	3,052	696	242	3,990	3,454
HR Recruiting & Advertising	2,500	820	1,113	4,433	1,220
Total human resources	327,730	81,047	69,163	477,940	333,104
Operation & administrative expense	45,163	5,645	5,645	56,453	55,678
Facility (PCC)	37,867	4,733	4,733	47,333	45,499
Meetings, events & workshops	4,851	24,958	55	29,864	28,644
Travel	13,344	3,336	-	16,680	7,605
Equipment	8,328	1,041	1,146	10,515	9,168
Business fees & dues	7,938	141	141	8,220	11,579
Fleet	4,793	599	599	5,991	7,030
Other expenses	715	89	89	893	2,285
Consultants & professional services	101	-	-	101	5,321
Total operating expenses	450,830	121,589	81,571	653,990	505,913
Project costs	226,540	-	-	226,540	86,228
Depreciation and amortization	17,305	2,164	2,164	21,633	24,471
Total expenses	\$ 694,675	\$ 123,753	\$ 83,735	\$ 902,163	\$ 616,612

See the accompanying Independent Auditors' Report

