

NEW MEXICO LAND CONSERVANCY

A Non Profit Corporation

Financial Statements

For the Years Ended June 30, 2017 and 2016

With Independent Auditor's Report Thereon

NEW MEXICO LAND CONSERVANCY

Financial Statements
June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
New Mexico Land Conservancy

We have audited the accompanying financial statements of the New Mexico Land Conservancy (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 the New Mexico Land Conservancy as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the New Mexico Land Conservancy as of June 30, 2016 were audited by other auditors whose report dated November 11, 2016 expressed an unmodified opinion on those statements.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 19 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 the 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.


Santa Fe, New Mexico
November 1, 2017

NEW MEXICO LAND CONSERVANCY

Statements of Financial Position

June 30, 2017 and 2016

ASSETS

	2017	2016
Current assets		
Cash, <i>note 2</i>	\$ 265,937	\$ 270,217
Promises to give, <i>note 3</i>	680,846	658,000
Prepaid expenses, <i>note 2</i>	7,480	9,103
Accounts receivable	-	601
Total current assets	<u>954,263</u>	<u>937,921</u>
Non-current assets		
Cash - designated for stewardship fund, <i>note 12</i>	253,357	181,152
Investments - designated for stewardship fund, <i>note 4</i>	340,293	327,264
Land, building and equipment, partially pledged, net, <i>note 5</i>	542,781	560,604
Petchesky land subject to conservation easement, partially pledged, <i>note 6</i>	374,000	374,000
Other fee land, partially pledged, <i>note 7</i>	320,000	320,000
Prepaid expenses, <i>note 2</i>	-	4,225
Deferred loan costs, net, <i>note 8</i>	2,117	2,830
Total noncurrent assets	<u>1,832,548</u>	<u>1,770,075</u>
Total assets	<u><u>\$ 2,786,811</u></u>	<u><u>\$ 2,707,996</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	8,919	2,654
Accrued expenses, <i>note 2</i>	12,046	30,763
Current maturities of mortgage payable, <i>note 9</i>	7,104	6,720
Total current liabilities	<u>28,069</u>	<u>40,137</u>
Non-current liabilities		
Mortgage payable, less current maturities	<u>188,338</u>	<u>195,455</u>
Total liabilities	<u>216,407</u>	<u>235,592</u>
Net assets		
Unrestricted		
General unrestricted	1,246,518	1,255,380
Board designated stewardship fund, <i>note 12</i>	593,651	508,416
Board designated Petchesky Conservation Center Maintenance Fund, <i>note 12</i>	50,007	50,007
Total unrestricted	<u>1,890,176</u>	<u>1,813,803</u>
Temporarily restricted	<u>680,228</u>	<u>658,601</u>
Total net assets	<u>2,570,404</u>	<u>2,472,404</u>
Total liabilities and net assets	<u><u>\$ 2,786,811</u></u>	<u><u>\$ 2,707,996</u></u>

The Accompanying Notes Are An Integral Part of These Financial Statements

NEW MEXICO LAND CONSERVANCY
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2017
With Summarized Comparative Totals for the Year Ended June 30, 2016

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and Revenue					
Support					
Landowner contributions	\$ 91,000	\$ -	\$ -	\$ 91,000	\$ 893,924
Private grants	390,380	230,383	-	620,763	342,300
Individual contributions	36,764	100,845	-	137,609	29,050
Corporate contributions	17,150	-	-	17,150	8,588
In-kind contributions	6,314	-	-	6,314	-
Total support	541,608	331,228	-	872,836	1,273,862
Revenue					
Special events	36,405	-	-	36,405	18,925
Investment income	19,209	-	-	19,209	7,636
Fees for services	168	-	-	168	160
Net assets released from restrictions	309,601	(309,601)	-	-	-
Total revenue	365,383	(309,601)	-	55,782	26,721
Write-up of land value	-	-	-	-	94,000
Total support and revenue	906,991	21,627	-	928,618	1,394,583
Expenses					
Program services	645,146	-	-	645,146	694,675
Management and general	73,742	-	-	73,742	123,753
Fundraising	111,730	-	-	111,730	83,735
Total expenses	830,618	-	-	830,618	902,163
Change in net assets	76,373	21,627	-	98,000	492,420
Net assets, beginning of year	1,813,803	658,601	-	2,472,404	1,979,984
Net assets, end of year	\$ 1,890,176	\$ 680,228	\$ -	\$ 2,570,404	\$ 2,472,404

The Accompanying Notes Are An Integral Part of These Financial Statements

NEW MEXICO LAND CONSERVANCY

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 98,000	\$ 492,420
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	18,536	21,633
Unrealized gain on investments	(8,220)	2,518
Write-up of land value	-	(94,000)
In-Kind	(6,314)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	(22,846)	(454,000)
Prepaid expenses	5,848	(340)
Other assets	601	(601)
Increase (decrease) in:		
Accounts payable	(6,265)	(7,432)
Accrued expenses	18,717	12,607
Net cash (used) provided by operating activities:	<u>98,057</u>	<u>(27,195)</u>
Cash flows from investing activities		
Purchase of property and equipment	-	(2,477)
Purchase of investments	(219,660)	(38,192)
Sale of investments	196,261	27,528
Net cash (used) provided by investing activities	<u>(23,399)</u>	<u>(13,141)</u>
Cash flows from financing activities		
Principal payments of mortgage	(6,733)	(6,326)
Net cash (used) provided by financing activities	<u>(6,733)</u>	<u>(6,326)</u>
Net increase (decrease) in cash and cash equivalents	67,925	(46,662)
Cash and cash equivalents, beginning of year	<u>451,369</u>	<u>498,031</u>
Cash and cash equivalents, end of year	<u><u>\$ 519,294</u></u>	<u><u>\$ 451,369</u></u>
Supplemental Disclosures:		
Interest paid	<u>\$ 11,104</u>	<u>\$ 10,271</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes Are An Integral Part of These Financial Statements

NEW MEXICO LAND CONSERVANCY

Notes to the Financial Statements

June 30, 2017 and 2016

(1) **Organization and Nature of Activities**

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 the Financial Statements

June 30, 2017 and 2016

(2) Summary of Significant Accounting Principles

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 reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Statement 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 expenditure. 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, 2017 and 2016.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of three months or less. For purposes of the statement of cash flows, NMLC considers all cash accounts to be cash equivalents.

NEW MEXICO LAND CONSERVANCY

Notes to the Financial Statements

June 30, 2017 and 2016

(2) Summary of Significant Accounting Principles, (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.

Prepaid Expenses

Prepaid expenses represent prepaid insurance premiums covering periods extending beyond June 30, 2017.

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 requires disclosure about fair value measurements. In accordance with ASC 820, fair value is defined as the price that NMLC would receive upon selling an investment in an orderly transaction to an independent buyer. ASC 820 established a three-tier hierarchy for 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 NMLC's own assumptions, developed based on the best information available in the circumstances.

NEW MEXICO LAND CONSERVANCY

Notes to the Financial Statements

June 30, 2017 and 2016

(2) Summary of Significant Accounting Principles, (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, 2017, NMLC did not incur any expenses for easements. During the year ended June 30, 2016, NMLC expensed \$190,833 for one easement. During the years ended June 30, 2017 and 2016, NMLC recorded \$0 and \$250,000, respectively, in grant revenue for easement purchases. NMLC completed 3 conservation easements in fiscal year 2017 (School Section Canyon Homestead, Rancho Chaparral North, Los Ranchos de Albuquerque Historic Farm), protecting 539 acres and increasing its total portfolio from 74 conservation easements over 158,746 acres at the end of 2016 to 75 conservation easements over 159,285 acres at the end of fiscal year 2017 (3 easements were combined into 1 easement). The combined value of the non-cash, conservation easement contributions donated to NMLC for the year ended June 30, 2017 was \$1,735,000, as compared to \$2,373,000 for the year ended June 30, 2016. 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.

NEW MEXICO LAND CONSERVANCY

Notes to the Financial Statements

June 30, 2017 and 2016

(2) Summary of Significant Accounting Principles, (continued)

Deferred Loan Costs

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

Accrued Expenses

Accrued expenses consist of employee reimbursements and accrual for compensated absences.

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 Resources 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 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, 2017 and 2016, NMLC facilitated \$0 and \$572,600, 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 the Financial Statements

June 30, 2017 and 2016

(2) Summary of Significant Accounting Principles, (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 years ended June 30, 2017 and 2016. As of June 30, 2017, tax years 2013 through 2015 remain subject to examination by major tax jurisdictions.

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 benefits. 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, 2016, from which the summarized information was derived.

Reclassification

Certain 2016 items may have been reclassified in order to conform to the 2017 financial statement presentation.

NEW MEXICO LAND CONSERVANCY

Notes to the Financial Statements

June 30, 2017 and 2016

(3) Promises to Give

Included in promises to give are current scheduled landowner contributions of \$545,000 and \$658,000 for June 30, 2017 and 2016, respectively. Promises to give as of June 30 are included in the statements of financial position as follows:

2017			
Payment Year	Amount	Less Present Value Discount	Present Value
Total current promises to give	2018	\$ 680,846	\$ 680,846

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

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, 2017 and 2016 are current.

For the year ended June 30, 2017, management believes the balance of promises to give is fully collectible.

NEW MEXICO LAND CONSERVANCY

Notes to the Financial Statements

June 30, 2017 and 2016

(4) Investments

Investments consisted of the following at June 30:

		2017		
		Basis	Unrealized Gain/(Loss)	Market Value
Bond Mutual Funds	\$	237,251	\$ (5,031)	\$ 232,220
Equity Funds		100,280	7,794	108,073
	\$	<u>337,531</u>	<u>\$ 2,763</u>	<u>\$ 340,293</u>
		2016		
		Basis	Unrealized Gain/(Loss)	Market Value
Bond Mutual Funds	\$	225,150	\$ (1,314)	\$ 223,836
Equity Funds		102,753	675	103,428
	\$	<u>327,903</u>	<u>\$ (639)</u>	<u>\$ 327,264</u>

Investments at June 30, 2017 and 2016 were board designated net assets.

Substantially all of NMLC's investments for the years ended June 30, 2017 and 2016 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 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, 2017 and 2016 is net of investment fees of \$311 and \$1,107, respectively.

NEW MEXICO LAND CONSERVANCY

Notes to the Financial Statements

June 30, 2017 and 2016

(5) Land, Buildings and Equipment

A summary of property is as follows:

	2017	2016
Land	\$ 98,000	\$ 98,000
Buildings and improvements	560,519	560,519
Office equipment	44,452	44,452
Vehicles	45,154	45,154
	<u>\$ 748,125</u>	<u>748,125</u>
Less accumulated depreciation	<u>(205,344)</u>	<u>(187,521)</u>
Net land, buildings and equipment	<u>\$ 542,781</u>	<u>560,604</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, 2017 and 2016 was \$17,823 and \$20,920, 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 serves 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 judgement or estimation about the assumptions market participants would use in pricing the assets. Management believes there was no change in value during the years ended June 30, 2017 and 2016.

(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 judgement 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 the land at June 30, 2017 and 2016 was \$320,000.

NEW MEXICO LAND CONSERVANCY

Notes to the Financial Statements

June 30, 2017 and 2016

(8) Deferred Loan Costs

At June 30, 2017 and 2016, accumulated amortization for deferred loan costs was \$5,011 and \$4,298, respectively. Amortization expense for the year ended June 30, 2017 and 2016 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>
2018	\$ 7,104	\$ 10,720
2019	188,338	10,313
	<u>\$ 195,442</u>	<u>\$ 21,033</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, 2017 and 2016 was 5.25% and 4.5%, respectively. The outstanding balance for the agreement as of June 30, 2017 and 2016 was \$0. The agreement was renewed in August 2016 with substantially the same terms.

(11) Special Events

Special events consisted of a benefit dinner and auction as well as a Silver City Social to raise funds and awareness for NMLC. The gross income from special events for the year ended June 30, 2017 and 2016 was \$36,405 and \$18,925, respectively.

NEW MEXICO LAND CONSERVANCY

Notes to the Financial Statements

June 30, 2017 and 2016

(12) Net Assets

Temporarily restricted net assets of \$680,228 represent landowner and grant agreement promises to give due at June 30, 2017. Temporarily restricted net assets were \$658,601 as of June 30, 2016.

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 2017. 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 in 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 \$593,651 and \$508,416 at June 30, 2017 and 2016, 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 at June 30, 2017 and 2016.

(13) 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.

(14) 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, 2017 and 2016 are the amounts of \$7,281 and \$3,990, respectively.

NEW MEXICO LAND CONSERVANCY

Notes to the Financial Statements

June 30, 2017 and 2016

(15) 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, 2017 and 2016, NMLC had advertising costs of \$395 and \$1,874, respectively.

(16) Related Party Transactions

NMLC Board members and employees provided \$14,675 and \$7,295 in cash contributions for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 were \$1,513 and \$1,440 respectively, and are reflected in the accompanying statement of activities as temporarily restricted revenue net of the management fee.

(17) Operating Leases

In March 2016, NMLC entered into an equipment lease with a service plan for a term of 60 months with monthly payments of \$202. NMLC leases a telephone system through a non-cancelable operating lease which expires February 20, 2019. Monthly payments for the telephones were \$114. Future minimum payments under these agreements are as follows:

<u>Year Ending</u>	
2018	3,792
2019	3,222
2020	2,424
2021	1,616
2020	-
	<u>\$ 11,054</u>

Equipment lease expense was \$2,424 for the year ended June 30, 2017.

(18) Concentration of Credit Risk

NMLC's maintains its cash balances at financial institutions in the Santa Fe area. At times, such balances held at banks may be in excess of the FDIC insurance limit of \$250,000. NMLC has not experienced any losses on its cash and cash equivalents deposits.

NEW MEXICO LAND CONSERVANCY

Notes to the Financial Statements

June 30, 2017 and 2016

(18) New Accounting Pronouncements

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-Profits 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 quantitative and qualitative 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 1, 2017, the date on which the financial statements were available to be issued. No events or transactions occurred after June 30, 2017, that require additional disclosure or adjustments to the financial statements.

NEW MEXICO LAND CONSERVANCY
Statement of Functional Expenses
Years ended June 30, 2017 and 2016

	Program Services	Management and General	Fundraising and Development	2017 Total	2016 Total
Salaries and wages	307,980	46,745	60,069	414,794	\$ 391,999
Payroll taxes	26,521	4,025	5,173	35,719	30,315
Health benefits	36,787	6,943	8,337	52,067	47,203
Retirement benefits	5,368	713	1,200	7,281	3,990
HR recruiting and advertising	40	-	-	40	4,433
Total human resources	376,696	58,426	74,779	509,901	477,940
Operation and administrative expense	45,988	7,212	8,784	61,984	56,453
Facility (PCC)	30,532	3,815	3,817	38,164	47,333
Meetings, events and workshops	20,022	46	17,942	38,010	29,864
Travel	14,323	-	1,592	15,915	16,680
Equipment	7,680	1,109	939	9,728	10,515
Business fees and dues	9,615	143	142	9,900	8,220
Fleet	4,196	525	525	5,246	5,991
Other expenses	455	57	57	569	893
Consultants and professional services	3,171	-	1,484	4,655	101
Total operating expenses	512,678	71,333	110,061	694,072	653,990
Project costs	118,010	-	-	118,010	226,540
Depreciation and amortization	14,458	2,409	1,669	18,536	21,633
Total expenses included in the expense section on the statement of activities	\$ 645,146	\$ 73,742	\$ 111,730	\$ 830,618	\$ 902,163

See the accompanying Independent Auditor's Report