

NEW MEXICO LAND CONSERVANCY

A Non Profit Corporation

Financial Statements

For the Years Ended June 30, 2018 and 2017

With Independent Auditor's Report Thereon

NEW MEXICO LAND CONSERVANCY

Financial Statements
June 30, 2018 and 2017

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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 statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Swain & Gneco, LLC

Santa Fe, New Mexico
November 30, 2018

NEW MEXICO LAND CONSERVANCY
 Statements of Financial Position
 June 30, 2018 and 2017

ASSETS

	2018	2017
Current assets		
Cash, <i>note 2</i>	\$ 283,872	\$ 265,937
Promises to give, <i>note 4</i>	440,000	680,846
Accounts receivable, <i>note 5</i>	29,792	-
Prepaid expenses, <i>note 2</i>	13,095	7,480
Total current assets	766,759	954,263
Non-current assets		
Cash - designated for stewardship fund, <i>note 15</i>	123,157	253,357
Investments - designated for stewardship fund, <i>note 6</i>	487,694	340,293
Office land, building and equipment, partially pledged, net, <i>note 7</i>	555,024	542,781
Petchesky land subject to conservation easement, partially pledged, <i>note 8</i>	374,000	374,000
Non-easement land, partially pledged, <i>note 9</i>	320,000	320,000
Funds held for others, <i>note 10</i>	7,346	-
Deferred loan costs, net, <i>note 11</i>	1,404	2,117
Total noncurrent assets	1,868,625	1,832,548
Total assets	\$ 2,635,384	\$ 2,786,811

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 12,420	\$ 8,919
Accrued expenses, <i>note 2</i>	20,914	12,046
Funds held for others, <i>note 10</i>	7,346	-
Current maturities of mortgage payable, <i>note 12</i>	-	7,104
Total current liabilities	40,680	28,069
Non-current liabilities		
Mortgage payable, less current maturities	-	188,338
Total liabilities	40,680	216,407
Net assets		
Without donor restrictions		
General unrestricted	1,464,036	1,246,518
Board designated stewardship fund, <i>note 15</i>	610,850	593,651
Board designated Petchesky Conservation Center Maintenance Fund, <i>note 15</i>	50,026	50,007
Total unrestricted	2,124,912	1,890,176
With donor restrictions	469,792	680,228
Total net assets	2,594,704	2,570,404
Total liabilities and net assets	\$ 2,635,384	\$ 2,786,811

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, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Landowner contributions	\$ 111,995	\$ 175,505	\$ 287,500
Private grants	241,382	250,000	491,382
Individual contributions	260,747	-	260,747
Corporate contributions	12,319	-	12,319
Total support	626,443	425,505	1,051,948
Revenue			
Special events	2,885	-	2,885
Fees for services	97,093	29,286	126,379
Investment income	12,851	-	12,851
Total revenue	112,829	29,286	142,115
Total support and revenue	739,272	454,791	1,194,063
Net assets released from restrictions	665,228	(665,228)	-
Expenses			
Program services	1,012,006	-	1,012,006
Management and general	77,100	-	77,100
Fundraising	80,657	-	80,657
Total expenses	1,169,763	-	1,169,763
Change in net assets	234,737	(210,437)	24,300
Net assets, beginning of year	1,890,176	680,228	2,570,404
Net assets, end of year	\$ 2,124,913	\$ 469,791	\$ 2,594,704

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

	2017		Total
	Without Donor Restrictions	With Donor Restrictions	
Support and Revenue			
Support			
Landowner contributions	\$ 91,000	\$ -	\$ 91,000
Private grants	390,380	230,383	620,763
Individual contributions	36,764	100,845	137,609
Corporate contributions	17,150	-	17,150
In-kind contributions	6,314	-	6,314
Total support	<u>541,608</u>	<u>331,228</u>	<u>872,836</u>
Revenue			
Special events	36,405	-	36,405
Investment income	19,209	-	19,209
Fees for services	168	-	168
Total revenue	<u>55,782</u>	<u>-</u>	<u>55,782</u>
Total support and revenue	<u>597,390</u>	<u>331,228</u>	<u>928,618</u>
Net assets released from restrictions	<u>309,601</u>	<u>(309,601)</u>	<u>-</u>
Expenses			
Program services	645,146	-	645,146
Management and general	73,742	-	73,742
Fundraising	111,730	-	111,730
Total expenses	<u>830,618</u>	<u>-</u>	<u>830,618</u>
Change in net assets	76,373	21,627	98,000
Net assets, beginning of year	<u>1,813,803</u>	<u>658,601</u>	<u>2,472,404</u>
Net assets, end of year	<u>\$ 1,890,176</u>	<u>\$ 680,228</u>	<u>\$ 2,570,404</u>

The Accompanying Notes Are An Integral Part of These Financial Statements

NEW MEXICO LAND CONSERVANCY

Statement of Functional Expenses

For the Year Ended June 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries and wages	\$ 240,292	\$ 51,440	\$ 50,615	\$ 342,347
Payroll taxes	18,558	3,966	4,270	26,794
Health benefits	24,863	7,903	5,325	38,091
Retirement benefits	3,501	943	819	5,263
Total personnel expenses	<u>287,214</u>	<u>64,252</u>	<u>61,029</u>	<u>412,495</u>
Business fees and dues	12,483	50	50	12,583
Consultants and professional services	53,916	11	3,718	57,645
Equipment	6,085	761	761	7,607
Facility (PCC)	27,535	3,442	3,442	34,419
Fleet	6,438	-	715	7,153
Meetings, events, and workshops	7,657	297	329	8,283
Operation and administrative expense	50,817	5,929	6,632	63,378
Other expenses	487	61	61	609
Project costs	524,946	-	-	524,946
Recruiting	349	-	-	349
Travel	15,737	-	1,623	17,360
Total operating expenses	<u>993,664</u>	<u>74,803</u>	<u>78,360</u>	<u>1,146,827</u>
Depreciation and amortization	<u>18,342</u>	<u>2,297</u>	<u>2,297</u>	<u>22,936</u>
Total expenses included in the expense section on the statement of activities	<u><u>\$ 1,012,006</u></u>	<u><u>\$ 77,100</u></u>	<u><u>\$ 80,657</u></u>	<u><u>\$ 1,169,763</u></u>

The Accompanying Notes Are An Integral Part of These Financial Statements

NEW MEXICO LAND CONSERVANCY

Statement of Functional Expenses

For the Year Ended June 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries and wages	\$ 307,980	\$ 46,745	\$ 60,069	\$ 414,794
Payroll taxes	26,521	4,025	5,173	35,719
Health benefits	36,787	6,943	8,337	52,067
Retirement benefits	5,368	713	1,200	7,281
Total personnel expenses	<u>376,656</u>	<u>58,426</u>	<u>74,779</u>	<u>509,861</u>
Business fees and dues	9,615	143	142	9,900
Consultants and professional services	3,171	-	1,484	4,655
Equipment	7,680	1,109	939	9,728
Facility (PCC)	30,532	3,815	3,817	38,164
Fleet	4,196	525	525	5,246
Meetings, events, and workshops	20,022	46	17,942	38,010
Operation and administrative expense	45,988	7,212	8,784	61,984
Other expenses	455	57	57	569
Project costs	118,010	-	-	118,010
Recruiting and advertising	40	-	-	40
Travel	14,323	-	1,592	15,915
Total operating expenses	<u>630,688</u>	<u>71,333</u>	<u>110,061</u>	<u>812,082</u>
Depreciation and amortization	<u>14,458</u>	<u>2,409</u>	<u>1,669</u>	<u>18,536</u>
Total expenses included in the expense section on the statement of activities	<u><u>\$ 645,146</u></u>	<u><u>\$ 73,742</u></u>	<u><u>\$ 111,730</u></u>	<u><u>\$ 830,618</u></u>

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 24,300	\$ 98,000
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	22,936	18,536
Unrealized (gain) loss on investments	(8,409)	(8,220)
In-Kind	-	(6,314)
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	240,846	(22,846)
Prepaid expenses	(5,615)	5,848
Other Assets	(29,792)	601
Increase (decrease) in:		
Accounts payable	1,668	(6,265)
Accrued expenses	8,868	18,717
Net cash (used) provided by operating activities:	<u>254,802</u>	<u>98,057</u>
Cash flows from investing activities		
Purchase of property and equipment	(34,469)	-
Purchase of investments	(141,193)	(219,660)
Sale of investments	-	196,261
Net cash (used) provided by investing activities	<u>(175,662)</u>	<u>(23,399)</u>
Cash flows from financing activities		
Principal payments of mortgage	(193,238)	(6,733)
Net cash (used) provided by financing activities	<u>(193,238)</u>	<u>(6,733)</u>
Net increase (decrease) in cash and cash equivalents	(114,098)	67,925
Cash and cash equivalents, beginning of year	<u>519,294</u>	<u>451,369</u>
Cash and cash equivalents, end of year	<u>\$ 405,196</u>	<u>\$ 519,294</u>
Supplemental Disclosures:		
Interest paid	<u>\$ 8,784</u>	<u>\$ 11,104</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, 2018 and 2017

(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, 2018 and 2017

(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.

Recent Accounting Guidance

During the year ended June 30, 2018 NMLC implemented ASU 2016-14, Financial Statements of Not-for-Profit Entities. Accordingly, the beginning balances of donor restricted net asset categories (temporarily and permanently restricted) have been retroactively adjusted to consolidate all donor restricted net assets into one classification, with donor restrictions. The ASU requires additional disclosures in the areas of liquidity and endowment funds, and requires classification on investment expenses which are netted in investment return to include internal investment expenses.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and stewardship fund held in investment accounts.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 2018 and 2017

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

Promises to Give

Promises to give include New Mexico & Arizona landowner contributions, made through a letter of intent 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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, 2018.

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.

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, 2018 and 2017

(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 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. NMLC completed 7 conservation easements in fiscal year 2018 (Cienega Ranch-Apache Pass, East Bluewater Heritage Ranch, Las Trampas Farmland, Fort Union - South Baldy, Prevost Ranch, Sufi Southwest - Bear Creek, and Troutstalker Ranch Phase II), protecting 18,868 acres and increasing its total portfolio from 75 conservation easements over 159,285 acres at the end of 2017 to 82 conservation easements over 178,153 acres at the end of fiscal year 2018. 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 trusts. The combined value of the non-cash conservation easement contributions donated to NMLC for the year ended June 30, 2018 was \$5,554,000, as compared to \$1,735,000 for the year ended June 30, 2017. 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.

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 the Financial Statements

June 30, 2018 and 2017

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

Accrued Expenses

Accrued expenses consist of employee reimbursements and accrual for property taxes.

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 without donor restrictions and with donor restrictions 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 facilitates the acquisition of conservation easements in partnership with the U.S. National Resources Conservation Service (NRCS), U.S. Fish & Wildlife Service (USFWS), Department of Defense (DOD) and other Federal, State, and Local agencies. During the year ended June 30, 2018 and 2017, NMLC facilitated \$1,535,000 and \$0 respectively, of federal funding through NRCS and USFWS which was transferred directly to escrow accounts at title companies and then paid directly to landowners. Since this funding does not pass through NMLC, it has not been recorded as revenue and as an equivalent conservation easement acquisition expenditure.

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, 2018 and 2017

(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, 2018 and 2017. As of June 30, 2018, tax years 2014 through 2016 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.

(3) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

	2018	2017
Cash	\$ 283,872	\$ 265,937
Cash - designated for stewardship fund	123,157	253,357
Promises to give	440,000	680,846
Accounts receivable	29,792	-
Investments	487,694	340,393
	<u>\$ 1,364,515</u>	<u>\$ 1,540,533</u>

(4) Promises to Give

Included in promises to give are current scheduled landowner contributions of \$190,000 and \$545,000 for June 30, 2018 and 2017, respectively. Promises to give as of June 30 are included in the statements of financial position as follows:

	2018			
	Payment Year	Amount	Less Present Value Discount	Present Value
Total current promises to give	2019	<u>\$ 440,000</u>	<u>\$ -</u>	<u>\$ 440,000</u>
	2017			
	Payment Year	Amount	Less Present Value Discount	Present Value
Total current promises to give	2018	<u>\$ 680,846</u>	<u>\$ -</u>	<u>\$ 680,846</u>

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, 2018 and 2017 are current.

For the year ended June 30, 2018, management believes the balance of promises to give is fully collectible.

NEW MEXICO LAND CONSERVANCY

Notes to the Financial Statements

June 30, 2018 and 2017

(5) Accounts Receivable

Accounts receivable arise out of charges for services and costs or donations accrued in 2018 but not yet collected and are stated at the amount management expects to collect. NMLC considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts is not required. Accounts receivable consists primarily of funds due from a reimbursement contract that began during the year ended June 30, 2018.

(6) Investments

Investments consisted of the following at June 30:

	2018		
	Basis	Unrealized Gain/(Loss)	Market Value
Bond Mutual Funds	\$ 346,300	\$ (5,183)	\$ 341,117
Equity Funds	132,985	13,592	146,577
	<u>\$ 479,285</u>	<u>\$ 8,409</u>	<u>\$ 487,694</u>
	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>

Investments at June 30, 2018 and 2017 were designated by the Board for NMLC's Stewardship fund.

Substantially all of NMLC's investments for the years ended June 30, 2018 and 2017 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.

NEW MEXICO LAND CONSERVANCY

Notes to the Financial Statements

June 30, 2018 and 2017

(7) Office Land, Buildings and Equipment

A summary of property is as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 98,000	\$ 98,000
Buildings and improvements	565,519	560,519
Office equipment	46,050	44,452
Vehicles	<u>73,024</u>	<u>45,154</u>
	\$ 782,593	748,125
Less accumulated depreciation	<u>(227,569)</u>	<u>(205,344)</u>
Net office land, buildings and equipment	<u>\$ 555,024</u>	<u>542,781</u>

Land and buildings and improvements are partially pledged for the mortgage payable (note 12) and the line of credit (note 13).

Depreciation expense for the year ended June 30, 2018 and 2017 was \$22,223 and \$17,823, respectively.

(8) 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 12) and the line of credit (note 13). 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, 2018 and 2017.

(9) Non-Easement 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 estimated value. The acreage was transferred to NMLC in February 2011. This land is partially pledged for the mortgage payable (note 12) and the line of credit (note 13). The land is valued using a market approach. The land is a Level 1 valuation according to ASC 820, Fair Market Measurements and Disclosure. The Level 1 value is based on the market appraisal prepared November 6, 2015. The value of the land at June 30, 2018 and 2017 was \$320,000.

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Notes to the Financial Statements

June 30, 2018 and 2017

(10) Funds Held for Others

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 acts as a fiscal agent by receiving funds on behalf of the SPCEHOA and disburses the funds on behalf of SPCEHOA and retains a 10% management fee. Funds received on behalf of the SPCEHOA were \$1,513 for the years ended June 30, 2018 and 2017, and are reflected in the accompanying statement of activities as an asset and liability in Funds Held for Others, net of the management fee. Cash held for the other entity as of June 30, 2018 was \$7,346.

(11) Deferred Loan Costs

At June 30, 2018 and 2017, accumulated amortization for deferred loan costs was \$5,724 and \$5,011, respectively. Amortization expense for the year ended June 30, 2018 and 2017 was \$713.

(12) 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.

The mortgage balance was paid in full during the year ended June 30, 2018.

(13) Line of Credit

NMLC established a new line of credit for \$200,000 from a local bank in April 2018. This agreement is collateralized by a right of cash offset, a mortgage on the NMLC's operating facility and excess land. Interest is payable at 5.75%. The outstanding balance for the agreement as of June 30, 2018 and 2017 was \$0.

(14) Special Events

Special events for the year ended June 30, 2018 consisted of an open house at the offices of NMLC. Special events for the year ended June 30, 2017 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, 2018 and 2017 was \$2,885 and \$36,405, respectively.

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Notes to the Financial Statements

June 30, 2018 and 2017

(15) Net Assets

Net assets with donor restrictions of \$469,792 represent landowner and grant agreement promises to give due at June 30, 2018. Net assets with donor restrictions were \$680,228 as of June 30, 2017.

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 2018. 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 \$610,851 and \$593,651 at June 30, 2018 and 2017, 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 \$50,026 and \$50,007 at June 30, 2018 and 2017.

(16) 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.

(17) 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, 2018 and 2017 in the amounts of \$5,263 and \$7,281, respectively.

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Notes to the Financial Statements

June 30, 2018 and 2017

(18) 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, 2018 and 2017, NMLC had advertising costs of \$345 and \$395, respectively.

(19) Related Party Transactions

NMLC Board members and employees provided \$5,300 and \$14,675 in cash contributions for the years ended June 30, 2018 and 2017, respectively.

(20) 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>	
2019	3,222
2020	2,424
2021	1,616
2022	-
2023	-
	<u>\$ 7,262</u>

Equipment lease expense was \$5,747 for the year ended June 30, 2018.

(21) Concentration of Credit Risk

NMLC 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.

(22) Subsequent Events

Management and the Board of Directors of NMLC have evaluated subsequent events through November 30, 2018 the date on which the financial statements were available to be issued. No events or transactions occurred after June 30, 2018, that require additional disclosure or adjustments to the financial statements.