

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

SANTA FE CONSERVATION TRUST

Financial Statements
and
Independent Auditor's Report

December 31, 2018 and 2017

SANTA FE CONSERVATION TRUST

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Independent Auditor's Report

Board of Directors and Management
Santa Fe Conservation Trust
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of Santa Fe Conservation Trust (SFCT) (a not-for-profit corporation) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Board of Directors and Management
Santa Fe Conservation Trust
Santa Fe, New Mexico

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 Santa Fe Conservation Trust as of December 31, 2018 and 2017, and the results of its operations 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 basic financial statements as a whole. The Schedule of Conservation Easements Received (Unaudited) is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Porch & Associates, LLC

Albuquerque, New Mexico
April 17, 2019

SANTA FE CONSERVATION TRUST
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 152,918	173,656
Cash and cash equivalents - board designated for stewardship and defense	95,964	22,580
Contracts, grants, and contributions receivable	38,800	13,500
Prepaid expenses	13,722	4,718
Total current assets	301,404	214,454
Land and fixed assets, net	1,135,925	1,140,330
Other Assets		
Deposits	4,284	2,034
Cash held for fiscal agency funds	3,022	2,934
Investments	405,960	376,359
Board designated for stewardship and defense:		
Investments	372,856	405,539
Beneficial interest in trust	185,013	219,763
Total other assets	971,135	1,006,629
Total assets	\$ 2,408,464	2,361,413
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 958	1,186
Accrued expenses	18,088	15,742
Fiscal agency funds	3,022	2,934
Unearned revenue	11,333	-
Total current liabilities	33,401	19,862
Net Assets		
Without donor restrictions	1,701,240	1,646,753
Without donor restrictions - board designated for stewardship and defense:		
Cash and cash equivalents	95,964	22,580
Investments	372,856	405,539
Beneficial interest in trust	185,013	219,763
With donor restrictions	19,990	46,916
Total net assets	2,375,063	2,341,551
Total liabilities and net assets	\$ 2,408,464	2,361,413

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

SANTA FE CONSERVATION TRUST
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Contributions and grants	\$ 275,551	6,028	281,579
Project fees	133,409	-	133,409
Special events income, net	151,927	-	151,927
Total operating revenues	560,887	6,028	566,915
Net assets released from restrictions	32,954	(32,954)	-
Total operating revenues after release from restrictions	593,841	(26,926)	566,915
Operating Expenses			
Programmatic Services:			
Mission	352,760	-	352,760
Development	68,845	-	68,845
Supporting Services:			
General and administrative	68,845	-	68,845
Total operating expenses	490,450	-	490,450
Change in net assets from operating activities	103,391	(26,926)	76,465
Non-operating Support			
Interest and dividends	20,403	-	20,403
Net realized and unrealized income on investments, net of fees	(65,276)	-	(65,276)
In-kind contributions	1,920	-	1,920
Total non-operating support	(42,953)	-	(42,953)
Total change in net assets	60,438	(26,926)	33,512
Net assets, beginning of year	2,294,635	46,916	2,341,551
Net assets, end of year	\$ 2,355,073	19,990	2,375,063

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

SANTA FE CONSERVATION TRUST
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Revenues			
Contributions and grants	\$ 243,061	30,210	273,271
Project fees	71,669	-	71,669
Special events income, net	85,970	-	85,970
Total revenues	<u>400,700</u>	<u>30,210</u>	430,910
Net assets released from restrictions	34,560	(34,560)	-
Total revenues and other support after release	<u>435,260</u>	<u>(4,350)</u>	430,910
Expenses			
Programmatic Services:			
Mission	305,998	-	305,998
Development	60,867	-	60,867
Supporting Services:			
General and administrative	57,794	-	57,794
Total expenses	<u>424,659</u>	<u>-</u>	424,659
Change in net assets from operating activities	<u>10,601</u>	<u>(4,350)</u>	6,251
Non-operating support			
Interest and dividends	18,986	-	18,986
Net realized and unrealized income on investments, net of fees	89,430	-	89,430
In-kind contributions	1,755	-	1,755
Total non-operating support	<u>110,171</u>	<u>-</u>	110,171
Total change in net assets	120,772	(4,350)	116,422
Net assets, beginning of year	<u>2,173,863</u>	<u>51,266</u>	2,225,129
Net assets, end of year	<u>\$ 2,294,635</u>	<u>46,916</u>	2,341,551

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

SANTA FE CONSERVATION TRUST
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	<u>Programmatic Services</u>		Management	
	Mission	Development	and General	Total
Salary and related expenses				
Salaries	\$ 197,145	42,245	42,245	281,635
Payroll taxes	14,813	3,174	3,174	21,161
Employee benefits	21,731	4,657	4,657	31,045
Total salaries and related expenses	233,689	50,076	50,076	333,841
Other expenses				
Advertising	253	55	55	363
Education and training	257	55	55	367
Equipment lease and maintenance	2,038	437	437	2,912
Events, meetings, and conferences	9,789	2,098	2,098	13,985
Gifts	753	161	161	1,075
Information technology	3,274	701	701	4,676
Insurance	7,956	1,705	1,705	11,366
Licenses and fees	2,656	569	569	3,794
Occupancy	30,952	6,633	6,633	44,218
Postage	1,606	344	344	2,294
Printing and production	8,194	1,756	1,756	11,706
Professional services	8,511	1,824	1,824	12,159
Supplies	2,903	622	622	4,147
Trails, easements, and outreach	31,487	-	-	31,487
Travel	4,015	860	860	5,735
Total other expenses	114,644	17,820	17,820	150,284
Total salary and other expenses before non-cash expenses	348,333	67,896	67,896	484,125
Non-Cash Expenses				
Depreciation	3,083	661	661	4,405
Inkind expenses	1,344	288	288	1,920
Total non-cash expenses	4,427	949	949	6,325
Total functional expenses	\$ 352,760	68,845	68,845	490,450

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

SANTA FE CONSERVATION TRUST
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	<u>Programmatic Services</u>		<u>Management</u>	
	<u>Mission</u>	<u>Development</u>	<u>and General</u>	Total
Salary and related expenses				
Salaries	\$ 180,409	38,659	38,659	257,727
Payroll taxes	15,381	3,296	779	19,456
Employee benefits	21,728	4,696	4,059	30,483
Total salaries and related expenses	217,518	46,651	43,497	307,666
Other expenses				
Bad debt	11	2	2	15
Education and training	1,000	-	-	1,000
Equipment lease and maintenance	2,403	515	515	3,433
Events, meetings, and conferences	6,051	1,297	1,297	8,645
Gifts	73	16	16	105
Information technology	2,031	435	435	2,901
Insurance	7,926	1,698	1,655	11,279
Licenses and fees	2,029	435	435	2,899
Occupancy	17,241	3,688	3,811	24,740
Postage	2,181	467	467	3,115
Printing and production	5,260	1,127	1,127	7,514
Professional services	12,982	2,781	2,782	18,545
Supplies	1,122	241	241	1,604
Telephone and internet	2,435	522	522	3,479
Trails, easements, and outreach	19,385	-	-	19,385
Travel	1,522	326	326	2,174
Total other expenses	83,652	13,550	13,631	110,833
Total salary and other expenses before non-cash expenses	301,170	60,201	57,128	418,499
Non-Cash Expenses				
Depreciation	3,083	661	661	4,405
Inkind expenses	1,745	5	5	1,755
Total non-cash expenses	4,828	666	666	6,160
Total functional expenses	\$ 305,998	60,867	57,794	424,659

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

SANTA FE CONSERVATION TRUST
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ 33,512	116,422
Adjustments to reconcile the change in net assets to net cash flows provided by operating activities:		
Depreciation	4,405	4,405
Unrealized loss on investment	59,974	(60,389)
Changes in assets and liabilities:		
Contracts, grants, and contributions receivable	(25,300)	(5,167)
Prepaid expenses	(9,004)	3,530
Deposits	(2,250)	250
Accounts payable	(228)	(82)
Accrued expenses	2,346	1,295
Deferred revenue	11,333	-
Net cash flows provided by operating activities	74,788	60,264
Cash Flows From Investing Activities		
Purchase of investments	30,655	(9,051)
Proceeds from investments sales, net	(52,709)	38,526
Net cash flows (used) provided by investing activities	(22,054)	29,475
Net change in cash and cash equivalents	52,734	89,739
Cash and cash equivalents, beginning of year	199,170	109,431
Cash and cash equivalents, end of year	\$ 251,904	199,170
Cash and cash equivalents are reported on the statement of financial position as follows:		
Cash and cash equivalents	\$ 152,918	173,656
Cash and cash equivalents - board designated for stewardship and defense	95,964	22,580
Cash held for fiscal agency funds	3,022	2,934
	\$ 251,904	199,170

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

SANTA FE CONSERVATION TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1. ORGANIZATION

The Santa Fe Conservation Trust (SFCT) is a charitable, not-for-profit organization that partners with its community to keep northern New Mexico's living lands and people flourishing together. SFCT protects culturally and environmentally significant landscapes, ignite people's passion for nature and enables the continual regeneration of northern New Mexico's healthy place.

Programs and Services. During the year ended December 31, 2018 and 2017, SFCT incurred program and service expenses in the following major categories:

Land Conservation – SFCT works to identify and protect the most important and threatened lands using all the tools of private, voluntary land conservation by working with willing landowners to find ways to protect the conservation values of the land forever. SFCT uses a variety of land protection methods to achieve its conservation goals, including conservation easements and fee donations and acquisitions, land exchanges and management agreements. SFCT 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.

Community Conservation – Because conservation easements are permanent and run with the land, SFCT must monitor and enforce its conservation easements forever. This duty of perpetual care presents unique challenges to land trusts everywhere. SFCT is working to strengthen the organization through the implementation of “community conservation.” Community conservation programs help SFCT broaden and diversify its constituency, introduce more citizens to the local trails, let them experience nature's health-giving qualities, and improve their health by getting them outside and moving. SFCT programs are designed to give everyone outdoor experiences that will help them become passionate defenders of nature and of conservation. SFCT's legacy of trails work is the natural way to implement community conservation programs. As such, SFCT offers programs to ensure equitable access to nature and Santa Fe's trail resources. Since 2014, SFCT has introduced 2,000 south side kids and their families to Santa Fe's trail system (**Passport to Trails**). In 2018, SFCT started an in-town walking program (**Vámonos: Santa Fe Walks**) for those whose access to nature is more challenging: the elderly, infirm, transportation limited, immigrant community, or those afraid to walk alone. By working to ignite a passion for nature in everyone and give them access to the foothill trails and urban trails, SFCT works to improve public health, build community on the trails and create the next generation of conservationists while promoting access to the life-enhancing qualities of the outdoors.

SANTA FE CONSERVATION TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1. ORGANIZATION (CONTINUED)

Public Outreach – SFCT increases awareness about the benefits of private land conservation and the mission of SFCT. SFCT dedicates considerable time and effort to serving as an information resource, conducting outreach and engaging in relevant policy and legislative initiatives. SFCT’s outreach efforts target landowners, their advisors, community groups, conservation organizations and public agencies.

Land Stewardship – SFCT 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. Stewardship gifts and fees are accepted into a stewardship fund as lands and easements are conserved. This fund is managed separately from SFCT’s operating funds and is used to provide for future annual monitoring expenses as well as the future potential costs of restoration, and the legal defense of its land and easement holdings.

Trails Program – SFCT has been involved in the creation of the Dale Ball Trails, Atalaya Trail, Santa Fe Rail Trail, the Spur Trail, La Tierra Trails, La Piedra Trail and, along with the Commonweal Conservancy, the Galisteo Basin Preserve Trails. SFCT Trails Program works in partnership with the City of Santa Fe, SFCT’s volunteer group, The Trails Alliance of Santa Fe, and other entities, to coordinate trail development and construction, organize volunteer trail work, identify and prioritize trail linkages, promote the trails, and provide the public with trail information and access through educational programs and events. SFCT is also leading a partnership of many entities in providing coordination, planning, mapping and implementation support for the Grand Unified Santa Fe Trail Organization (GUSTO). SFCT is in charge of convening partners, researching and mapping existing trails, identifying gaps and opportunities for new trails, and prioritizing and implementing the trail connections that are identified in the planning process. The vision of the GUSTO initiative is an interconnected system of natural-surface trails that allows non-motorized users to travel in a loop around the greater Santa Fe area, as well as between the city center and the periphery. The GUSTO Initiative has brought together many community partners who aim to have a unified, sustainable trail system around the entire metropolitan area.

SANTA FE CONSERVATION TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1. ORGANIZATION (CONTINUED)

Accreditation – In 2014, SFCT became accredited by the Land Trust Alliance, the national organization that works with land trusts nationwide on improving their nonprofit organizations and strengthening their conservation work. It is a rigorous process which looks at every aspect of the nonprofit, from its policies and procedures, to its land transactions and financials. Accredited land trusts must renew their status every five years and show compliance with the Land Trust Alliance’s Standards and Practices. Accreditation means there is third party verification that SFCT operates legally, ethically and in the public interest, with a sound program of land transactions and land stewardship to ensure its long-term sustainability.

SFCT’s programs are supported primarily by contributions and grants.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of SFCT is presented to assist in the understanding of SFCT’s financial statements. The financial statements and notes are the representations of SFCT’s management who is responsible for their integrity and objectivity.

Reclassifications. Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Basis of Presentation. SFCT’s financial statements are presented in accordance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities, Presenting Financial Statements*. Under ASC 958-205, SFCT is required 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. No permanently restricted assets were held during the year; accordingly, these financial statements do not reflect any activity related to this class of net assets.

Basis of Accounting. The financial statements of SFCT are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash Flow Information. For the purposes of the statement of cash flows, all highly liquid investments with an initial maturity of 90 days or less, that are not restricted, are considered to be cash equivalents.

SANTA FE CONSERVATION TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Investments. Investments include marketable securities and money market funds. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position.

Concentrations of Risk. SFCT maintains cash and cash equivalents with financial institutions. At times, such amounts may exceed FDIC limits. SFCT limits the amount of credit exposure with any one financial institution and believes that no significant credit risk exists with respect to cash.

Allowance for Uncollectible Accounts. Management feels that accounts receivable are fully collectible and, accordingly, no allowance for uncollectible accounts is considered necessary.

Furniture and Equipment. SFCT capitalizes expenditures over \$500 with a useful life greater than one year. Property and equipment are recorded at cost if purchased or fair value if donated. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets or lease term, whichever is shorter. Estimated useful lives are five years

Contributions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to SFCT are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Gifts received with donor stipulations that limit the use of the donated assets are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished by SFCT, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Contributions of Long-Lived Assets. Contributions of equipment and other long-lived assets without donor-imposed stipulations concerning the use of such assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire equipment and other long-lived assets with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

SANTA FE CONSERVATION TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Promises to Give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Net Assets. Net assets are composed of the following:

Net Assets Without Donor Restrictions. Net assets that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or have been met.

Net Assets with Donor Restrictions. Assets subject to usage limitations based on donor imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of SFCT. Certain restrictions may be need to be maintained in perpetuity.

Advertising. The cost of advertising is expensed in the year incurred.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

Functional Expense Allocation. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes. SFCT is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, SFCT has been classified as other than a private foundation. SFCT's open audit periods are 2016 through 2018.

SFCT evaluates uncertain tax positions in accordance with ASC 740 whereby the effect of the uncertainties in tax positions would be recorded if the outcome was considered probable and reasonably estimable. SFCT believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

SANTA FE CONSERVATION TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Risk Management. SFCT is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. SFCT has obtained commercial insurance coverage to protect itself against such losses.

Adoption of Accounting Pronouncement. In August 2016, the Financial Accounting Standards Board (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 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by SFCT, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for SFCT's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. SFCT adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

NOTE 3. CONSERVATION EASEMENTS

SFCT has acquired and holds a number of conservation easements, each representing a legal interest in land owned by another person or entity, but representing SFCT's right to monitor and protect the land for conservation purposes. A property owner may sell or give away a bundle of rights to his or her property, or just a few of these rights. These may include, for example, the right to construct buildings, to subdivide the land, to restrict access, or to harvest timber. In order to give away certain rights while retaining others, a property owner grants an easement to an appropriate third party such as SFCT. SFCT evaluates each easement for its conservation values and then ensures that the terms of the easements will adequately protect and preserve these values.

An easement runs with the property and is recorded at the county or town records office so that all future owners and lenders will learn about the restrictions when they obtain a title report. The original owner or donor of the easement and all subsequent owners are bound by the restriction of the easement.

SANTA FE CONSERVATION TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 3. CONSERVATION EASEMENTS (CONTINUED)

SFCT held 89 and 83 conservation easements on approximately 39,994 and 36,314 acres of land at December 31, 2018 and December 31, 2017 respectively. SFCT held 2 fee simple acquisitions on approximately 9 acres of land at December 31, 2018 and December 31, 2017 respectively. These easements are held by SFCT in perpetuity, and SFCT assumes the legal obligation to uphold and defend them. Accordingly, SFCT monitors the conservation easements on a regular basis, and maintains records of communication, land use activities, and site inspections. See Note 12 for assets held for the stewardship and legal defense of conservation easements held by SFCT.

Because of the unique nature of these assets, the impracticality of obtaining consistent and reliable estimates of the values ascribed to these interests, and consistent with the practices followed by environmental land trusts, they are not recorded as assets in the financial statements.

NOTE 4. STEWARDSHIP COMMITMENT

Monitoring and, if necessary, legally defending the conservation lands and easements held by SFCT, and doing so in perpetuity, is an important aspect of SFCT's work. Current costs associated with SFCT's stewardship efforts are expensed as incurred. The costs of future obligations represent a commitment of SFCT and will be recorded as they are incurred.

SFCT has obtained conservation defense insurance that covers the cost of defending, including the cost of legal expenses, for claims or violations made on or against easements held by SFCT.

NOTE 5. INVESTMENTS

SFCT has adopted ASC 820-10 which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820-10 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

SANTA FE CONSERVATION TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5. INVESTMENTS (CONTINUED)

ASC 820-10 describes three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities

- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Investments are reported at fair market value. Assets valued using Level 1 inputs are determined by quoted market prices derived from an active market and Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. The beneficial interest in trust is considered to have Level 3 inputs and are valued by management's assumptions about the assumptions the market participants would utilize in pricing the asset.

SFCT had the following investments at December 31:

	2018	2017
Debt mutual funds	\$ 457,479	423,462
Equity mutual funds and other assets	40,813	44,533
Exchange traded funds	<u>280,524</u>	313,903
Total	778,816	781,898
Beneficial interest in trust	<u>185,013</u>	219,763
Total investments	<u>\$ 963,829</u>	1,001,661

Return on investments consisted of the following at December 31:

	2018	2017
Interest and dividends	\$ 20,403	18,986
Fees	(5,302)	(5,405)
Net realized and unrealized gain (loss)	<u>(59,974)</u>	94,835
Total investment returns	<u>\$ (44,873)</u>	108,416

SANTA FE CONSERVATION TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5. INVESTMENTS (CONTINUED)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statements of Financial Position measured at fair value on a recurring basis and the level within the ASC 820-10 fair value hierarchy in which the fair value measurements fall at December 31, 2018:

		Quoted Prices In Active Markets For Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	(Level 1)	(Level 2)	(Level 3)
Debt mutual funds	\$ 457,479	457,479	-	-
Equities	1,672	1,672	-	-
Equity mutual funds	38,113	38,113	-	-
Exchange traded funds	280,524	280,524	-	-
Other assets	1,028	1,028	-	-
Beneficial interest in trust	185,013	-	-	185,013
Total	<u>\$ 963,829</u>	<u>778,816</u>	<u>-</u>	<u>185,013</u>

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statements of Financial Position measured at fair value on a recurring basis and the level within the ASC 820-10 fair value hierarchy in which the fair value measurements fall at December 31, 2017:

		Quoted Prices In Active Markets For Identical Assets	Significan t Other Observabl e Inputs	Significant Unobservable Inputs
	Total	(Level 1)	(Level 2)	(Level 3)
Debt mutual funds	\$ 423,462	423,462	-	-
Equities	418	418	-	-
Equity mutual funds	44,115	44,115	-	-
Exchange traded funds	313,903	313,903	-	-
Beneficial interest in trust	219,763	-	-	219,763
Total	<u>\$ 1,001,661</u>	<u>781,898</u>	<u>-</u>	<u>219,763</u>

The beneficial interest in trust was \$185,013 and \$219,763 at December 31, 2018 and 2017, respectively, and was held by the Santa Fe Community Foundation (SFCF) on behalf of SFCT and are considered to have Level 3 inputs.

SANTA FE CONSERVATION TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5. INVESTMENTS (CONTINUED)

Pursuant to the terms of the contracts with the SFCF, the beneficial interest in trust is deemed to be the property of the SFCF. Accordingly, SFCT records these assets as a beneficial interest in assets held by the SFCF.

The contracts with the SFCF stipulate the percentage of annual earnings from the Funds that SFCT is entitled to receive annually. Additionally, the contracts stipulate under what circumstances additional distributions can be paid to SFCT from these Funds. The SFCF has the sole and final authority over decisions to honor requests by SFCT for distributions from these Funds to SFCT.

The following is a reconciliation of the beginning and ending balances of the recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Unrestricted Net Assets
Balance as of December 31, 2017	\$ 219,763
Current year unrealized gain, net of fees	(12,472)
Distributions	<u>(22,278)</u>
Balance as of December 31, 2018	<u>\$ 185,013</u>

NOTE 6. CONTRACTS, GRANTS, AND CONTRIBUTIONS RECEIVABLE

Contracts, grants, and contributions receivable as of December 31, 2018 and 2017 are as follows:

	2018	2017
Contracts	\$ 13,500	13,500
Easement agreement	22,000	-
Contributions	<u>3,300</u>	-
Total contracts, grants, and contributions receivable	<u>\$ 38,800</u>	<u>13,500</u>

SANTA FE CONSERVATION TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 7. LAND AND FIXED ASSETS, NET

Land and fixed assets, net, consisted of the following at December 31:

	2018	2017
Land	\$ 1,132,947	1,132,947
Vehicle	17,000	17,000
Furniture, fixtures, and equipment	8,411	8,411
Total	1,158,358	1,158,358
Less accumulated depreciation	(22,433)	(18,028)
Total land and fixed assets, net	<u>\$ 1,135,925</u>	<u>1,140,330</u>

Land consists of approximately seven acres of land that was donated in 1995. The fair market value of the land was estimated by management using the notice of value from the Santa Fe County Assessor and was then adjusted to represent a discount because the land is unbuildable and has no conservation value. Approximately 2.24 acres were donated in 2016. The appraised value of the land is \$1,125,000. An easement was placed on the land in 1999.

Depreciation expense was \$4,405 for the years ended December 31, 2018 and 2017, respectively.

NOTE 8. RELATED PARTY TRANSACTIONS

SFCT received \$55,078 and \$40,940 in contributions from Board Members for the years ended December 31, 2018 and 2017, respectively.

NOTE 9. OPERATING LEASE COMMITMENTS

SFCT leases office space under a non-cancelable operating lease. The lease begins August 1, 2018 and terminates July 31, 2025. Lease payments are \$2,500 for the first year, increasing \$50 per month every August for the life of the lease.

SANTA FE CONSERVATION TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 9. OPERATING LEASE COMMITMENTS (CONTINUED)

Future minimum rental payments due under the lease are as follows:

Year ending December 31:

2019	\$ 30,250
2020	30,850
2021	31,450
2022	32,050
2023	32,650
2024	33,250
2025	<u>19,600</u>
Total	<u>\$ 210,100</u>

In March 2016 SFCT entered into a lease for a Canon 5051 Copier. The lease is for 60 months with monthly payments of \$123 plus taxes.

Future minimum rental payments due under the lease are as follows:

Year ending December 31:

2019	\$ 1,476
2020	<u>1,476</u>
Total	<u>\$ 2,952</u>

Rent expense for the years ended December 31, 2018 and 2017 was \$36,592 and \$23,456, respectively.

NOTE 10. CONCENTRATIONS OF CREDIT, MARKET, AND BUSINESS RISK

Geographical Concentration. SFCT's operations are limited to Santa Fe and northern New Mexico

Revenue Concentration. SFCT received 49% and 63% of its revenue from donations and grants in the years ended December 31, 2018 and 2017, respectively. SFCT might not be able to continue to exist as a viable and sustainable organization if the donations and grants are not continued.

The Internal Revenue Service (IRS) and some state taxing authorities have provided tax benefits in the form of deductions and credits to individuals that donate conservation easements.

SANTA FE CONSERVATION TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

**NOTE 10. CONCENTRATIONS OF CREDIT, MARKET, AND BUSINESS RISK
(CONTINUED)**

These benefits represent a major incentive to individuals donating easements to SFCT. SFCT's ability to generate future donations would be impaired if the IRS and the State of New Mexico were to eliminate these tax benefits.

NOTE 11. DONATED ASSETS AND SERVICES

Generally accepted accounting principles requires that professional service hours (attorney, accountants, doctors... etc) be recorded in the financial statements, but not volunteer hours. Volunteers and board members have donated significant amounts of their time in SFCT's program and in its fund-raising campaigns. The value of these hours could not be estimated and is not recorded in the financial statements.

In-kind contributions recorded in the statement of activities and changes in net assets consisted of consulting, professional services valued at \$1,920 and \$1,755 for the years ending December 31, 2018 and 2017, respectively.

NOTE 12. RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

The Board of Directors has designated funds solely for the monitoring and legal defense of conservation easements held by SFCT. Revenues for this fund consist of contributions by landowners. Investment income is reinvested and is also designated. The Board requires designated funds to be maintained separately from operating funds. SFCT had net assets designated for stewardship and defense of \$95,964 and \$22,580 in cash and cash equivalents, and \$372,856 and \$405,539 in investments at December 31, 2018 and 2017, respectively.

The Board of Directors has also designated funds held in a beneficial interest in trust to uphold and defend easements. Revenues for this fund consist of contributions by landowners. Investment income is reinvested and is also designated. Distributions from the fund are governed by the terms of the endowment contract (see Note 5). SFCT had net assets designated for stewardship and defense of \$185,013 and \$219,763 in a beneficial interest in trust at December 31, 2018 and 2017, respectively.

NOTE 13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions in the amount of \$19,990 and \$46,916 at December 31, 2018 and 2017, respectively, consists of grants and contributions received with donor-imposed purpose restrictions. The grant money has been received by SFCT but had not been spent as of year-end.

SANTA FE CONSERVATION TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 14. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

Principal Operating Account: SFCT strives to maintain operating reserves in a checking account at a level roughly equal to three months of working reserve. If the operating account falls below this threshold, the Finance Committee will consider transferring funds from the Operating Reserve. This account is not comingled for investment purposes.

Unrestricted Operating Reserve: SFCT also maintains an Unrestricted Operating Reserve account. For investment management purposes, this account shall be managed according to the SFCT's primary and secondary objectives of capital preservation and growth which shall be combined with the two Board Restricted Funds. Optimally, the Unrestricted Operating Reserve will contain at least six months of working reserve.

The unrestricted Operating Reserve Fund is available to make up any shortfalls in the Trust's annual operating expenses. Disbursements from the Operating Reserve Fund to the Principal Operating Account shall be approved by the Finance Committee.

Based upon the needs of the organization, SFCT will manage the investment assets to ensure that the organization can meet anticipated short and long-term obligations.

Budgeting: in addition to its financial assets, SFCT operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures within each fiscal year.

NOTE 15. ACCOUNTING STANDARDS CHANGES

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the entity for annual periods beginning after December 15, 2018. Management is currently evaluating the impact of the amended revenue recognition guidance on the entity's financial statements.

SANTA FE CONSERVATION TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 16. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. SFCT recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. SFCT's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

SFCT has evaluated subsequent events through April 17, 2019, which is the date the financial statements are available to be issued and had not identified any material subsequent events.

**SANTA FE CONSERVATION TRUST
SCHEDULE OF CONSERVATION EASEMENTS RECEIVED (UNAUDITED)
December 31, 2018**

The following schedule represents conservation easements received by the SFCT:

Recorded	Property	Number of Acres	County
1992	Williamson	2.86	Santa Fe
1992	Grenfell	433.14	Santa Fe
1993	Goodwin	102.17	Santa Fe
1993	Rossiter	319.63	Santa Fe
1993	Stanley	162.91	Santa Fe
1993	Parker	50	Santa Fe
1993	Lipsett	0.84	Santa Fe
1994	Turner I	10.9	Santa Fe
1994	Koldyke	4930	San Miguel
1995	Wagner	19.46	Santa Fe
1995	Turner II	66.75	Santa Fe
1995	Dant, J & M	24.03	Santa Fe
1995	Meem	13.06	Santa Fe
1995	Charles R Ranch	5125	San Miguel
1995	Hyatt	1.92	Santa Fe
1996	Stadevco	2.38	Santa Fe
1996	Wirth	25	Santa Fe
1996	Peterson	59.08	Santa Fe
1996	McDaniel	2599.75	Rio Arriba
1996	Thompson	1853.92	Rio Arriba
1996	Morris	655.49	Rio Arriba
1996	Sheesley	501.04	Rio Arriba
1996	Boyle	645	Rio Arriba
1997	Pecos River	832.2	San Miguel
1997	Field	0.47	Santa Fe
1998	Betts I	80.41	San Miguel
1998	Kelly	89	San Miguel
1998	Cook	2	Santa Fe
1998	Thomas	1.78	Santa Fe
1999	Durand	2.92	Santa Fe
1999	Betts II	193	San Miguel
1999	Tecolote	9148	San Miguel
1999	The Hill	1.79	Santa Fe
2000	Dapples	14.3	Santa Fe
2000	Dant, D.	9	Santa Fe
2000	Crichton	94.11	Santa Fe
2001	Ortiz Mountains Education Preserve	1350	Santa Fe
2001	Hitchcock	12.27	Santa Fe
2003	TPL Wells Thornton	45.71	Santa Fe

SANTA FE CONSERVATION TRUST
SCHEDULE OF CONSERVATION EASEMENTS RECEIVED (UNAUDITED)
(CONTINUED)
December 31, 2018

2004	Railyard Park and Plaza	15.71	Santa Fe
2004	Thaw I	4.39	Santa Fe
2004	Thaw III	7.12	Santa Fe
2004	Thaw II	6.12	Santa Fe
2004	Thaw IV	15.97	Santa Fe
2004	Heart & Soul III	20.45	Santa Fe
2004	Heart & Soul II	20.45	Santa Fe
2004	Heart & Soul I	111.02	Santa Fe
2004	Charles R Ranch Lots	4.53	San Miguel
2004	Holian I	160	Santa Fe
2004	Cerrito Amarillo	32.04	San Miguel
2004	Los Trigos	113.88	San Miguel
2005	Dant/ McQueen	1.63	Santa Fe
2005	Garden of the Gods	126.59	Santa Fe
2005	Swimming Hole	16.79	San Miguel
2005	Ross	41.35	Santa Fe
2006	Holian II	616.74	Santa Fe
2006	Greenfield	17.8	San Miguel
2008	GBP CC #1	320	Santa Fe
2008	Rio Hondo Park TLT	22.16	Taos
2008	PROS - Coonly	60	San Miguel
2008	Holmes	85	Rio Arriba
2008	Cerrillos West	40.4	Santa Fe
2009	Santa Rita	50	Rio Arriba
2009	GBP CC #2	330	Santa Fe
2009	Chandler Preserve	489.93	Santa Fe
2009	Pecos Canyon Sixteen	16.3	San Miguel
2009	GBP CC#3	600	Santa Fe
2010	GBP East Preserve Lot 1	160	Santa Fe
2010	Berg	204.5	San Miguel
2010	Sun Mountain TPL	11.11	Santa Fe
2011	GBP CC#4 West Canyon	250	Santa Fe
2011	GBP CC #5 Galisteo Springs	280	Santa Fe
2011	Allison-Ito	445.9	Santa Fe
2011	Walking Rein Ranch	354	Santa Fe
2011	GBP East Preserve Lot 2	160	Santa Fe
2011	GBP East Preserve Lot 3	160	Santa Fe
2013	GBP CC #6 Diablo Ridge	300	Santa Fe
2013	Reed	41.73	Santa Fe
2013	GBP Conservation Ranch #2	477	Santa Fe
2014	GBP CC#7 Nathan's Trace	300	Santa Fe
2014	Lipscomb Viscoli Sun Mountain	10.5	Santa Fe
2015	GBP Conservation Ranch #1	318.22	Santa Fe

**SANTA FE CONSERVATION TRUST
SCHEDULE OF CONSERVATION EASEMENTS RECEIVED (UNAUDITED)
(CONTINUED)
December 31, 2018**

2015	Moldaw-Sze Jacona	13.41	Santa Fe
2018	Fullerton I	37.16	Santa Fe
2018	Petchesky Ranch	240.43	Santa Fe
2018	Little Tesuque	51.93	Santa Fe
2018	Fullerton II	5.85	Santa Fe
2018	Lone Mountain	3,029	Santa Fe
2018	GBP CC #8 Liam's Lark	315.69	Santa Fe

The total number of properties is 89. The total acres are 39,994.09.