

Hood & Strong

Advisory, Tax  
and Assurance

# Sonoma Land Trust

March 31, 2025

Financial Statements

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# Sonoma Land Trust

## Table of Contents

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<b>Independent Auditors' Report</b>	1 - 2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expense	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 24

## Independent Auditors' Report

THE BOARD OF DIRECTORS  
Sonoma Land Trust  
Santa Rosa, California

### Opinion

We have audited the accompanying financial statements of **SONOMA LAND TRUST (SLT)**, which comprise the statement of financial position as of March 31, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of SLT as of March 31, 2025, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sonoma Land Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter

As discussed in Note 17 to the financial statements, the beginning net assets as of April 1, 2024 were restated to correct misstatements. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SLT's ability to continue as a going concern for one year from the date of this report.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 SLT's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SLT's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Hood & Strong LLP*

San Francisco, California  
December 1, 2025

# Sonoma Land Trust

## Statement of Financial Position

March 31, 2025

### Assets

Cash and cash equivalents	\$	15,627,469
Investments		8,674,578
Grants and contributions receivable, net		5,187,724
Prepaid expenses and other assets		676,685
Fixed assets, net		1,960,231
Property subject to life estate, net		919,156
Conservation land		41,777,108

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Total assets	\$	74,822,951
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### Liabilities and Net Assets

#### Liabilities:

Accounts payable and accrued expenses	\$	1,315,038
Mitigation advances		692,196
Use obligation - life estate		530,062

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Total liabilities	\$	2,537,296
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#### Net Assets:

Without donor restrictions:		
Undesignated	\$	12,806,692
Investment in conservation land		41,777,108
Designated:		
Conservation projects		5,843,846
Quasi-endowment		1,666,566

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Total without donor restrictions	\$	62,094,212
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With donor restrictions		10,191,443
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Total net assets	\$	72,285,655
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Total liabilities and net assets	\$	74,822,951
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See accompanying notes to the financial statements.

# Sonoma Land Trust

## Statement of Activities and Changes in Net Assets

Year Ended March 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Other Support:</b>			
Contributions	\$ 2,875,654	\$ 2,572,281	\$ 5,447,935
Bequests	2,070,939		2,070,939
Government grants	1,216,023		1,216,023
Project revenue and fees	600,755		600,755
Rental income	226,926	18,000	244,926
Investment income, net	779,470	120,837	900,307
Net assets released from restrictions	2,748,726	(2,748,726)	-
<b>Total revenue and other support</b>	<b>10,518,493</b>	<b>(37,608)</b>	<b>10,480,885</b>
<b>Functional Expenses:</b>			
Program services	6,460,048		6,460,048
Management and general	2,133,291		2,133,291
Fundraising	2,385,768		2,385,768
<b>Total functional expenses</b>	<b>10,979,107</b>	<b>-</b>	<b>10,979,107</b>
<b>Change in Net Assets from Operations</b>	<b>(460,614)</b>	<b>(37,608)</b>	<b>(498,222)</b>
<b>Land and Other Income (Expense):</b>			
Government grants received for conservation land	11,265,000		11,265,000
Contributions received for conservation land		2,876,996	2,876,996
Value of in-kind contributed conservation land	1,500,000		1,500,000
Other income, net	531,233		531,233
Conservation grants to others	(1,306,357)		(1,306,357)
Net assets released from restrictions	1,936,061	(1,936,061)	-
<b>Total land and other income (expense)</b>	<b>13,925,937</b>	<b>940,935</b>	<b>14,866,872</b>
<b>Change in Net Assets</b>	<b>13,465,323</b>	<b>903,327</b>	<b>14,368,650</b>
<b>Net Assets Without Donor Restrictions</b> - beginning of year	50,248,784	8,277,349	58,526,133
Prior period adjustment (see Note 17)	(1,619,895)	1,010,767	(609,128)
<b>Net Assets Without Donor Restrictions</b> - beginning of year, as restated	48,628,889	9,288,116	57,917,005
<b>Net Assets</b> - end of year	<b>\$ 62,094,212</b>	<b>\$ 10,191,443</b>	<b>\$ 72,285,655</b>

See accompanying notes to the financial statements.

# Sonoma Land Trust

## Statement of Functional Expenses

*Year Ended March 31, 2025*

	Program Services			Subtotal	Management and General	Development	Total
	Land Acquisition	Land Stewardship	Community Engagement				
Salaries and benefits	\$ 527,734	\$ 1,255,648	\$ 755,168	\$ 2,538,550	\$ 1,399,852	\$ 1,384,845	\$ 5,323,247
Land restoration	29,203	1,231,305	4,357	1,264,865	8,148	7,990	1,281,003
Professional and legal fees	522,398	1,208,665	89,071	1,820,134	220,759	418,915	2,459,808
Computer equipment and software	122,573	54,139	25,108	201,820	145,372	92,086	439,278
Rent and utilities	27,097	71,316	41,287	139,700	72,356	71,965	284,021
Staff Development	2,221	7,199	6,247	15,667	112,635	6,074	134,376
Advertising and promotion		150	9,942	10,092	6,591	33,428	50,111
Meeting and travel	13,425	62,100	26,693	102,218	59,788	87,929	249,935
Office supplies and support	20,384	68,946	41,435	130,765	58,755	188,632	378,152
Insurance	17,832	44,063	10,398	72,293	22,259	19,068	113,620
Property tax	1,456	41,864		43,320			43,320
Depreciation and amortization	10,224	89,207	14,631	114,062	27,121	42,905	184,088
Other expenses	2,500	4,000	62	6,562	(345)	31,931	38,148
Expenses as shown on the Statement of Activities and Changes in Net Assets	1,297,047	4,138,602	1,024,399	6,460,048	2,133,291	2,385,768	10,979,107
Other Expenses:							
Conservation grants to others	1,306,357			1,306,357			1,306,357
<b>Total expenses</b>	<b>\$ 2,603,404</b>	<b>\$ 4,138,602</b>	<b>\$ 1,024,399</b>	<b>\$ 7,766,405</b>	<b>\$ 2,133,291</b>	<b>\$ 2,385,768</b>	<b>\$ 12,285,464</b>

See accompanying notes to the financial statements.

# Sonoma Land Trust

## Statement of Cash Flows

Year Ended March 31, 2025

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### Cash Flows from Operating Activities:

Change in net assets	\$ 14,368,650
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Value of in-kind contributed conservation land	(1,050,000)
Depreciation and amortization	184,088
Contributions restricted for long-term purposes	(47,100)
Realized and unrealized gain on investments	(93,540)
Discount on contributions and bequests	(301,296)
Loss on disposal of fixed assets	38,999
Purchase of conservation land	(12,815,000)
Changes in operating assets and liabilities:	
Grants and contributions receivable	(70,586)
Prepaid expenses and other assets	43,547
Accounts payable and accrued expenses	422,672
Mitigation advances	(530,393)
Change in value of property subject to life estate	(8,602)

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Net cash provided by operating activities	141,439
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### Cash Flows from Investing Activities:

Purchase of investments	(4,522,072)
Proceeds from sale of investments	9,368,258
Purchase of fixed assets	(198,819)

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Net cash provided by investing activities	4,647,367
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### Cash Flows from Financing Activities:

Payments received on contributions restricted for long-term purposes	47,100
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Net cash provided by financing activities	47,100
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<b>Change in Cash and Cash Equivalents</b>	<b>4,835,906</b>
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<b>Cash and Cash Equivalents - beginning of year</b>	<b>10,791,563</b>
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<b>Cash and Cash Equivalents - end of year</b>	<b>\$ 15,627,469</b>
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See accompanying notes to the financial statements.

# Sonoma Land Trust

## Notes to the Financial Statements

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### **Note 1 - Nature of Operations:**

Sonoma Land Trust (SLT) is a not-for-profit public benefit California corporation established in 1976. SLT protects the scenic, agricultural and open landscapes of Sonoma County for the benefit of the community, including future generations, by developing long-term land protection strategies, by promoting private and public funding for land conservation, by acquiring land and conversation easements, by practicing stewardship, including the restoration of conservation properties, and by promoting both a sense of place and a land ethic through activities, education and outreach on the land.

SLT's offices are located in Santa Rosa, California and its operations are funded by support from donors, foundation grants, and grants and contracts from various local, state, and federal agencies.

In September 2024, the Board of Directors voted to change SLT's fiscal-year end from March 31 to June 30, effective with the period ending June 30, 2025.

### **Note 2 - Significant Accounting Policies:**

#### Basis of Accounting and Presentation

SLT uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and reports information regarding its financial position and activities according to two classes of net assets.

*Net assets without donor restrictions* – the portion of net assets that is subject to neither time nor other donor-imposed restrictions and may be expended for any purpose in carrying out the mission of SLT. The Board of Directors (the Board) has designated \$5,843,846 of net assets without donor restrictions for use on specific conservation projects and \$1,666,566 for a quasi-endowment.

*Net assets with donor restrictions* – the portion of net assets whose use by SLT is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of SLT. Net assets with donor restrictions include a portion of net assets consisting of contributions to endowment funds where the donor indicated that a portion of the fund be retained in perpetuity. Net assets with donor restrictions also include real property that is subject to a life estate.

#### Cash and Cash Equivalents

SLT considers all cash accounts and all highly liquid investments with an initial maturity of three months or less. SLT holds restricted cash balances totaling \$251,503 at March 31, 2025. Use of these funds is restricted to specific projects, and SLT is required to account for them separately.

# Sonoma Land Trust

## Notes to the Financial Statements

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### Investments

Investments are reported at fair value. Changes in fair values and realized gains and losses are reflected in the Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned and investment income is reported net of related expenses. Investments received through gifts are recorded at estimated fair value at the date of donation.

The fair value of assets held by Community Foundation Sonoma County (the Foundation) is accounted for under the Financial Accounting Standards Board (FASB), Transfer of Assets to a Not-for-Profit Organization standard and are held at the Net Asset Value (NAV) per share as reported by the Foundation. The fair value of alternative investments is also determined using NAV per share as determined by investment managers under the so-called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

Investments, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

### Fair Value Measurements

SLT carries certain assets and liabilities at fair value. Fair value is defined 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. SLT classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities that SLT has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

# Sonoma Land Trust

## Notes to the Financial Statements

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### Grants and Contributions Receivable

Contributions receivable include unconditional commitments that are recorded at the net realizable value of the amount to be collected. Contributions receivable with due dates extending beyond one year are discounted using a risk adjusted rate. An allowance for uncollectible contributions is provided by taking a percentage of contributions receivable based on a three-year historical look back period.

### Fixed Assets

Fixed assets purchased are stated at cost and are capitalized if these expenditures exceed a cost or fair value of \$5,000. Fixed assets are stated at cost at the date of the acquisition or fair value if acquired through donation. Fixed assets also include fixed assets on conservation lands held long-term by SLT. Depreciation and amortization are provided using the straight-line method over the asset's estimated useful life ranging from three to forty years. Maintenance and repairs are charged to expense as incurred. Leasehold improvements are recorded at cost and amortized over the shorter of their estimated useful lives or the remaining term of the applicable lease.

### Property Subject to Life Estate

SLT is the beneficiary of real property that is subject to a life estate. SLT recognized its interest in this property when it was irrevocable, unconditional and measurable. The value of the asset is recorded at the fair value of the real estate property, less a recorded liability for the value of the use obligation to other beneficiaries. SLT records the use obligation associated with the attached life estate at the estimated present value, using estimated discount rates, estimated equivalent rental market rates, and life expectancies. The difference in the value of the property recorded and the estimated present value of the use obligation is recorded as other changes in net assets on the Statement of Activities. Subsequent changes to the value based on changes in estimates are recorded as a change in value of property subject to life estate in the Statement of Activities.

### Conservation Lands

SLT records the land it acquires at cost or fair value on the date of acquisition if all or part of the land is received as a donation. Fair values are determined based on the following:

- Independent professional appraisals performed for the donor or SLT,
- Value as adopted by the acquiring public agency, or
- Where neither of the foregoing sources is available, SLT may use the full cash value as established by the local tax assessor.

# Sonoma Land Trust

## Notes to the Financial Statements

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Occasionally, SLT acquires land and simultaneously conveys a conservation easement on the property to a public agency or nonprofit land conservation organization for permanent stewardship of the easement. In such circumstances, the land is held on SLT's books at cost or fair value as described above, less the value of the easement conveyed. In other cases, land is acquired and subsequently improved with the intent to transfer the property to a public agency or nonprofit land conservation organization for permanent stewardship. These costs are expensed as incurred because they will benefit the end recipient and not SLT. Costs incurred to improve the condition of conservation lands subsequent to acquisition are expensed.

SLT periodically evaluates whenever events or changes in circumstances indicate that the carrying amount of the long-lived assets, including conservation lands, may not be recoverable. Impairments, if any, are recorded by a charge to change in net assets and a valuation allowance if the carrying value of the land exceeds its estimated fair value.

As of March 31, 2025, SLT holds 24 conservation lands totaling 6,914 acres.

On April 3, 2025, SLT transferred one acre of future parkland to Mark West Area Community Fund, a California non-profit public benefit corporation, which SLT acquired in the fiscal year ended March 31, 2024 for \$1,800,000. SLT received \$1,169,500 in grant funds from Sonoma County Agricultural Preservation and Open Space District upon transferring the property.

On April 28, 2025, SLT entered into an agreement to purchase approximately 365 acres of land known as the Henren Ranch in Bodega Bay for \$8,050,000 and received a grant of \$1,800,000 to help finance the acquisition. The acquisition is expected to close in 2026.

On July 18, 2025, SLT purchased 286 acres of land known as Camp 5 in the Baylands Region of Sonoma County for \$347,474.

### Conservation Easements

Conservation easements acquired by or donated to SLT represent numerous restrictions on the use and development of land not owned by SLT. These easements generally provide that the land will be maintained unimpaired in its current natural, agricultural, scenic, or recreational state. Easements acquired by SLT are recorded as program expense and donated easements are not recognized by SLT as their values are generally undeterminable.

As of March 31, 2025, SLT has 47 easements totaling 8,166 acres.

# Sonoma Land Trust

## Notes to the Financial Statements

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### Revenue Recognition

*Contributions and grants* – SLT reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Contributions and grants are recognized when the donor makes a promise to give to SLT that is, in substance, unconditional. Unconditional promises are reported at the present value of their net realizable value, using a risk adjusted rate. Conditional promises to give are not recognized until they become unconditional, which is when donor stipulated barriers are overcome and SLT is entitled to the assets transferred or promised. Funds received prior to the conditions being substantially met are recorded as conditional grants. Contributions also consist of donated investments which are recorded at fair value on the date of donation.

SLT is the beneficiary under various wills and trust agreements, the total realizable amount of which is not presently determinable. Such amounts are recognized in SLT's financial statements as bequests receivable when clear title is established and the proceeds are measurable.

A portion of SLT's revenue is derived from cost-reimbursable federal and state contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when SLT has incurred expenditures in compliance with specific contract or grant provisions. SLT has elected a simultaneous release option to account for these grants and thus are recorded as government grants without donor restriction upon satisfaction of the related conditions. SLT has been awarded cost-reimbursable grants of approximately \$558,000 that were not recognized at March 31, 2025, because qualifying expenditures had not yet been incurred. Amounts received prior to incurring qualifying expenditures are reported as refundable advances.

*Project revenue and fees* - Project revenue and fees earned through billable contracts, which are typically on a cost-reimbursement basis, are recognized as revenue on the date of the invoice to the granting authority. However, revenue may be recognized and recorded as unbilled receivables when significant contract work has been performed and not yet billed, based on estimates of the percentage of completion and related costs. Funds received in advance of costs incurred are recognized as deferred revenue.

*Rental income* - Rental income is recognized as earned over the length of the lease on a straight-line basis.

# Sonoma Land Trust

## Notes to the Financial Statements

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*Other income* - During the year ended March 31, 2025, SLT recognized other income in the amount \$542,392 related to proceeds received from a settlement agreement. The settlement agreement was entered into prior to the year ended March 31, 2025, in relation to certain SLT property damages that were incurred in the 2017 wildfires. Settlement agreement revenue is recognized when the settlement occurs.

### Leases

Operating lease right-of-use assets and operating lease liabilities are recognized at commencement date based on the present value of the future minimum lease payments over the lease. The discount rate used to derive the present value is based on a risk-free rate for a period comparable to the lease term. Renewal periods are included in calculating the right of use assets and liabilities when they are reasonably certain of exercise. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. SLT made an accounting policy election not to recognize lease assets and liabilities for leases with a term of 12 months or less.

### Advertising Costs

SLT uses advertising to promote its programs and mission. The costs of advertising are expensed as incurred. Advertising costs for the year ended March 31, 2025 were \$50,111.

### Grants Payable and Expense

Unconditional grants are recognized as a grant expense and liability when the grants are approved by the Board. Unconditional grants that are expected to be paid in more than one year are measured at the present value of the estimated future cash flows. Conditional grants are recognized as grant expense in the period in which the recipient meets the terms of the condition. Grant refunds are recorded as a reduction of grant expense at the time SLT becomes aware the grant will be refunded. Properties deeded to other organizations and grants are treated as land and other expenses in the Statements of Activities and Changes in Net Assets.

### Allocation of Functional Expense

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, shared costs are allocated among program services and supporting services based on employees' time incurred, usage and other estimates by management. The shared costs include the cost of office space and equipment, information technology, general liability insurance, organizational memberships and dues, and vehicle costs.

# Sonoma Land Trust

## Notes to the Financial Statements

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### Measure of Operations

SLT's measure of operations is its changes in net assets from operating activities, which includes operating revenues without donor restrictions, operating revenues with donor-stipulated time or purpose restrictions, and expenses that are an integral part of its non-land acquisition and transfers programs and supporting activities. Contributions without donor restrictions to support its operating activities are also included. The measure of operations excludes contributions of land, insurance proceeds, major restoration projects, and grant expense related to transfers of land to others.

### Income Tax Status

SLT is a tax-exempt organization under the Internal Revenue Code, Section 501(c)(3) and related California code sections. Accordingly, no provision for taxes on income has been reflected in these financial statements.

As of March 31, 2025, management evaluated SLT's tax positions and concluded that SLT had maintained its tax-exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates based on assumptions. Those estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

### Reclassifications

Certain opening balances for 2024 were reclassified to conform to the 2025 presentation. The reclassifications had no impact on net assets or the change in net assets.

### Subsequent Events

SLT evaluated subsequent events with respect to the financial statements for the year ended March 31, 2025 through December 1, 2025, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure, except as discussed in the Conservation Lands section above.

# Sonoma Land Trust

## Notes to the Financial Statements

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### Note 3 - Grants and Contributions Receivable:

Grants and contributions receivable consisted of the following at March 31, 2025:

Government grants receivable	\$ 537,636
Contributions receivable	3,331,139
Bequests receivable	1,284,293
Other	34,656
	<hr/>
	\$ 5,187,724
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Less than one year	\$ 4,304,786
One to five years	909,799
More than five years	50,500
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	5,265,085
Less unamortized discount	(77,361)
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	\$ 5,187,724
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### Note 4 - Investments:

The investments consisted of the following at March 31, 2025:

Cash and cash equivalents	\$ 61,797
Equities	5,073,505
Fixed income	2,191,355
Alternative investments	1,347,921
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Total	\$ 8,674,578
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Net investment income included the following for the year ended March 31, 2025:

Realized gain	\$ 340,921
Unrealized loss	(247,381)
Interest and dividend income	870,989
Investment fees	(64,222)
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Total	\$ 900,307
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# Sonoma Land Trust

## Notes to the Financial Statements

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### Note 5 - Fair Value Measurements and Net Asset Value Disclosures:

*Fair Value Disclosure:*

The table below presents the balances of assets measured at fair value on a recurring basis at March 31, 2025:

	<u>Level 1</u>	<u>NAV</u>	<u>Total</u>
Cash and cash equivalents	\$ 61,797		\$ 61,797
Equities			
Mutual funds	1,082,747		1,082,747
Common stock	109,702		109,702
Exchange traded funds	3,881,056		3,881,056
Fixed income			
Mutual funds	866,059		866,059
Exchange traded funds	1,325,296		1,325,296
Alternative investments		\$ 1,347,921	1,347,921
	\$ 7,326,657	\$ 1,347,921	\$ 8,674,578

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The valuation techniques and inputs applied to SLT's classes of investments which are not listed or quoted on a securities exchange or other regulated market measured at fair value are described in Note 2.

In accordance with Subtopic 820-10, the alternative investments held by SLT are valued using the net asset value per share (or its equivalent) practical expedient. These investments have not been classified in the fair value hierarchy. The fair value amounts in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the statement of financial position.

# Sonoma Land Trust

## Notes to the Financial Statements

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### Net Asset Value Disclosure:

SLT uses the NAV as a practical expedient to determine the fair value of all the underlying investments which do not have readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists these investments by major category as of March 31, 2025:

<u>Fund</u>	<u>NAV</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Starwood Real Estate Income Trust (1)	\$ 266,694	Monthly	2% per month, 5% per quarter, 20% per year
Hines Global Income Trust (2)	370,159	Monthly	2% per month, 5% per quarter
Owl Rock Core Income Corp. (3)	431,426	Quarterly	None
Community Foundation Sonoma County Stewardship Fund (4)	279,642	Daily	None
	<u>\$ 1,347,921</u>		

- (1) The investments held by the Starwood Real Estate Income Trust are invested in domestically focused real estate with an overweight focus on multi-family properties.
- (2) The investments held by the Hines Global Income Trust are invested in globally focused real estate with an overweight focus on industrial properties.
- (3) The investments held by the Owl Rock Core Income Corporation are invested in a diversified portfolio of floating rate loans to middle-market domestic companies.
- (4) The investments held by the Community Foundation Sonoma County are invested in the Environmental, Social, Governance (ESG) Long-Term Pool. It is comprised of mutual funds that include environmental, social and governance factors in addition to conventional financial factors in the security analysis and investment allocation. This pool employs a strategic asset allocation of 65% stocks and 35% fixed income and cash.

# Sonoma Land Trust

## Notes to the Financial Statements

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### Note 6 - Fixed Assets:

Fixed assets, net consisted of the following:

Leasehold improvements	\$ 903,497
Building improvements	2,354,713
Automobiles	188,638
Furniture and equipment	451,423
Software	123,082
	<hr/>
	4,021,353
Less accumulated depreciation and amortization	(2,061,122)
	<hr/>
	\$ 1,960,231

Depreciation and amortization expense on fixed assets for the year ended March 31, 2025 totaled \$184,088. Total depreciation and amortization expense presented on the Statement of Functional Expenses also includes the depreciation on the property subject to life estate.

### Note 7 - Property Subject to Life Estate and Use Obligation:

In September 2013, SLT was the beneficiary of real property that is subject to a life estate located near Kenwood, California, whereby third-party beneficiaries named by the donor have use of the property for the remainder of their lives. The value of the asset was determined based on the fair value of the real property as determined by an independent real estate property appraisal. The estimated present value of the use obligation associated with the life estate attached to the property was \$530,062 as of March 31, 2025. The estimated liability was calculated using the present value of an ordinary annuity based on a 43-year life expectancy, a 4% interest rate, and the estimated rental fair value of a similar rental property. The property is being depreciated over the estimated useful life of 40 years. Total depreciation for the year ended March 31, 2025 was \$16,075.

### Note 8 - Mitigation Advances:

Mitigation advances include amounts received from a Management Agreement between Pacific Gas & Electric, SLT and the U.S. Fish and Wildlife Service (USFWS) for the long-term biological management and monitoring of the red-legged frog and other restoration projects. SLT also has contracts with the California Department of Transportation (Caltrans) to use migration funds for environmental restoration at SLT's Toley Creek Ranch property and for environmental restoration projects at Sears Point.

# Sonoma Land Trust

## Notes to the Financial Statements

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### **Note 9 - Endowment:**

SLT follows the guidance of the FASB ASC Topic 958-205 “Endowments of Not-for-Profit Organizations – Net Assets Classification of Funds Subject to Enacted Version of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), and Enhanced Disclosures for All Endowment Funds.” The State of California adopted a version of UPMIFA as its State Prudent Management of Institutional Funds Act (SPMIFA).

SLT’s endowment includes both Board-designated and donor-restricted endowment funds. The donor-restricted endowment fund was established in 2018 and is restricted to the Conservation Easement Endowment and Sonoma Baylands Endowment. The Board-designated endowment fund was established in 2018 as a Conservation Easement Quasi Endowment Fund.

#### Interpretation of Relevant Law

The Board has determined that SLT holds net assets that meet the definition of endowment funds under SPMIFA.

The corpus value of funds subject to SPMIFA represents the fair value of the original gift as of the gift date and the original value of subsequent gifts and is classified as with donor restriction in cases where the donor indicated that a portion of the fund be retained in perpetuity. The excess balance is classified as with donor restrictions until appropriated, at which time the appropriation is reclassified to net assets without donor restrictions.

In accordance with SPMIFA, SLT considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of SLT and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of SLT, and (7) the investment policies of SLT.

#### Return Objectives and Risk Parameters

SLT has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that SLT must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board, the investment objective is to sustain the spending power of the endowment over a long-term horizon by generating enough return on investment (net of fees) to meet or exceed the sum of the annual spending rates and annual inflation rate.

# Sonoma Land Trust

## Notes to the Financial Statements

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### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires SLT to retain as a fund of perpetual duration. SLT accounts for such “underwater” endowment funds as a reduction of net assets with restrictions. As of March 31, 2025, there were no underwater endowment funds.

### Spending Policy

SLT has a policy of appropriating endowment funds for distribution each year a percentage determined by the Board, acting on advice from SLT’s Investment Committee and investment consultants. SLT bases each year’s distributions on the average market value of an endowment fund over either the prior twelve quarters ending December 31 or the life of the fund, whichever is lower. This method of determining the amount available for distribution helps to accomplish three goals: (a) to protect the principal of each fund so that it will last in perpetuity; (b) to help the principal grow over time; and (c) to create a reasonably stable, consistent, and predictable flow of funds. No distribution percentage was approved by the Board for the year ended March 31, 2025.

### Endowment Composition

Endowment net asset composition by type of fund as of March 31, 2025 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 831,815	\$ 831,815
Board-designated endowment funds	\$ 1,666,566		1,666,566
	\$ 1,666,566	\$ 831,815	\$ 2,498,381

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# Sonoma Land Trust

## Notes to the Financial Statements

Changes in endowment net assets for the fiscal year ended March 31, 2025 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, March 31, 2024	\$ 1,014,465	\$ 758,434	\$ 1,772,899
Contributions	625,000	47,100	672,100
Interest and dividends, net	20,812	13,877	34,689
Realized and unrealized gains on investments	6,289	12,404	18,693
Balance, March 31, 2025	\$ 1,666,566	\$ 831,815	\$ 2,498,381

### Note 10 - Net Assets with Donor Restrictions:

Net assets with donor restrictions consisted of the following:

Restricted for a specified purpose	
Land and conservation	\$ 1,394,927
Stewardship and restoration	3,999,189
Other	245,279
	<u>5,639,395</u>
Restricted for passage of time	
Property subject to life estate	389,094
Time restricted	3,331,139
	<u>3,720,233</u>
To be held in perpetuity	
Conservation Easement Endowment	521,347
Sonoma Baylands Endowment	310,468
	<u>831,815</u>
	<u>\$ 10,191,443</u>

# Sonoma Land Trust

## Notes to the Financial Statements

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Net assets released from restriction were as follows for the year ended March 31, 2025:

Purpose restrictions met	\$ 3,460,736
Acquisition of land	532,889
Time	691,162
	<hr/>
	\$ 4,684,787

### Note 11 - Availability of Financial Assets and Liquidity:

SLT's financial assets available for general expenditures as of March 31, 2025, were as follows:

Financial assets	
Cash and cash equivalents	\$ 15,627,469
Investments	8,674,578
Grants and contributions receivable, net	5,187,724
	<hr/>
	29,489,771
Less: amounts unavailable for general expenditure within one year	
Net assets with donor restrictions	(10,191,443)
Board-designated reserve for conservation projects	(5,843,846)
Board-designated endowment	(1,666,566)
Mitigation advances	(692,196)
Plus: net assets with donor restrictions expected to be met within one year	3,395,805
	<hr/>
	(14,998,246)
	<hr/>
	\$ 14,491,525

As part of SLT's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. SLT invests cash in excess of daily requirements in short-term investments and short-term treasury instruments. Board-designated funds for conservation projects and endowment include four Board-designated reserve funds. The Watkins Land Protection Fund, Stewardship Reserve Fund, Conservation Easement Quasi Endowment Fund, and Legal Reserve Fund, totaling \$7,510,412. Although SLT does not intend to spend these reserves, other than amounts appropriated in its annual budget process, amounts from these reserves could be made available if necessary. SLT also has a line of credit in the amount of \$1,000,000, which it could draw upon in the event of an unanticipated liquidity need.

# Sonoma Land Trust

## Notes to the Financial Statements

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### Note 12 - Line of Credit:

SLT has a \$1,000,000 credit line with Morgan Stanley secured by investment assets held in specified accounts at Morgan Stanley. Interest is charged at a variable rate based on the Variable Rate Index on the date of the advance. The line is available to SLT while the specified accounts are active. As of March 31, 2025, the line had not been accessed and had an interest rate of 7.198% per annum.

### Note 13 - Future Minimum Rental Income:

SLT leases various land parcels, structures and signage on its conservation land. These lease agreement terms vary in rate and frequency. During the year ended March 31, 2025, SLT recorded \$244,926 in rental income from these sources.

The future scheduled minimum rental income under the lease terms is as follows:

Year ending March 31,	
2026	\$ 152,437
2027	122,755
2028	66,576
2029	67,908
2030	69,266
Thereafter	124,430
	<hr/>
	\$ 603,372

### Note 14 - Operating Lease Agreement:

SLT maintains office space in Santa Rosa, California under an operating lease agreement with a commencement date of January 1, 2014 that expired on August 31, 2022. In April 2022, the lease agreement was amended, extending the lease term for a period of five years through August 31, 2027, with a monthly rent of \$15,835. Per the terms of the lease agreement, SLT and the lessor have the right to terminate the lease at any time without penalty, provided the terminating party submits a written notice of at least 120 days. During the year ended March 31, 2025, rent and related expenses were \$205,801.

# Sonoma Land Trust

## Notes to the Financial Statements

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### **Note 15 - Employee Benefit Plan:**

SLT sponsors a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. After one year of employment, SLT contributes 5% of gross salaries for permanent employees working 50% of a full-time equivalent or more. Total employer contributions for the year ended March 31, 2025 were \$167,896.

### **Note 16 - Concentration of Credit Risk and Contingencies:**

#### *Concentrations of Credit Risk*

Financial instruments which potentially subject SLT to credit risk consist primarily of cash and cash equivalents, receivables, and investments. SLT maintains its cash and cash equivalents in various major financial institution accounts and money market funds that, at times, may exceed federally insured limits. SLT has not experienced, nor does it anticipate, any losses in such accounts. SLT attempts to limit its credit risk associated with investments through diversification and by utilizing the expertise and processes of third-party investment managers.

At March 31, 2025, approximately 77% of grants and contributions receivable were comprised of amounts due from three donors.

SLT had two grantors that represented approximately 85% of government grants revenue for the year ended March 31, 2025. SLT had three donors that represented approximately 53% of contributions and bequests revenue for the year ended March 31, 2025.

#### *Contingencies*

SLT derives a portion of its revenue from various federally and state funded programs which are subject to review and audit by governmental agencies. Management believes that SLT is in material compliance with the standards set forth by the governmental agencies and that the outcome of reviews and audits conducted by such agencies, if any, will not have a significant effect on the financial position or results of activities of SLT.

# Sonoma Land Trust

## Notes to the Financial Statements

### Note 17 - Prior Period Adjustments:

SLT restated its net assets as of March 31, 2024 to properly account for contributions and bequests revenue and to write off fixed asset balances. In addition, there were reclassifications made on the Statement of Financial Position between fixed assets and conservation land for improvements made on conservation land. The effect of these restatements on the Statement of Financial Position for the year ended March 31, 2024 has been summarized below:

	As Originally Reported	As Restated	Effect of Change
Grants and contributions receivable, net	\$ 5,772,749	\$ 4,815,842	\$ (956,907)
Fixed assets, net	390,111	1,968,424	1,578,313
Conservation land	29,805,984	27,912,108	(1,893,876)
<b>Total assets</b>	<b>\$ 61,843,094</b>	<b>\$ 60,570,624</b>	<b>\$ (1,272,470)</b>
Conditional grants	\$ 713,342	\$ 50,000	\$ (663,342)
Total liabilities	3,316,961	2,653,619	(663,342)
Without donor restriction	50,248,784	48,628,889	(1,619,895)
With donor restriction	8,277,349	9,288,116	1,010,767
<b>Total net assets</b>	<b>58,526,133</b>	<b>57,917,005</b>	<b>(609,128)</b>
<b>Total liabilities and net assets</b>	<b>\$ 61,843,094</b>	<b>\$ 60,570,624</b>	<b>\$ (1,272,470)</b>