

THE TRUST FOR PUBLIC LAND
AND AFFILIATE
(NOT-FOR PROFIT CORPORATIONS)

JUNE 30, 2019

INDEPENDENT AUDITORS' REPORT,
CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

**Independent Auditors' Report, Consolidated Financial Statements and
Supplemental Information**

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A Century Strong

Independent Auditors' Report

THE BOARD OF DIRECTORS
THE TRUST FOR PUBLIC LAND
San Francisco, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **THE TRUST FOR PUBLIC LAND and its Affiliate (Not-for-Profit Corporations) (collectively, the Trust for Public Land)**, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Trust for Public Land as of June 30, 2019, 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.

Other Matter – Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information included on pages 30 and 31 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Hood & Strong LLP

San Francisco, California
November 26, 2019

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Consolidated Statement of Financial Position
(dollars in thousands)

June 30, 2019

Assets

| | | |
|--|----|------------|
| Cash and cash equivalents | \$ | 11,850 |
| Investments | | 74,710 |
| Government grants, contracts and escrow receivables, net | | 17,050 |
| Contributions receivable, net | | 19,521 |
| Notes receivable | | 3,423 |
| Deposits on land transactions | | 557 |
| Land holdings | | 70,493 |
| Charitable trust assets | | 63,332 |
| Property, furniture and equipment, net | | 573 |
| Other assets | | 721 |
| Total assets | | \$ 262,230 |

Liabilities and Net Assets

Liabilities:

| | | |
|--|----|---------|
| Accounts payable and accrued expenses | \$ | 19,802 |
| Option payments received | | 50 |
| Refundable advances | | 9,773 |
| Mitigation advances | | 12,105 |
| Notes payable | | 39,263 |
| Liabilities to beneficiaries of charitable trusts | | 33,858 |
| Liabilities to beneficiaries of charitable annuities | | 2,231 |
| Total liabilities | | 117,082 |

Net Assets:

| | | |
|--|--|------------|
| Without donor restrictions | | 6,421 |
| With donor restrictions: | | |
| Time and purpose | | 113,528 |
| Perpetual restrictions | | 25,199 |
| Total net assets with donor restrictions | | 138,727 |
| Total net assets | | 145,148 |
| Total liabilities and net assets | | \$ 262,230 |

See accompanying notes to financial statements.

**The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)**

**Consolidated Statement of Activities and Changes in Net Assets
(dollars in thousands)**

Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | | | Total |
|---|-------------------------------|-------------------------|---------------------------|------------|------------|
| | | Time and Purpose | Perpetual Restrictions | Total | |
| Revenues and Additions to Net Assets: | | | | | |
| Contributions of land and easements: | | | | | |
| Fair market value acquired | \$ 197,263 | | | | \$ 197,263 |
| Less consideration paid | (186,102) | | | | (186,102) |
| <hr/> | | | | | |
| Contributions of land and easement values received | 11,161 | | | | 11,161 |
| <hr/> | | | | | |
| Contributions and grants - other: | | | | | |
| Contributions and grants | 49,109 | \$ 42,408 | \$ 357 | \$ 42,765 | 91,874 |
| Future interests in charitable trusts | 66 | 240 | (41) | 199 | 265 |
| Change in value of interests in charitable trusts | | 1 | | 1 | 1 |
| <hr/> | | | | | |
| Total contributions and grants - other | 49,175 | 42,649 | 316 | 42,965 | 92,140 |
| <hr/> | | | | | |
| Total contributions and grants | 60,336 | 42,649 | 316 | 42,965 | 103,301 |
| <hr/> | | | | | |
| Project fees and other income | 35,935 | | | - | 35,935 |
| Interest income | 2,892 | 715 | | 715 | 3,607 |
| Investment income (loss), net | 32 | (118) | | (118) | (86) |
| Change in value of land holdings | (93) | | | - | (93) |
| Allowance for uncollectible grants and restricted grants returned to donor | | (512) | (78) | (590) | (590) |
| <hr/> | | | | | |
| Total revenues and additions | 99,102 | 42,734 | 238 | 42,972 | 142,074 |
| <hr/> | | | | | |
| Net assets released from restrictions | 64,060 | (64,060) | | (64,060) | - |
| <hr/> | | | | | |
| Total revenues | 163,162 | (21,326) | 238 | (21,088) | 142,074 |
| <hr/> | | | | | |
| Expenses and Reductions to Net Assets: | | | | | |
| Program services: | | | | | |
| Contributions of land and easements to public agencies and other nonprofit organizations: | | | | | |
| Fair market value conveyed | 211,327 | | | - | 211,327 |
| Less consideration received | (150,560) | | | - | (150,560) |
| <hr/> | | | | | |
| Contributions of land and easement values made | 60,767 | - | - | - | 60,767 |
| <hr/> | | | | | |
| Open space conservation programs | 76,765 | | | - | 76,765 |
| <hr/> | | | | | |
| Total program services | 137,532 | - | - | - | 137,532 |
| <hr/> | | | | | |
| Support services: | | | | | |
| Development | 13,150 | | | - | 13,150 |
| Management and support services | 14,640 | | | - | 14,640 |
| <hr/> | | | | | |
| Total support services | 27,790 | - | - | - | 27,790 |
| <hr/> | | | | | |
| Total expenses | 165,322 | - | - | - | 165,322 |
| <hr/> | | | | | |
| Change in Net Assets from Operations | (2,160) | (21,326) | 238 | (21,088) | (23,248) |
| <hr/> | | | | | |
| Other Change in Net Assets: | | | | | |
| Restructuring cost - severance payments | (1,369) | | | - | (1,369) |
| <hr/> | | | | | |
| Total other change in net assets | (1,369) | - | - | - | (1,369) |
| <hr/> | | | | | |
| Change in Net Assets | (3,529) | (21,326) | 238 | (21,088) | (24,617) |
| <hr/> | | | | | |
| Net Assets, beginning of year | 9,950 | 134,854 | 24,961 | 159,815 | 169,765 |
| <hr/> | | | | | |
| Net Assets, end of year | \$ 6,421 | \$ 113,528 | \$ 25,199 | \$ 138,727 | \$ 145,148 |

See accompanying notes to financial statements.

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Consolidated Statement of Functional Expenses
(dollars in thousands)

Year Ended June 30, 2019

| | Program Services | Development | Management and Support Services | Total |
|--|---------------------|------------------|---------------------------------------|-------------------|
| Contributions of Land and Easement Values Made, net | \$ 60,767 | | | \$ 60,767 |
| Other Operating Expenses: | | | | |
| Salaries and benefits | 21,152 | \$ 8,850 | \$ 8,451 | 38,453 |
| Design and construction services | 37,624 | | 14 | 37,638 |
| Other professional services | 4,994 | 1,415 | 2,545 | 8,954 |
| Rent and office | 3,386 | 1,419 | 1,355 | 6,160 |
| Grants and contributions | 3,637 | 7 | 48 | 3,692 |
| Travel and meetings | 1,210 | 1,026 | 404 | 2,640 |
| Other operating expenses | 1,036 | 222 | 794 | 2,052 |
| Appraisal services | 1,118 | | | 1,118 |
| Interest | 1,860 | | | 1,860 |
| Furniture, fixtures and equipment | 91 | 15 | 740 | 846 |
| Insurance | 468 | 196 | 187 | 851 |
| Legal services | 189 | | 102 | 291 |
| Total other operating expenses | 76,765 | 13,150 | 14,640 | 104,555 |
| Total operating expenses | 137,532 | 13,150 | 14,640 | 165,322 |
| Nonoperating Expenses: | | | | |
| Restructuring cost - severance payments | 1,369 | | | 1,369 |
| Total nonoperating expenses | 1,369 | - | - | 1,369 |
| Total expenses | \$ 138,901 | \$ 13,150 | \$ 14,640 | \$ 166,691 |

See accompanying notes to financial statements.

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Consolidated Statement of Cash Flows
(dollars in thousands)

Year Ended June 30, 2019

| | |
|---|------------------|
| Cash Flows from Operating Activities: | |
| Change in net assets | \$ (24,617) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | |
| Fair market value of land and easements acquired | (197,263) |
| Change in value of land holdings | 93 |
| Net realized and unrealized losses on investments | 86 |
| Fair market value of land and easements conveyed to public agencies and other nonprofit organizations | 211,327 |
| Fair market value of land sold to private parties | 12 |
| Contributions with perpetual donor restrictions | (357) |
| Depreciation and amortization | 252 |
| Contributed stock | (1,472) |
| Allowance for uncollectible grants and contribution receivables | 414 |
| Changes in operating assets and liabilities: | |
| Government grants, contracts and escrow receivables, net | (2,570) |
| Contributions receivable | 2,790 |
| Deposits on land transactions | (36) |
| Charitable trust assets | 2,336 |
| Other assets | (98) |
| Accounts payable and accrued expenses | 2,978 |
| Option payments received | 30 |
| Refundable advances | 4,988 |
| Mitigation advances | (970) |
| Liabilities to beneficiaries of charitable trusts and annuities | (1,822) |
| Net cash used by operating activities | (3,899) |
| Cash Flows from Investing Activities: | |
| Proceeds from maturity and sales of investments | 18,982 |
| Purchases of investments | (7,966) |
| Payments received from notes receivable | 724 |
| Issuance of notes receivable | (3,000) |
| Acquisitions of property and equipment | (165) |
| Net cash provided by investing activities | 8,575 |
| Cash Flows from Financing Activities: | |
| Proceeds from borrowings for land acquisitions | 96,864 |
| Repayment of borrowings for land acquisitions | (93,690) |
| Receipts of perpetual donor restricted contributions | 357 |
| Net cash provided by financing activities | 3,531 |
| Net Change in Cash and Cash Equivalents | 8,207 |
| Cash and Cash Equivalents, beginning of year | 3,643 |
| Cash and Cash Equivalents, end of year | \$ 11,850 |
| Supplemental Information: | |
| Interest paid during the year | \$ 1,833 |

See accompanying notes to financial statements.

The Trust for Public Land and Affiliate (Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

Note 1 - General:

The Trust for Public Land (TPL) and its affiliate, The Trust for Public Land Action Fund (TPLAF), (collectively, the Trust for Public Land), are charitable, not-for-profit corporations created to serve the public's need for open space preservation in metropolitan, rural and natural areas. The Trust for Public Land creates parks and protects land for people, ensuring healthy, livable communities for generations to come.

Note 2 - Summary of Significant Accounting Policies:

a. Principles of Consolidation

The consolidated financial statements include all accounts and operations of TPL and the organization in which TPL has both control and an economic interest, which includes TPLAF as of June 30, 2019. Intercompany accounts and transactions have been eliminated in consolidation.

b. Basis of Presentation and Description of Net Assets

The Trust for Public Land prepares its consolidated financial statements using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Trust for Public Land reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

The portion of net assets that is neither subject to time nor donor-imposed stipulations. The Trust for Public Land's Board of Directors has internally designated the use of a portion of its net assets without donor restrictions. These funds are used for timely but high-risk responses to purchase opportunities of publicly desirable open space, to provide operating reserves, and to function as a board designated (quasi) endowment. Internally designated funds available for use at June 30, 2019 are approximately \$7,078,000.

Net Assets With Donor Restrictions

The portion of net assets that represents contributions whose use by the Trust for Public Land is limited by donor-imposed stipulations that either expire with the passage of time, can be fulfilled and removed by activities conducted by the Trust for Public Land pursuant to those stipulations, or restricted by the donor for investment in perpetuity (see Note 9). Net assets with perpetual donor restrictions consist of both revolving capital funds, which are used for capital investment in land purchases, and endowment funds. The income from the revolving capital funds are generally available for current use, but may also be donor restricted.

The Trust for Public Land and Affiliate

(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

The Trust for Public Land maintains certain revolving funds to be used primarily for direct land acquisition. These funds may be included in either Net Assets Without Donor Restrictions (board designated) and Net Assets With Donor Restrictions (available either for perpetual investment in projects or use on projects but subject to repayment). Revolving funds are generally restricted to certain geographical areas or types of land.

c. Revenue Recognition

All contributions and grants, whether or not restricted, are recognized as revenue at fair value when received or unconditionally promised to the Trust for Public Land. The Trust for Public Land classifies gifts of cash and other assets as donor restricted support if received with donor stipulations that limit the use of the contributions. When such donor restrictions expire, that is, when stipulated or implied time restrictions end or purpose restrictions are accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying Consolidated Statement of Activities and Changes in Net Assets as net assets released from restrictions. Landowner donations with donor restrictions are reported as support without donor restrictions when the conservation purpose is achieved at the same time as when the contributions are received.

Conditional promises to give are not recorded as contribution revenue until the conditions are substantially met (see Note 13).

The Trust for Public Land earns project fee and other income from a variety of sources, including contract revenues, mitigation funding for land conservation, project reimbursements, landowner fees, and rents (see Note 11). Project fee and other income is reported when earned based upon the contract terms.

Government grants are primarily cost reimbursement grants and are recognized when allowable costs have been incurred. Funds received in advance of when earned are held in refundable advances. Refundable advances are principally comprised of advances from government agencies for conveyance of land into public ownership.

d. Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates included in the Trust for Public Land's consolidated financial statements are the fair value of investments, land holdings and contributions of land and easements, allowance for uncollectible receivables, and charitable trust assets and liabilities. Actual results could differ from those estimates.

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

e. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Trust for Public Land classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Trust for Public Land's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

f. Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing deposits and short-term investments purchased with maturities of three months or less.

g. Investments

Investments are carried at estimated fair value on the accompanying Consolidated Statement of Financial Position. Stocks and mutual funds with readily determinable fair value are reported at estimated fair value based on quoted market prices. Debt securities and leveraged loan fund are valued using observable market based inputs or unobservable inputs that are corroborated by market data obtained from pricing services. Investments received through gifts are recorded at estimated fair value at the date of donation.

Gains and losses that result from market fluctuations are recognized in the Consolidated Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned.

h. Government Grants, Contracts and Escrow Receivables

The Trust for Public Land receives grants and contracts from federal, state and local agencies to be used for open space development projects. Most amounts are expected to be received within the next fiscal year. Government grants, contracts and escrow receivables are reported net of an allowance of approximately \$3,968,000 as of June 30, 2019.

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

i. Contributions Receivable

Contributions receivable represent amounts unconditionally committed by donors, foundations and agencies that have not been received by the Trust for Public Land. Such receivables are recorded at the present value of their estimated future cash flows. The discounts on contributions receivable are computed using the prime rate applicable to the month in which those promises were made. Amortization of the discounts is included in contribution and grants revenue.

The Trust for Public Land estimates the allowance for uncollectible contributions on an annual basis based on the past collection experience and current economic conditions.

j. Notes Receivable

Notes receivable represent unsecured amounts due from local governmental agencies, non-profits, and other conservation partners. The Trust for Public Land imputes interest on below-market interest bearing notes with a maturity date of more than one year. The Trust for Public Land calculates imputed interest income based on the Applicable Federal Rate in effect at the date of issue.

The Trust for Public Land estimates the allowance for uncollectible notes on an annual basis based on the past collection experience and current conditions. The notes receivable balance at June 30, 2019 is approximately \$3,423,000. The notes have maturity dates through February 2020. There was no allowance for uncollectible notes.

k. Land Holdings

The Trust for Public Land accounts for its land holdings at fair value at the date of acquisition. Fair value is determined using one of the following valuation procedures:

- Values are primarily based on independent professional appraisals performed for the Trust for Public Land or on appraised values determined or adopted by public agencies.
- Where a current appraisal is available from a professionally qualified independent appraiser retained by a third party, such value may be adopted when the Trust for Public Land is satisfied that the appraisal is reasonable.
- Where neither of the foregoing sources is readily available, the Trust for Public Land may use the full cash value as established by the local tax assessor, cost if the cash value is minimal, or internal estimates based on staff analyses.

When consideration paid by the Trust for Public Land for conservation lands is less than the fair market value of land acquired, the difference is recorded as contribution revenue.

The Trust for Public Land and Affiliate

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Notes to Consolidated Financial Statements

Land conveyances are recorded at fair value at the date of conveyance, also determined by one of the valuation methods noted above. Any increase in the value at the time of conveyance is recorded as a change in value of land holdings. When the value of the land conveyed exceeds the consideration received at the time of conveyance, the difference is recorded as contributions of land expense.

The Trust for Public Land evaluates the carrying value of its land holdings at fiscal year end for impairment using a market approach. If and when the decrease in fair value is material and verifiable based upon information about current economic and market conditions, recent appraisals, option agreements signed, and dedicated funding available for project shortfalls, a write-down of the value is recorded in land holdings and change in value of land holdings. Change in value of land holdings includes impairment in value of land holdings for the year ended June 30, 2019 in the amount of \$550,000.

l. Easements

Easements acquired by the Trust for Public Land are conservation easements and represent numerous restrictions over the use and development of land not owned by the Trust for Public Land. These easements generally provide that the land will be maintained unimpaired in its current natural, agricultural, scenic or recreational state. During the year ended June 30, 2019, easements valued at \$18,370,000 were acquired and \$45,512,000 conveyed.

m. Charitable Trust Assets

Charitable trust assets include the assets of various trusts for which the Trust for Public Land (TPL) is the Trustee, gift annuities and pooled income funds. Charitable trust assets, held by TPL, are invested in a diversified portfolio of mutual funds, stocks, and bonds. Mutual funds and stocks with readily determinable fair value are reported at estimated fair value based on quoted market prices. Debt securities are valued using observable market based inputs or unobservable inputs that are corroborated by market data obtained from pricing services.

Charitable trust assets also include the fair value of TPL's remainder interest receivable in certain trusts where TPL is not the trustee. The fair value of these trusts is measured based upon the estimated net present value of amounts to be received using investment values reported from the trustees less liabilities to beneficiaries calculated using the valuation technique as described in Note 2r.

n. Property, Furniture and Equipment

Property, furniture and equipment are recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the assets or lease term, whichever is shorter. Useful lives range from 5 to 15 years.

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

o. Option Payments Received

Option payments received represent option consideration tendered to the Trust for Public Land, subject to an option agreement or other legal contract to sell the land.

p. Mitigation Advances

Mitigation advances include cash received by the Trust for Public Land generally from court ordered consent decrees, or settlements reached by parties involved in environmental litigation. If the terms of the specific award permit using the mitigation funds to advance the Trust for Public Land's conservation mission, the advances are recorded as project fees and other income at the time the funds are used to support a Trust for Public Land project. Until such time as the Trust for Public Land or another organization utilizes the funds, mitigation advances are reflected as a liability on the accompanying Consolidated Statement of Financial Position.

q. Notes Payable

Notes payable are carried at cost less discount, if any. The Trust for Public Land imputes interest on below-market interest bearing notes with a maturity date of more than one year. The Trust for Public Land calculates imputed interest expense based on the Applicable Federal Rate in effect at the date of issue. Imputed interest discount is amortized throughout the term of the note.

r. Liabilities to Beneficiaries of Charitable Trusts and Annuities

At the time charitable trust assets are received, liabilities to beneficiaries of charitable trusts are recorded at fair value, based on present value of liabilities due to primary beneficiaries and unrelated secondary beneficiaries of the irrevocable trusts for which the Trust for Public Land is both trustee and a secondary beneficiary (see Note 6). In periods subsequent to initial recognition, the Trust for Public Land amortizes the discount associated with the obligation and adjusts for changes in life expectancies.

The liabilities are actuarially determined by a third party actuarial specialist using investment returns consistent with the composition of the asset portfolios ranging from 6.07% to 7.69% or the required payout rate, life expectancies from the 1983 Table "a" for gifts prior to July 1, 1998, and life expectancies from the Annuity 2000 Mortality Table for all other trusts, as well as for the pooled income fund and all gift annuities, in the determination of single and joint life expectancies (see Note 6). The discount rate for determining the present value of a remainder interest is determined by the Internal Revenue Service Applicable Federal Rate table for the month during which the gift is received (ranging from 1% - 11.6%). Management evaluates the reasonableness of the assumptions and inputs used on an annual basis.

The Trust for Public Land and Affiliate

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Notes to Consolidated Financial Statements

s. Tax Exempt Status

The Internal Revenue Service has classified the Trust for Public Land as a publicly supported, tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. Contributions to TPL are deductible as allowed under Section 170(b)(1)(A)(vi) of the Code. The Trust for Public Land Action Fund is classified as a 501(c)(4) organization. Contributions to The Trust for Public Land Action Fund are not tax deductible.

Management evaluated the Trust for Public Land's tax positions and concluded that the Trust for Public Land had maintained its tax-exempt status and had not taken uncertain tax positions that required adjustment to the consolidated financial statements. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements.

t. Functional Expense Allocations

Expenses, such as salaries and benefits, rent and office expense, and general professional services have been allocated among program services, development, and management and support services classifications based primarily on employee ratios and on estimates made by the Trust for Public Land's management.

u. Recent Accounting Pronouncements

Pronouncements Adopted

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update change presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity.

Pronouncements Effective in the Future

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Trust for Public Land is currently evaluating the impact of this pronouncement on its financial statements.

The Trust for Public Land and Affiliate
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Notes to Consolidated Financial Statements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize, at commencement date, a lease liability representing the lessee's obligation to make payments arising from the lease and a right-of-use asset representing the lessee's right to use, or control the use of, a specified asset for the lease term. The guidance is effective for fiscal years beginning after December 15, 2019. The impact of adopting this guidance on subsequent periods has not yet been determined.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on exchange transaction guidance in the revenue recognition and other applicable standards. The ASU does not apply to transfers of assets from governments to businesses. The amendments in the update are effective for fiscal years beginning after December 15, 2018. The Trust for Public Land is currently evaluating the impact of this pronouncement on its financial statements.

v. Subsequent Events

The Trust for Public Land has evaluated subsequent events from June 30, 2019 through November 26, 2019, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

Note 3 - Investments and Fair Value Measurements:

Investments

Investments are reflected at estimated fair value, and consist of the following at June 30, 2019:

(Dollars in thousands)

| | |
|--|-----------|
| Mutual funds – domestic stocks | \$ 11,777 |
| Mutual funds – international stocks | 7,598 |
| Mutual funds – domestic real estate | 3,344 |
| Mutual funds – international real estate | 1,696 |
| Mutual funds – domestic bonds | 8,046 |
| Mutual funds – international bonds | 1,716 |
| Leveraged loan fund | 12,376 |
| Debt securities: | |
| U.S. treasury | 3,442 |
| Mortgage backed | 382 |
| Asset backed | 6,292 |
| Corporate | 17,406 |
| Municipal | 635 |
| <hr/> | |
| Total investments | \$ 74,710 |

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

Fair Value Measurement - Recurring Measurements

The valuation methodologies used for instruments measured at fair value on a recurring basis are described in Note 2. The table below summarizes assets measured at fair value on a recurring basis as of June 30, 2019:

(Dollars in thousands)

| | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|------------------|-----------------|-------------------|
| Investments | | | | |
| Mutual funds – domestic stocks | \$ 11,777 | | | \$ 11,777 |
| Mutual funds – international stocks | 7,598 | | | 7,598 |
| Mutual funds – domestic real estate | 3,344 | | | 3,344 |
| Mutual funds – international real estate | 1,696 | | | 1,696 |
| Mutual funds – domestic bonds | 8,046 | | | 8,046 |
| Mutual funds – international bonds | 1,716 | | | 1,716 |
| Leveraged loan fund | | \$ 12,376 | | 12,376 |
| Debt securities: | | | | |
| U.S. Treasury | 3,442 | | | 3,442 |
| Mortgage backed | | 382 | | 382 |
| Asset backed | | 6,292 | | 6,292 |
| Corporate | | 17,406 | | 17,406 |
| Municipal | | 635 | | 635 |
| Charitable Trust Investments (Held by TPL) (Note 6) | | | | |
| Cash and cash equivalents | 744 | | | 744 |
| Mutual funds – domestic stocks | 23,988 | | | 23,988 |
| Mutual funds – international stocks | 12,900 | | | 12,900 |
| Mutual funds – domestic real estate | 1,485 | | | 1,485 |
| Mutual funds – international real estate | 752 | | | 752 |
| Mutual funds – domestic bonds | 13,773 | | | 13,773 |
| Mutual funds – international bonds | 959 | | | 959 |
| Mutual funds – balanced | 3,310 | | | 3,310 |
| U.S. treasury notes | 92 | | | 92 |
| U.S. agency notes | | 262 | | 262 |
| Charitable Trust Receivable (Outside Trusts) (Note 6) | | | \$ 5,067 | 5,067 |
| Total | \$ 95,622 | \$ 37,353 | \$ 5,067 | \$ 138,042 |

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

The following is a rollforward of the Level 3 assets (in thousands):

| | Charitable Trust Receivable (Outside Trustee) |
|--------------------------------------|---|
| Fair value at June 30, 2018 | \$ 5,244 |
| Total realized and unrealized losses | (177) |
| | |
| Fair value at June 30, 2019 | \$ 5,067 |
| | |

Fair Value Measurement - Non-Recurring Measurements

Non-recurring fair value measurements of financial instruments included in the Trust for Public Land's Consolidated Statement of Financial Position as of June 30, 2019 relate to cash equivalents, government grants, contracts and escrow receivables, contributions receivable, notes receivable, accounts payable, notes payable, and liabilities to beneficiaries of charitable trusts. For cash equivalents, government grants, contracts and escrow receivables, contributions receivable and accounts payable, the carrying amounts represent a reasonable estimate of the corresponding fair values.

Liabilities to beneficiaries of charitable trusts approximate fair value at initial recognition using methodologies described in Note 2 and are amortized in subsequent periods. Management believes that the carrying values of the notes receivable and notes payable are not materially different from estimates of the corresponding fair values.

See Land Holdings (Note 2) regarding fair value measurement of assets on a non-recurring basis.

Note 4 - Contributions Receivable:

Contributions receivable as of June 30, 2019 are due as follows:

(Dollars in thousands)

| | |
|---|-----------|
| Less than one year | \$ 16,208 |
| One to five years (net of discount of \$465) | 4,583 |
| Greater than five years (net of discount of \$18) | 66 |
| | |
| Subtotal | 20,857 |
| Less: allowance for uncollectible amounts | (1,336) |
| | |
| Net contributions receivable | \$ 19,521 |
| | |

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

Note 5 - Land Holdings:

The Trust for Public Land acquires land from willing landowners and then conveys it to public agencies, land trusts, or other groups for protection. In some instances, the Trust for Public Land helps protect the land through conservation easements, which restrict development but permit traditional uses such as farming and ranching.

Net assets without donor restrictions and net assets with donor restrictions include donations of land received by the Trust for Public Land. These donations are realized from outright donations of land to the Trust for Public Land, as well as from transactions where the fair market value of land received exceeds the cost of land acquired. The fair market value of land acquired and held at June 30, 2019 exceeds the consideration paid for these land holdings by \$8,586,000.

In line with its mission, the Trust for Public Land intends to convey its land holdings into protective public and not-for-profit ownership. In many cases, land will be conveyed at a price less than fair market value, resulting in a contribution of land value to the grantee. At June 30, 2019, with the exception of properties accounted for using the deposit method, the Trust for Public Land had no legal obligations to third parties to convey land holdings.

As part of its normal operations, the Trust for Public Land was involved in various stages of negotiation for the purchase of real property at June 30, 2019. Purchase and Sale Agreements were executed with various contingencies for inspection period, seller requirements, and other conditions for closing. In addition, Purchase Options had been exercised, again dependent on various contingencies. Some of these negotiations resulted in completed acquisitions in the following fiscal year.

Occasionally, the Trust for Public Land acquires or receives real estate and land parcels with minimal conservation or protection value. These are sold in the open market to provide funds for the Trust for Public Land to carry out its conservation work. The carrying value of these properties included in land holdings at June 30, 2019 was \$690,000.

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

Note 6 - Charitable Trust Assets and Liabilities to Beneficiaries of Charitable Trusts:

Charitable trust assets include charitable remainder unitrusts, charitable remainder annuity trusts, assets attributable to a charitable gift annuity program, and assets within a pooled income fund.

Charitable trust assets consist of the following as of June 30, 2019:

(Dollars in thousands)

| | |
|--|-----------|
| Charitable remainder unitrust - TPL as trustee | \$ 54,386 |
| Charitable remainder unitrust - outside trustee | 5,076 |
| Charitable remainder annuity trusts - TPL as trustee | 773 |
| Charitable gift annuities | 2,883 |
| Pooled income funds | 214 |
| <hr/> | |
| Charitable trust assets | \$ 63,332 |

Each charitable trust requires periodic distributions to designated primary beneficiaries over a period of time. Accordingly, such liabilities to beneficiaries of charitable trusts in which the Trust for Public Land is both trustee and secondary beneficiary have been reflected as liabilities to beneficiaries of charitable trusts. Such liabilities have been determined based upon an actuarial analysis of the expected income to be generated by the assets of each charitable trust, the life expectancies of the primary beneficiaries of each trust, and the distribution rates established by the charitable trust agreements. As of June 30, 2019, liabilities to beneficiaries of charitable trusts and annuities approximate \$36,089,000.

The discounted remainder values of any new interests in charitable trusts are recorded as future interests in charitable trusts. Changes in life expectancies, investment income projections, and other actuarial assumptions are shown as a change in value of interests in charitable trusts.

Various states regulate the issuance of charitable gift annuities. In the State of California, charitable gift annuities are regulated by the Department of Insurance because an annuity is considered an insurance product. California has specific reserve and investment requirements, and it requires reserves to be held in a separate account. Management believes that it is in conformity with compliance requirements in California, and with all of those states where it has established gift annuities.

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

Charitable trust assets portfolio consists of the following as of June 30, 2019:

(Dollars in thousands)

Charitable Trust Investments – Held by TPL:

| | |
|---|-----------|
| Cash and cash equivalents | \$ 744 |
| Mutual funds – domestic stocks | 23,988 |
| Mutual funds – international stocks | 12,900 |
| Mutual funds – domestic real estate | 1,485 |
| Mutual funds – international real estate | 752 |
| Mutual funds – domestic bonds | 13,773 |
| Mutual funds – international bonds | 959 |
| Mutual funds – balanced | 3,310 |
| U.S. treasury notes | 92 |
| U.S. agency notes | 262 |
| Charitable Trust Receivable – Outside trustee | 5,067 |
| <hr/> | |
| Charitable trust assets | \$ 63,332 |

Note 7 - Property, Furniture and Equipment:

Property, furniture and equipment as of June 30, 2019 consist of the following:

(Dollars in thousands)

| | |
|---|----------|
| Buildings and leasehold improvements | \$ 3,086 |
| Furniture and fixtures | 403 |
| Office equipment | 2,023 |
| <hr/> | |
| Total | 5,512 |
| Less: accumulated depreciation and amortization | (4,939) |
| <hr/> | |
| Property, furniture and equipment, net | \$ 573 |

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

Note 8 - Notes Payable:

At June 30, 2018 the Trust for Public Land had two \$40,000,000 unsecured bank line of credit agreements for use nationally.

One of the unsecured lines of credit was amended on May 31, 2019 to increase the amount available for borrowing to \$60,000,000. The line bears interest at either a variable rate of prime rate plus 0.75% (6.25% at June 30, 2019), or an optional 1, 3 or 6-month fixed rate based on applicable London Interbank Offered Rate (LIBOR) plus 1.50% (3.94% at June 30, 2019). Additionally, the line incurs an unused commitment fee of 0.25%. The line requires annual renewal and currently expires on April 1, 2020. At June 30, 2019, approximately \$17,000,000 of the line of credit was being utilized. The line also includes a Letter of Credit sub-feature wherein the bank agrees to issue Letters of Credits not to exceed \$10,000,000 in the aggregate. No Letters of Credit were utilized at June 30, 2019.

The second unsecured bank line of credit was amended on June 30, 2019 to decrease the amount available for borrowing to \$20,000,000. The line bears interest at either a variable rate of applicable LIBOR plus 1.50% (3.94% at June 30, 2019), or an optional variable rate of prime rate minus 1.00% (4.5% at June 30, 2019). The line requires annual renewal and currently expires on June 29, 2020. It bears an unused commitment fee of 0.25%. At June 30, 2019, approximately \$16,812,000 of this line of credit was being utilized.

All of the above mentioned borrowings are included in the table below as notes payable to banks.

Notes payable (and current terms) as of June 30, 2019:

(Dollars in thousands)

| | |
|--|------------------|
| Banks (3.94% to 6.25% interest with maturities through June 2020) | \$ 33,812 |
| Living Trust and Foundations (1.0% to 2.37% interest with maturities through October 2021) | 5,451 |
| <hr/> | |
| Total notes payable | <u>\$ 39,263</u> |

At June 30, 2019, notes payable include approximately \$37,899,000 in recourse loans and \$1,364,000 in a non-recourse loan. All recourse loans are unsecured. Certain of these loan agreements have debt covenants including minimum cash requirements, liability ratios, and limits on pledged collateral. As of June 30, 2019, management believes the Trust for Public Land was in compliance with the terms of such debt covenants. Interest expense was approximately \$1,860,000 for the year ended June 30, 2019.

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

Note 9 - Net Assets With Donor Restrictions and Net Assets Released from Restrictions:

Net assets with donor restrictions as of June 30, 2019 were as follows:

(Dollars in thousands)

| | |
|--|------------|
| Time and purpose restrictions: | |
| Restricted for project and program expenses | \$ 35,589 |
| Restricted for acquisition of land | 38,796 |
| With time restrictions | 39,143 |
| <hr/> | |
| Total time and purpose restrictions | 113,528 |
| Perpetual restrictions: | |
| Capital revolving funds - income without restrictions | 8,041 |
| Capital revolving funds - income with perpetual restrictions | 727 |
| Endowment funds - income with time and purpose restrictions | 11,888 |
| Future interest in charitable trust | 4,543 |
| <hr/> | |
| Total perpetual restrictions | 25,199 |
| <hr/> | |
| Total net assets with donor restrictions | \$ 138,727 |

Net assets released from restrictions during the year ended June 30, 2019 were as follows:

(Dollars in thousands)

| | |
|---|-----------|
| Restricted for project and program expenses | \$ 47,230 |
| Restricted for acquisition of land | 16,108 |
| With time restrictions | 722 |
| <hr/> | |
| Total net assets released from restrictions | \$ 64,060 |

Note 10 - Endowment Funds:

Relevant Law and Standards

The Trust for Public Land has adopted FASB ASC Topic 958-205-50-1A and 1B, *Reporting Endowment Funds*. The State of California adopted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as its State Prudent Management of Institutional Funds Act (SPMIFA).

The Trust for Public Land and Affiliate

(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

Interpretation of Relevant Law

The Board of Directors of the Trust for Public Land has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Trust for Public Land classifies as net assets with perpetual donor restrictions: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified as net assets with time or purpose restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Trust for Public Land considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the funds
- the purpose of the Trust for Public Land and donor-restricted endowment funds
- general economic conditions
- the possible effects of inflation and deflation
- the expected total return from income and the appreciation of investments
- other resources of the Trust for Public Land
- the investment policies of the Trust for Public Land

The management and Board of Directors do not consider the capital revolving funds with perpetual restrictions to be endowment because the use of the principal of these funds is at the discretion of the Trust for Public Land and capital flows in and out for program related purposes.

The Trust for Public Land and Affiliate

(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

Endowment Investment and Spending Policies

The Trust for Public Land has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Trust for Public Land must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a diversified portfolio to preserve the long-term purchasing power of endowed funds and to earn an average annual real return, after inflation and expense, that produces spendable income of at least 4 percent each year. To satisfy its long-term objectives, the Trust for Public Land relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Trust for Public Land assets are diversified among asset classes and among sectors and industries, quality, market capitalization, and investment strategy with each class to achieve its long-term return objectives within prudent risk constraints.

It is the policy of the Trust for Public Land to pool its endowment funds for purposes of investment and management. For pooled endowment funds, gains and losses are shared equally on a unit basis (allocated per pro-rated percentages), recalculated quarterly.

The amount of endowment income appropriated for distribution each year is established by the Finance Committee of the Board through its adoption of an annual endowment spending rate and spending rate base to be included in the Trust for Public Land's budget proposal submitted to the Board. In establishing this spending policy, the Trust for Public Land considers the long-term expected return on its endowment. Accordingly, over the long-term, the Trust for Public Land expects the spending policy to allow its endowment to grow at a rate exceeding expected inflation. This is consistent with the Trust for Public Land's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

\$352,000 was appropriated for distribution in the year ended June 30, 2019.

Disclosures for Deficiencies in Endowment Funds

SPMIFA requires disclosure of any deficiencies in endowment funds for which the fair market value is less than the amount stipulated by donor or applicable law ("underwater funds"). The Trust for Public Land currently has no such deficiencies in its endowment funds. Were the Trust for Public Land to have any such deficiencies, it is the policy of the Trust for Public Land to reduce net assets without donor restrictions to the extent necessary to maintain the fund balance as stipulated by donor or applicable law.

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

Endowment net assets composition by type of fund as of June 30, 2019:

(Dollars in thousands)

| | Without Donor Restrictions | With Donor Restrictions | | Total |
|----------------------------------|-------------------------------|-------------------------|------------------|------------------|
| | | Time or Purpose | Perpetual | |
| Donor-restricted endowment funds | | \$ 1,359 | \$ 11,888 | \$ 13,247 |
| Board designated funds | \$ 6,076 | | | 6,076 |
| Endowment funds | \$ 6,076 | \$ 1,359 | \$ 11,888 | \$ 19,323 |

Changes in endowment net assets for the year ended June 30, 2019:

(Dollars in thousands)

| | Without Donor Restrictions | With Donor Restrictions | | Total |
|--|-------------------------------|-------------------------|------------------|------------------|
| | | Time or Purpose | Perpetual | |
| Endowment net assets, June 30, 2018 | \$ 5,044 | \$ 1,263 | \$ 11,610 | \$ 17,917 |
| Contributions | 915 | | 278 | 1,193 |
| Interest and dividends, net of expense | 299 | 435 | | 734 |
| Realized gains | 110 | 126 | | 236 |
| Unrealized losses | (160) | (245) | | (405) |
| Appropriations | (132) | (220) | | (352) |
| Endowment net assets, June 30, 2019 | \$ 6,076 | \$ 1,359 | \$ 11,888 | \$ 19,323 |

The Trust for Public Land's endowment funds amount to \$19,323,000 as of June 30, 2019. The Trust for Public Land's endowment funds include \$948,000 in pledges receivable as of June 30, 2019.

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

Note 11 - Project Fees and Other Income:

Project fees and other income consist of the following for the year ended June 30, 2019:

(Dollars in thousands)

| | |
|-------------------------------------|-----------|
| Project reimbursements | \$ 26,145 |
| Landowner fees | 4,687 |
| Contract revenue | 2,816 |
| Mitigation funding | 989 |
| Rents | 643 |
| Other sources | 655 |
| | |
| Total project fees and other income | \$ 35,935 |

Project fees and other income also include proceeds from the sale of non-conservation properties on the open market. Open market sales for the year ended June 30, 2019 were \$12,000. Gains associated with these open market sales were \$12,000 for the year ended June 30, 2019.

Note 12 - Commitments and Contingencies:

Commitments

The Trust for Public Land leases office space and equipment for the operation of a national headquarters office, and twenty-seven field or project offices. Lease commitments expire at various dates through April 31, 2027. Lease costs were \$3,542,000 for the year ended June 30, 2019. Future minimum lease payments under non-cancelable long-term leases are as follows:

| Year ending June 30, | <i>(Dollars in thousands)</i> Amount |
|-------------------------|---|
| 2020 | \$ 3,313 |
| 2021 | 2,784 |
| 2022 | 2,773 |
| 2023 | 2,154 |
| 2024 | 1,007 |
| Thereafter | 1,445 |
| | |
| | \$ 13,476 |

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

Contract Commitments

The Trust for Public Land had future construction contract commitments for parks and playgrounds of approximately \$12,697,000 as of June 30, 2019. The Trust for Public Land funds its park and playground work through cost reimbursement contracts and restricted operating grants.

See Land Holdings (Note 5) regarding real property transaction commitments at year end.

Contingencies

The Trust for Public Land is a party to various litigation arising out of the normal conduct of its operations. Management believes the ultimate resolution of these matters will not materially affect the financial position, changes in net assets, or cash flows of the Trust for Public Land.

In addition, the Trust for Public Land receives funds from various federal and state government funded programs, which are subject to audit by government agencies. Management believes that the Trust for Public Land has complied with the terms of all agreements and that the results of such audit will not have a significant effect on the consolidated financial position or consolidated changes in net assets of the Trust for Public Land.

Note 13 - Conditional Promises to Give:

The Trust for Public Land has received the following conditional promises to give that are not recognized as contribution revenue in the accompanying consolidated financial statements as of June 30, 2019:

(Dollars in thousands)

| | |
|---|-----------|
| Conditional promises to give upon identification of land holdings available for acquisition | \$ 10,588 |
| Conditional promises to give upon obtaining matching unconditional promises to give | 1,404 |
| Other conditional promises to give | 9,511 |
| <hr/> | |
| Total conditional promises to give | \$ 21,503 |

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

Note 14 - Retirement Plan:

The Trust for Public Land maintains a defined contribution retirement plan (the “Plan”) under Section 403(b) of the Internal Revenue Code. The Plan covers all employees who normally work twenty or more hours per week. The Plan provides for voluntary salary deferrals within certain limits and, after one year of service, the Trust for Public Land provides matching employer contributions for eligible employees who contribute a certain minimum percentage of their compensation. The Trust for Public Land contributed approximately \$839,000 to the Plan during the year ended June 30, 2019.

Note 15 - Concentration of Credit Risk:

Financial instruments that potentially subject the Trust for Public Land to credit risk consist primarily of cash equivalents, investments, federal grants, contracts and escrow receivables, contributions receivable, and notes receivable. The Trust for Public Land maintains cash equivalents and investments with commercial banks and other major financial institutions. The Trust for Public Land manages credit risk by establishing minimum credit standards for financial institutions and limiting the amount of credit exposure with any one institution.

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Notes to Consolidated Financial Statements

Note 16 - Availability of Financial Assets and Liquidity:

The Trust for Public Land's financial assets available for general expenditures are as follows:

(Dollars in thousands)

| | |
|--|-----------|
| Financial assets at year-end: | |
| Cash and cash equivalents | \$ 11,850 |
| Investments | 74,710 |
| Government grants, contracts and escrow receivables, net | 17,050 |
| Contributions receivable | 19,521 |
| Notes receivable | 3,423 |
| Charitable trust assets | 63,332 |
| <hr/> | |
| Total financial assets | 189,886 |
| Less amounts not available to be used within one year: | |
| Long-term government grants, contracts and escrow receivables, net | (1,163) |
| Long-term contributions receivable, net | (4,649) |
| Charitable trust assets | (63,332) |
| Net assets with donor restrictions | (138,727) |
| Plus: net assets with donor restrictions to be met within one year | 44,305 |
| Board-designated net assets | (7,078) |
| <hr/> | |
| | (170,644) |
| <hr/> | |
| Financial assets available to meet general expenditures within one year | \$ 19,242 |
| <hr/> | |

In addition to the liquidity balances shown above, the Board has the option to undesignate the Board-designated funds and make available for general operations (Note 2). To help manage transitory liquidity needs, management has excess capacity on its \$80,000,000 bank credit lines (Note 8). In addition, management has the option of using proceeds from surplus land holdings (Note 5).

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Supplemental Consolidating Statement of Financial Position
(dollars in thousands)
See Independent Auditors' Report

June 30, 2019

| | Trust for Public Land | Trust for Public Land Action Fund | Eliminating Entries | Total |
|--|--------------------------|---|------------------------|-------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 11,359 | \$ 491 | | \$ 11,850 |
| Investments | 74,710 | | | 74,710 |
| Govt. grants, contracts, & escrow receivables | 17,167 | 115 | \$ (232) | 17,050 |
| Contributions receivable, net | 19,521 | | | 19,521 |
| Notes receivable | 3,423 | | | 3,423 |
| Deposits on land transactions | 557 | | | 557 |
| Land holdings | 70,493 | | | 70,493 |
| Charitable trust assets | 63,332 | | | 63,332 |
| Property, furniture and equipment, net | 573 | | | 573 |
| Other assets | 720 | 1 | | 721 |
| Investment in affiliate | 396 | | (396) | - |
| Total assets | \$ 262,251 | \$ 607 | \$ (628) | \$ 262,230 |
| Liabilities and Net Assets | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 19,886 | \$ 148 | \$ (232) | \$ 19,802 |
| Option payments received | 50 | | | 50 |
| Refundable advances | 9,710 | 63 | | 9,773 |
| Mitigation advances | 12,105 | | | 12,105 |
| Notes payable | 39,263 | | | 39,263 |
| Liabilities to beneficiaries of charitable trusts | 33,858 | | | 33,858 |
| Liabilities to beneficiaries of charitable annuities | 2,231 | | | 2,231 |
| Total liabilities | 117,103 | 211 | (232) | 117,082 |
| Net Assets: | | | | |
| Without donor restrictions | 6,421 | 163 | (163) | 6,421 |
| With donor restrictions: | | | | |
| Time and purpose | 113,528 | 233 | (233) | 113,528 |
| Perpetual restrictions | 25,199 | | | 25,199 |
| Total net assets with donor restrictions | 138,727 | 233 | (233) | 138,727 |
| Total net assets | 145,148 | 396 | (396) | 145,148 |
| Total liabilities and net assets | \$ 262,251 | \$ 607 | \$ (628) | \$ 262,230 |

The Trust for Public Land and Affiliate
(Not-for-Profit Corporations)

Supplemental Consolidating Statement of Activities
(dollars in thousands)

See Independent Auditors' Report

Year Ended June 30, 2019

| | Trust for Public Land | Trust for Public Land Action Fund | Eliminating Entries | Total |
|---|--------------------------|---|------------------------|-------------|
| Revenues and Additions to Net Assets: | | | | |
| Contributions of land and easements: | | | | |
| Fair market value acquired | \$ 197,263 | | | \$ 197,263 |
| Less consideration paid | (186,102) | | | (186,102) |
| <hr/> | | | | |
| Contributions of land and easement values received | 11,161 | | | 11,161 |
| <hr/> | | | | |
| Contributions and grants - other: | | | | |
| With donor restrictions | 42,744 | \$ 80 | \$ (59) | 42,765 |
| Without donor restrictions | 49,085 | 227 | (203) | 49,109 |
| Future interests in charitable trusts | 265 | | | 265 |
| Change in value of interests in charitable trusts | 1 | | | 1 |
| <hr/> | | | | |
| Total contributions and grants - other | 92,095 | 307 | (262) | 92,140 |
| <hr/> | | | | |
| Total contributions and grants | 103,256 | 307 | (262) | 103,301 |
| <hr/> | | | | |
| Project fees and other income | 35,768 | 167 | | 35,935 |
| Interest income | 3,607 | | | 3,607 |
| Investment loss, net | (86) | | | (86) |
| Change in value of land holdings | (93) | | | (93) |
| Allowance for uncollectible grants and restricted grants returned to donor | (590) | | | (590) |
| Equity in net activities of affiliate | (122) | | 122 | - |
| <hr/> | | | | |
| Total revenues | 141,740 | 474 | (140) | 142,074 |
| <hr/> | | | | |
| Expenses and Reductions to Net Assets: | | | | |
| Program services: | | | | |
| Contributions of land and easements to public agencies and other nonprofit organizations: | | | | |
| Fair market value conveyed | 211,327 | | | 211,327 |
| Less consideration received | (150,560) | | | (150,560) |
| <hr/> | | | | |
| Contributions of land and easement values made | 60,767 | | | 60,767 |
| <hr/> | | | | |
| Open space conservation programs | 76,492 | 535 | (262) | 76,765 |
| <hr/> | | | | |
| Total program services | 137,259 | 535 | (262) | 137,532 |
| <hr/> | | | | |
| Support services: | | | | |
| Development | 13,123 | 27 | | 13,150 |
| Management and support services | 14,606 | 34 | | 14,640 |
| <hr/> | | | | |
| Total support services | 27,729 | 61 | - | 27,790 |
| <hr/> | | | | |
| Total expenses | 164,988 | 596 | (262) | 165,322 |
| <hr/> | | | | |
| Change in Net Assets from Operations | (23,248) | (122) | 122 | (23,248) |
| <hr/> | | | | |
| Other Change in Net Assets: | | | | |
| Restructuring cost - severance payments | (1,369) | | | (1,369) |
| <hr/> | | | | |
| Total other change in net assets | (1,369) | - | - | (1,369) |
| <hr/> | | | | |
| Change in Net Assets | \$ (24,617) | \$ (122) | \$ 122 | \$ (24,617) |