



TreePeople
LAND TRUST

FINANCIAL STATEMENTS
DECEMBER 31, 2022
(with Summarized Totals for 2021)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
TreePeople Land Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of TreePeople Land Trust (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TreePeople Land Trust (the Trust) as of December 31, 2022, 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. 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 the 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.

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 the Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 the Trust'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 the Trust'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.

Report on Summarized Comparative Information

We have previously audited the Trust's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Long Beach, California
October 20, 2023

TREEPEOPLE LAND TRUST

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

ASSETS

	December 31,	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,886,698	\$ 1,168,328
Accounts and other receivables, net	189,856	1,915,330
Investments	1,356,252	1,876,613
Prepaid expenses and other assets	8,998	7,984
Property held for sale	3,810,080	3,810,080
Property and equipment, net	-	91
Property held for conservation	<u>39,064</u>	<u>39,064</u>
TOTAL ASSETS	<u>\$ 7,290,948</u>	<u>\$ 8,817,490</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 112,066	\$ 60,020
Accrued liabilities	-	392
Insurance proceeds liability	282,590	308,917
Related party payable	242,026	109,366
Note payable	<u>-</u>	<u>1,860,000</u>
	<u>636,682</u>	<u>2,338,695</u>

COMMITMENTS AND CONTINGENCIES (Note 10)

NET ASSETS		
Without donor restrictions	<u>4,382,099</u>	<u>4,790,239</u>
With donor restrictions		
Restricted for time and purpose	1,172,571	588,960
Restricted in perpetuity	<u>1,099,596</u>	<u>1,099,596</u>
	<u>2,272,167</u>	<u>1,688,556</u>
 Total net assets	 <u>6,654,266</u>	 <u>6,478,795</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,290,948</u>	<u>\$ 8,817,490</u>

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

TREEPEOPLE LAND TRUST

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
REVENUE, SUPPORT, AND OTHER INCOME				
Contributions	\$ 133,275	\$ 140,000	\$ 273,275	\$ 579,661
Government grants	129,261	500,000	629,261	1,933,200
Program service fees	228,898	-	228,898	-
Mitigation fees	33,652	-	33,652	142,703
Investment return, net	(397,966)	-	(397,966)	271,476
Other income (Note 10)	2,055,449	-	2,055,449	-
PPP loan forgiveness	-	-	-	77,380
Net assets released from restriction	56,389	(56,389)	-	-
Total Revenue, Support, and Other Income	2,238,958	583,611	2,822,569	3,004,420
EXPENSES				
Program services	2,339,478	-	2,339,478	306,432
Management and general	203,661	-	203,661	113,982
Fundraising	103,959	-	103,959	35,060
Total Expenses	2,647,098	-	2,647,098	455,474
CHANGE IN NET ASSETS	(408,140)	583,611	175,471	2,548,946
NET ASSETS, BEGINNING OF YEAR	4,790,239	1,688,556	6,478,795	3,929,849
NET ASSETS, END OF YEAR	<u>\$ 4,382,099</u>	<u>\$ 2,272,167</u>	<u>\$ 6,654,266</u>	<u>\$ 6,478,795</u>

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

TREEPEOPLE LAND TRUST

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2022</u>	<u>2021</u>
PERSONNEL EXPENSES					
Salaries	\$ 191,445	\$ 149,646	\$ 97,128	\$ 438,219	\$ 203,757
Employee benefits	4,724	3,592	2,331	10,647	19,268
Payroll taxes	8,456	6,435	4,167	19,058	15,998
Total personnel expenses	<u>204,625</u>	<u>159,673</u>	<u>103,626</u>	<u>467,924</u>	<u>239,023</u>
OPERATIONAL EXPENSES					
Depreciation	-	91	-	91	289
Equipment and vehicles	6,626	-	-	6,626	8,845
Insurance	5,469	12,363	-	17,832	13,705
Membership dues	-	2,800	-	2,800	2,800
Occupancy	23,132	343	-	23,475	21,908
Office expense	6,594	6,726	333	13,653	19,558
Professional services	2,079,538	20,300	-	2,099,838	145,960
Interest expense	4,857	-	-	4,857	-
Travel	8,637	1,365	-	10,002	3,386
Total operational expenses	<u>2,134,853</u>	<u>43,988</u>	<u>333</u>	<u>2,179,174</u>	<u>216,451</u>
TOTAL 2022 FUNCTIONAL EXPENSES	<u>\$ 2,339,478</u>	<u>\$ 203,661</u>	<u>\$ 103,959</u>	<u>\$ 2,647,098</u>	
PERCENTAGE OF EXPENSES	88 %	8 %	4 %	100 %	
TOTAL 2021 FUNCTIONAL EXPENSES	<u>\$ 365,806</u>	<u>\$ 186,227</u>	<u>\$ 18,547</u>		<u>\$ 455,474</u>
PERCENTAGE OF EXPENSES	64 %	33 %	3 %		100 %

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

TREEPEOPLE LAND TRUST

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	For the Year Ended December 31,	
	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 175,471	\$ 2,548,946
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	91	289
Net realized and unrealized (gains) losses on investments	456,981	(209,880)
Contributions restricted for investment in perpetuity	-	(40,000)
Contributed value of land for investment	-	(490,000)
Change in operating assets and liabilities:		
Accounts and other receivables, net	1,725,474	(1,770,344)
Prepaid expenses and other assets	(1,014)	6,554
Accounts payable	52,046	(11,299)
Accrued liabilities	(392)	(4,971)
Insurance proceeds liability	(26,327)	(96,199)
Related party payable	132,660	109,366
Net Cash Provided By Operating Activities	<u>2,514,990</u>	<u>42,462</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvested interest and dividends	(110,510)	(74,504)
Purchase of investments	(516,503)	372,719
Proceeds on sale of investments	690,393	-
Net Cash Provided By Investing Activities	<u>63,380</u>	<u>298,215</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of note payable	(1,860,000)	-
Contributions restricted for investment in perpetuity	-	40,000
Net Cash Provided By (Used In) Financing Activities	<u>(1,860,000)</u>	<u>40,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	718,370	380,677
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,168,328</u>	<u>787,651</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,886,698</u></u>	<u><u>\$ 1,168,328</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash investing and financing information:		
Acquisition of land for investment with issuance of note payable	<u><u>\$ -</u></u>	<u><u>\$ 1,860,000</u></u>

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

TREEPEOPLE LAND TRUST

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 – Description of Organization

Mountains Restoration Trust dba TreePeople Land Trust (the Trust) is a non-profit accredited land trust dedicated to preserving natural land in the Santa Monica Mountains through restoration, education, and land acquisition. Founded in 1981, the Trust collaborates with members of the public and government agencies in an ongoing effort to maintain a cooperative relationship between urbanization and native land.

During 2020, the Trust filed a Fictitious Business Name Statement with the County of Los Angeles to allow the Trust to “do business as” TreePeople Land Trust.

The Trust achieves its goal of preserving the Santa Monica Mountains’ natural resources by implementing three distinct programs: Acquisitions, Restoration and Education.

Acquisitions: The Trust owns 1,429.12 acres in fee title, 1,364.73 acres in conservation easements, and 5.28 acres of trail easements. There are 12 acres of leased land and building at Headwaters Corner. The Trust acquires land to protect the significant ecological areas of Cold Creek, La Sierra, and other strategic habitats.

Restoration: The Santa Monica Mountains contain renowned ecosystems for biodiversity, and are, in fact, recognized as a global “biodiversity hotspot.” Mediterranean climates, found here and on only 2.25% of the world’s surface, support nearly 50,000 plant species. It also supports a significant number of humans, human developments, and invasive species due to its short, wet winters and long, dry summers. The Trust has a staff of field specialists and technicians working five days a week at various restoration sites across the Santa Monica Mountains to remove invasive plants and aquatic species, provide native plantings, and restore critical habitats, including oak woodlands, riparian streams, chaparral, and sage-scrub hillsides across the approximately 3,000 acres owned or managed by the Trust. The Trust also continues to work with state and national park units on collaborative projects, as well as jurisdictional agencies on mitigation for unavoidable impacts.

Education: The environmental education program focuses on students from the San Fernando Valley and Los Angeles Basin, encouraging young students to explore the local wildlands adjacent to their urban areas.

TREEPEOPLE LAND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

In preparing the financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such financial information should be read in conjunction with the Trust's financial statements for the year ended December 31, 2021, from which the summarized financial information was derived.

Classes of Net Assets

The Trust reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. The Trust's board of directors may designate net assets without donor restrictions for general operational purposes from time to time.

TREEPEOPLE LAND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Classes of Net Assets (Continued)

With Donor Restrictions – The Trust reports gifts of cash and other assets as donor-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 the purpose of the restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Other donor stipulations may be perpetual in nature.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Trust considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Trust places its cash and cash equivalents with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Trust has not incurred losses related to these investments and believes it is not exposed to any significant credit risk on cash.

Accounts and Other Receivables

The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, collection efforts, type of customer, the age of outstanding receivables, and existing economic conditions. At December 31, 2022 and 2021, the Trust determined no allowance was necessary.

Investments

Investments in marketable securities with readily determinable fair values and money market funds are reported at fair value. Interest and dividend income and gains and losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

TREEPEOPLE LAND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Amortization of leasehold improvements is over the term of the lease agreement. Maintenance and repair costs are charged to expense as incurred. Property and equipment is capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

The estimated useful lives of property and equipment are as follows:

Computer Equipment	5 years
Transportation Equipment	5 years

Property Held for Conservation

Property held for conservation purposes includes purchased or donated properties to be sold or transferred to governmental agencies or other individuals and organizations for conservation purposes or maintained as a nature preserve in perpetuity. Land and conservation easements are treated as commitments and are recorded in property held for conservation purposes at a minimal value of \$1,000 for each parcel of land and \$1 for each easement, due to deed restrictions, which affect potential sales and the principal market value.

Long-Lived Assets

The Trust reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the year ended December 31, 2022 and 2021.

TREEPEOPLE LAND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions, including unconditional promises to give, are recorded as the promise to give is received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met.

Revenue from certain federal, state, and county grants are conditioned upon certain performance requirements, which can include the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Trust has incurred expenditures in compliance with specific contract or grant provisions and any other conditions are met. Any difference between expenses incurred and the total funds received (not to exceed the grant maximum) is recorded as a receivable or an advance, whichever is applicable.

The Trust is party to conditional grants with grant terms through 2023 and additional funding of approximately \$410,000 that has not been recognized at December 31, 2022, because qualifying expenditures have not yet been incurred.

Mitigation fee revenue is in accordance with the California Environmental Quality Act in coordination with government agencies, such as the California Department of Fish and Wildlife and the United States Department of Fish and Wildlife, which requires that the potential impacts from development on species, habitat, and farmland be considered. A project proponent may pay an in-lieu fee to a lead agency or other designated agency to be used to acquire the required mitigation land or conservation easement. As an approved mitigation agency, the Trust receives mitigation fee revenue from project proponents. These funds may contain certain conditions or restrictions for use of the funding.

Contributed Goods and Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

TREEPEOPLE LAND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risks

The accounts and other receivables balance outstanding at December 31, 2022, consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of the Trust receivables consist of earned fees from contract programs granted by governmental agencies.

The Trust holds investments in the form of money market funds and common stocks of publicly held companies. Market values of such investments are routinely reviewed by the Board of Directors.

Income Taxes

The Trust is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”) as a charitable organization whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The Trust currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Trust is also exempt under California Revenue and Taxation Code Section 23701(d).

The Trust is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California purposes is generally three and four years, respectively.

Functional Allocation of Expenses

The costs of providing the Trust’s programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Trust uses full-time equivalents to allocate indirect costs.

TREEPEOPLE LAND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is defined as the exchange price that would be received for 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 at the measurement date. Assets and liabilities are measured at fair value using a three-level fair value hierarchy that ranks the quality and reliability of the information used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3 - Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and, therefore, have little or no price transparency are classified as level 3.

Recently Adopted Accounting Pronouncements

Effective January 1, 2022, the Trust adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The Trust included any necessary presentation changes and disclosures herein.

TREEPEOPLE LAND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncements (Continued)

Effective January 1, 2022, the Trust adopted the new lease accounting guidance in ASU No. 2016-02 *Leases (Topic 842)* (ASU 2016-02), which modifies lease accounting for lessees to increase transparency and comparability by requiring the Trust to recognize a lease liability and related right-of-use assets for all leases (with the exception of short-term leases) at the commencement date of the lease and to disclose key information about leasing arrangements. The Trust elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. Due to the unique nature of the Trust's lease (see Note 10), the adoption of ASU 2016-02 did not have a material impact on the Trust's financial statement disclosures, results of operations, or cash flows.

Subsequent Events

The Trust has evaluated subsequent events from the statement of financial position date through October 20, 2023, the date the financial statements were available to be issued for the year ended December 31, 2022.

NOTE 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022, comprise the following:

Cash and cash equivalents	\$ 1,886,698
Accounts and other receivables	189,856
Investments	<u>1,356,252</u>
	3,432,806
Funds held for insurance proceeds	(282,590)
Donor-imposed restrictions:	
Funds subject to purpose or time restrictions	(1,172,571)
Funds restricted in perpetuity	<u>(1,099,596)</u>
	<u>\$ 878,049</u>

The Trust maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

TREEPEOPLE LAND TRUST

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

NOTE 4 – Investments

Investments measured at fair value consists of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2022:				
Real estate	\$ 40,149	\$ -	\$ -	\$ 40,149
Debt securities	604,393	-	-	604,393
Marketable equity securities	<u>711,710</u>	<u>-</u>	<u>-</u>	<u>711,710</u>
	<u>\$ 1,356,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,356,252</u>
December 31, 2021:				
Marketable equity securities	<u>\$ 1,876,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,876,613</u>
	<u>\$ 1,876,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,876,613</u>

Net investment return consists of:

	<u>For the Year Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest and dividend income from investments	\$ 69,790	\$ 74,504
Realized and unrealized gains (losses)	(456,981)	209,880
Fees	<u>(10,775)</u>	<u>(12,908)</u>
	<u>\$ (397,966)</u>	<u>\$ 271,476</u>

TREEPEOPLE LAND TRUST

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 5 – Property Held for Sale

Property held for sale at December 31, 2022 and 2021, consists of the following:

	<u>Acres</u>	<u>Value</u>
Land - Los Angeles County, CA	217.77	\$ 3,810,080

The property is recorded at cost if purchased, or at fair value at the date of donation if donated. The property can be sold and the proceeds used towards the programs or they can be contributed to other organizations.

During 2021, the Trust received a reimbursement-basis grant for the purchase of property under the Federal Recreational Trails Program. The property had an appraised value of \$2,350,000. The acquisition was funded with a note payable of \$1,860,000 and recognized noncash contribution from the previous owner of \$490,000. The grant funds were received in 2022 and used to repay the note payable. (See Note 9.)

NOTE 6 – Property and Equipment

Property and equipment at December 31, consists of the following:

	<u>2022</u>	<u>2021</u>
Computer equipment and software	\$ 1,077	\$ 1,077
Transportation equipment	<u>1,490</u>	<u>1,490</u>
	2,567	2,567
Less accumulated depreciation and amortization	<u>(2,567)</u>	<u>(2,476)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ 91</u>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$91 and \$289, respectively.

TREEPEOPLE LAND TRUST

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 7 – Property Held for Conservation

At December 31, 2022 and 2021, the Trust held 1,429.12 acres in Los Angeles County that it valued at \$39,000, which is restricted for use in its programs and conservation.

Additionally, at December 31, 2022 and 2021, the Trust held the following easements that are restricted for use in its programs:

	<u>Acres</u>	<u>Value</u>
Los Angeles County, CA	897.95	\$ 59
Ventura County, CA	<u>466.83</u>	<u>5</u>
	<u>1,364.78</u>	<u>\$ 64</u>

NOTE 8 – Insurance Proceeds Liability

The Trust sustained significant damages due to a fire in 2016, destroying a building and a bridge. Insurance proceeds were received by the lessor and are required to be used to rebuild the building and bridge, as well as to cover overhead expenses directly related to repairing the fire damage. Funds used during the years ended December 31, 2022 and 2021 totaled \$26,327 and \$96,199, respectively. As of December 31, 2022 and 2021, insurance proceeds received, but not yet used, totaled \$282,590 and \$308,917, respectively, and are considered to be conditional for use of rebuilding after the fires.

NOTE 9 – Note Payable

In 2021, the Trust entered into a credit agreement with a foundation for a loan of \$1,860,000. The loan bore interest at a rate of 0.5%. The principal and accrued interest was due at the earlier of a) receipt of funding from the California Department of Parks and Recreation as reimbursement for the purchase of certain land, or b) December 2022. In July 2022, the Trust repaid the foundation after receiving the funding from the California Department of Parks and Recreation.

TREEPEOPLE LAND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 10 – Commitments and Contingencies

Contracts

The Trust's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Trust has no provision for the possible disallowance of program costs on its financial statements.

Obligations under Operating Leases

The Trust has a \$1 per year lease agreement with the City of Calabasas commencing on October 1, 2014, and terminating on September 30, 2024. Additionally, the Trust is granted the right to extend the lease term for one additional period of ten years, until September 30, 2034. No donated contribution, operating lease assets or liabilities have been recorded to reflect the market value of the lease rate as the value of the leased land is not readily determinable.

Litigation

During the normal course of business, the Trust may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a significant impact on the financial statements for the Trust as of December 31, 2022.

During the year ended December 31, 2022, the Trust was party to a legal settlement in the amount of \$182,794. Additionally, the Trust was awarded attorney fees of \$1,872,655 related to a quiet title action lawsuit, which was distributed to the law firm that provided professional services for the case. These amounts were included in other income in the accompanying statement of activities for the year ended December 31, 2022.

TREEPEOPLE LAND TRUST

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 10 – Commitments and Contingencies (Continued)

Other

The Trust and the California Coastal Conservancy (the Conservancy) are working mutually to find a resolution on a disagreement regarding the repayment of a grant provided by the Conservancy in 1984. At the time of this audit, it is unclear how much the Trust may owe to the Conservancy, or if repayment is indeed warranted. In the event that the Conservancy found that the Trust was in violation of the grant agreement, the Conservancy's course of remedy would be the enactment of reversionary interest in four parcels owned by the Trust. With each of these four parcels deed-restricted and valued at \$1,000, the financial implications of this potential liability would be a reduction of \$4,000 to the Trust's assets.

NOTE 11 – Net Assets With Donor Restrictions

Net assets with donor restrictions for time and purpose are restricted for the following:

	December 31,	
	2022	2021
Headwaters Corner facility	\$ 499,117	\$ -
USACE Creekside	176,321	176,846
USACE Valley 2 (Argo Ditch)	164,461	200,471
Native Garden Kit program	132,033	-
Other USACE	77,276	80,184
Non-USACE	57,886	59,624
Stewardship and legal defense funds	65,477	71,835
	<u>\$ 1,172,571</u>	<u>\$ 588,960</u>

Net assets with donor restrictions that are restricted in perpetuity at December 31, 2022 and 2021 relate to the Trust's endowment funds. (See Note 12.)

TREEPEOPLE LAND TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 12 – Endowments

The Trust's endowments consist of funds established by donor-restricted gifts and bequests to an endowment held in perpetuity to provide a permanent source of income to the Trust for stewardship and restoration.

The Trust has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 classifies as donor restricted net assets: (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Trust has utilized investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As a result, the endowment assets are invested in a manner that is intended to produce results that, over the long term, allow it to grow at a rate exceeding expected inflation. This is consistent with the Trust's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as, to provide additional real growth through new gifts and investment return.

To satisfy its long-term rate-of-return objectives, the Trust 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 targets a diversified asset allocation that places a greater emphasis on equity-based investments, diversified between sectors, to achieve its long-term return objectives within prudent risk constraints.

The composition of the endowments at December 31, 2022 consisted of donor-restricted gifts required to be maintained in perpetuity.

There were no changes in endowment assets during the year ended December 31, 2022. Endowment net assets at December 31, 2022 totaled \$1,099,596.

TREEPEOPLE LAND TRUST

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

NOTE 13 – Paycheck Protection Program Loan

In March 2020, Congress passed the Paycheck Protection Program (PPP), authorizing loans to small businesses for use in paying employees that they employed throughout the COVID-19 pandemic and for rent, utilities, and interest on mortgages. In March 2021, the Trust received a second draw from the PPP in the amount of \$77,380. As of December 31, 2021, the Trust determined it had met the conditions for forgiveness in the agreement as it had spent the PPP loan on qualifying costs, and, therefore, recognized the grant as revenue for the year ended December 31, 2021. In February 2022, the Trust received approval notification for forgiveness of the loan in full from the Small Business Administration.

NOTE 14 – Related-Party Transactions

The Trust is a wholly owned subsidiary of TreePeople, Inc. The Trust and TreePeople, Inc. have certain common board members, executives, and employees. During the years ended December 31, 2022 and 2021, costs allocated to the Trust for overhead expenses and management and administrative services provided by TreePeople, Inc. totaled \$107,182 and \$100,000, respectively. At December 31, 2022 and 2021, amounts due to TreePeople, Inc. totaled \$242,026 and \$109,366, respectively.

The Trust receives donations from board members, who are considered related parties to the Trust. The Trust engaged Greenberg Glusker LLP, of which a board member is a partner. Fees paid for these legal services for the years ended December 31, 2022 and 2021 were approximately \$181,000 and \$14,000, respectively.