Marin Agricultural Land Trust

Financial Statements

For the Year Ended

June 30, 2012

With Independent Auditors' Report

REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

MARIN AGRICULTURAL LAND TRUST

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
June 30, 2012

Mission and Core Values

Marin Agricultural Land Trust is a private, member-supported non-profit organization created in 1980 by a coalition of ranchers and environmentalists to permanently preserve Marin County farmland for agricultural use. MALT eliminates the development potential on farmland through the acquisition of conservation easements in voluntary transactions with landowners. MALT also promotes public awareness and encourages policies which support and enhance agriculture.

History

In the early 1970s, increased coastal development and plans for a city with a population of 125,000 people on the shores of Tomales Bay were just some of the ideas being proposed for the future of western Marin County, located about 40 miles north of San Francisco. The developments would have ended a 150-year-old tradition of family farming and permanently degraded many of the natural resource treasures of the area, but change seemed inevitable.

In a unique alliance, Marin ranchers and environmentalists came together to fight the development proposals. Ranching was given a second chance through a combination of restrictive zoning, land use regulations, active support for ranching by County government, and the establishment of Marin Agricultural Land Trust's (MALT) agricultural conservation easement program. "We felt MALT was an opportunity to be part of something really important to the future of Marin County," said MALT founder and dairywoman Ellen Straus, who died in 2002. Since its birth, the organization has permanently preserved nearly 44,300 acres of farmland that might otherwise have been sold or developed.

"What we've learned," adds wetlands biologist and co-founder Phyllis Faber, "is that you can have a vision of what you want the future to look like, and you can make it happen." Former Marin County Supervisor Gary Giacomini, who served on the founding board of directors would agree, "It's glorious to be involved in an effort that lasts forever," he said.

Board of Directors and Executive Management as of June 30, 2012

Name	Position	Name	Position
Sue Conley	Chair	Chris Kelly	Director
Rick Lafranchi	Vice Chair	Steve Kinsey	Director
Tony Gilbert	Secretary	Peter Martinelli	Director
Gail Seneca	Treasurer	Jim McIsaac	Director
Bob Bingham	Director	Mark Pomi	Director
Phyllis Faber	Director	Ellie Rilla	Director
Mike Gale	Director	Julie Evans Rossotti	Director
Joe Gillach	Director	Neil Rudolph	Director
Dominic Grossi	Director	Lynn Giacomini Stray	Director

Robert Berner
Executive Director

MARIN AGRICULTURAL LAND TRUST

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
June 30, 2012

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Marin Agricultural Land Trust

We have audited the accompanying statement of financial position of Marin Agricultural Land Trust (A California Nonprofit Public Benefit Corporation) as of June 30, 2012 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of Marin Agricultural Land Trust management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Marin Agricultural Land Trust as of June 30, 2011 were audited by another auditor whose report dated September 26, 2011 expressed an unqualified opinion on those statements. The prior year summarized comparative information on the statement of activities and changes in net assets and the statement of functional expenses has been derived from Marin Agricultural Land Trust's June 30, 2011 financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marin Agricultural Land Trust as of June 30, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Regalia & Associates

Danville, California
September 20, 2012

Statement of Financial Position

June 30, 2012

(with Summarized Financial Information for June 30, 2011)

Assets

	Unrestricted				Temporarily	Permanently	2012	2011
Current Assets:	Operating	Land Preservation	Board Designated	Total	Restricted	Restricted	Total	Total
Cash and cash equivalents	$ 55,867	$ 19,818	$ 3,371	$ 79,056	$ -	$ -	$ 79,056	$ 235,768
Investments	324,846	4,124,276	-	4,449,122	-	-	4,449,122	4,422,300
Receivables	3,097	60,340	90,693	154,130	2,297	-	156,427	884,842
Inventory	16,313	-	-	16,313	-	-	16,313	22,278
Prepaid expenses and other assets	44,133	44,274	452	88,859	-	-	88,859	46,748
Option to purchase conservation easement	-	-	-	-	-	-	-	310,000
Interfund receivables (payables)	(184,191)	(603,205)	(19,012)	(806,408)	767,911	38,497	-	-
Total current assets	260,065	3,645,503	75,504	3,981,072	770,208	38,497	4,789,777	5,921,936
Noncurrent Assets:								
Grants and pledges receivable (net of discount)	-	-	-	-	307,555	-	307,555	59,952
Investments	-	-	1,015,781	1,015,781	-	4,379,856	5,395,637	6,014,502
Construction in progress	-	-	-	-	-	-	-	28,530
Property and equipment, net	1,384,764	-	1,649	1,386,413	-	-	1,386,413	1,072,337
Beneficial interest in charitable gifts	-	-	-	-	445,376	-	445,376	464,110
Conservation easements and options	-	5,246	-	5,246	-	-	5,246	67
Total noncurrent assets	1,384,764	5,246	1,017,430	2,407,440	752,931	4,379,856	7,540,227	7,639,498
Total assets	$ 1,644,829	$ 3,650,749	$1,092,934	$ 6,388,512	$ 1,523,139	$ 4,418,353	$ 12,330,004	$ 13,561,434

Liabilities and Net Assets

	Operating	Land Preservation	Board Designated	Total	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
Current Liabilities:								
Accounts payable and accrued liabilities	$ 76,595	$ -	$ -	$ 76,595	$ -	$ -	$ 76,595	$ 55,329
Accrued payroll liabilities	55,107	-	-	55,107	-	-	55,107	50,594
Total current liabilities	131,702	-	-	131,702	-	-	131,702	105,923
Net Assets:								
Unrestricted	1,513,127	3,650,749	1,092,934	6,256,810	-	-	6,256,810	8,101,423
Temporarily restricted	-	-	-	-	1,523,139	-	1,523,139	935,735
Permanently restricted	-	-	-	-	-	4,418,353	4,418,353	4,418,353
Total net assets	1,513,127	3,650,749	1,092,934	6,256,810	1,523,139	4,418,353	12,198,302	13,455,511
Total liabilities and net assets	$ 1,644,829	$ 3,650,749	$1,092,934	$ 6,388,512	$ 1,523,139	$ 4,418,353	$ 12,330,004	$ 13,561,434

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2012

(with Summarized Financial Information for the Year Ended June 30, 2011)

	Unrestricted				Tempo-rarily	Perman-ently	2012	2011
	Operating	Land Preservation	Board Designated	Total	Restricted	Restricted	Total	Total
Support and revenue:								
Grants	$ 30,000	$ 12	$ -	$ 30,012	$ 1,639,000	$ -	**$1,669,012**	$1,846,677
Contributions	1,191,969	57,550	25,000	1,274,519	751,370	-	**2,025,889**	3,293,320
Contributions - charitable gift annuities	-	-	-	-	-	-	**-**	116,990
Bequests and memorials	-	-	117,119	117,119	-	-	**117,119**	113,054
In-kind contributions	20,461	-	-	20,461	-	-	**20,461**	5,238
Net assets released from restrictions	345,087	1,409,197	-	1,754,284	(1,754,284)	-	**-**	-
Commision income-Landscape art sales	64,675	-	-	64,675	-	-	**64,675**	65,483
Education program	52,779	-	-	52,779	-	-	**52,779**	41,421
Merchandise sales	4,811	-	-	4,811	-	-	**4,811**	5,032
Special events	27,730	-	-	27,730	-	-	**27,730**	18,054
Subtotal	1,737,512	1,466,759	142,119	3,346,390	636,086	-	**3,982,476**	5,505,269
Other changes in net assets:								
Change in value of charitable gifts	-	-	-	-	(18,734)	-	**(18,734)**	28,490
Change in value of easement option	-	-	-	-	-	-	**-**	310,000
Total support and revenue	1,737,512	1,466,759	142,119	3,346,390	617,352	-	**3,963,742**	5,843,759
Expenses:								
Programs	1,167,599	3,028,682	14,767	4,211,048	-	-	**4,211,048**	4,301,817
General and administrative	400,390	153	892	401,435	-	-	**401,435**	350,353
Fundraising	655,055	610	10,220	665,885	-	-	**665,885**	579,940
Total expenses	2,223,044	3,029,445	25,879	5,278,368	-	-	**5,278,368**	5,232,110
Increase (decrease) in net assets from operating activities before investment return	(485,532)	(1,562,686)	116,240	(1,931,978)	617,352	-	**(1,314,626)**	611,649
Investment interest and dividends	7,684	141,637	174,511	323,832	-	-	**323,832**	311,901
Realized gains (losses) on investments	12,808	9,215	(67,817)	(45,794)	-	-	**(45,794)**	(90,100)
Net unrealized gains (losses) on investments	(10,774)	17,542	(227,389)	(220,621)	-	-	**(220,621)**	1,029,093
Total investment return	9,718	168,394	(120,695)	57,417	-	-	**57,417**	1,250,894
Increase (decrease) in net assets	(475,814)	(1,394,292)	(4,455)	(1,874,561)	617,352	-	**(1,257,209)**	1,862,543
Net assets at beginning of year (as previously reported)	1,475,401	5,045,041	1,580,981	8,101,423	935,735	4,418,353	**13,455,511**	11,592,968
Interfund transfers	513,540	-	(483,592)	29,948	(29,948)	-	**-**	-
Net assets at end of year	**$ 1,513,127**	**$ 3,650,749**	**$1,092,934**	**$ 6,256,810**	**$ 1,523,139**	**$ 4,418,353**	**$ 12,198,302**	**$ 13,455,511**

Statements of Cash Flows

For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Increase (decrease) in net assets	**$(1,257,209)**	$1,862,543
Adjustments to reconcile change in net assets to net		
cash provided by (used for) operating activities:		
Depreciation	**8,792**	48,396
Change in discount related to present value of long-term receivables	**10,525**	4,048
Net realized and unrealized (gains) and losses on investments	**266,415**	(938,993)
Loss on disposal of property and equipment	**457**	554
Contributions of charitable gift annuities	**-**	(116,990)
Change in value of charitable gifts	**18,734**	(28,490)
Change in value of option to purchase conservation easement	**-**	(310,000)
Interest accrued on note receivable	**(32)**	(13,081)
Changes in:		
Receivables	**470,319**	(331,035)
Inventory	**5,965**	4,998
Prepaid expenses and other assets	**(42,111)**	(5,572)
Option to purchase conservation easement	**310,000**	-
Construction in progress	**28,530**	-
Conservation easements and options	**(5,179)**	1
Accounts payable and accrued expenses	**21,266**	(17,550)
Accrued payroll liabilities	**4,513**	14,959
Net cash provided by (used for) operating activities	**(159,015)**	173,788
Cash flows from investing activities:		
Purchases, acquisitions and rollovers of investments	**(2,966,755)**	(313,723)
Proceeds from sales and maturities of investments	**3,292,383**	-
Acquisition of property and equipment	**(323,325)**	(21,494)
Net cash provided by (used for) investing activities	**2,303**	(335,217)
Decrease in cash and cash equivalents	**(156,712)**	(161,429)
Cash and cash equivalents at beginning of year	**235,768**	397,197
Cash and cash equivalents at end of year	**$ 79,056**	$ 235,768
Additional cash flow information:		
Interest paid	**$ -**	$ -
State Registration Taxes	**$ 150**	$ 150

Statement of Functional Expenses

For the Year Ended June 30, 2012

(with Summarized Financial Information for the Year Ended June 30, 2011)

	Programs	General and Admin-istrative	Fund-raising	2012 Total	2011 Total
Salaries	$ 517,405	$ 213,549	$ 327,677	**$ 1,058,631**	$1,006,427
Payroll Taxes	41,241	17,022	26,119	**84,382**	79,246
Employee Benefits	53,248	26,225	35,940	**115,413**	120,859
Accounting	-	11,600	-	**11,600**	17,050
Advertising	1,671	999	10,975	**13,645**	8,054
Conferences and training	5,355	3,849	1,296	**10,500**	8,867
Consultants	415,309	50,367	58,871	**524,547**	535,762
Cost of merchandise sold	5,332	2,200	3,377	**10,909**	6,490
Depreciation	25,471	10,513	16,131	**52,115**	48,396
Direct mail	-	-	8,792	**8,792**	12,558
Dues and subscriptions	24,557	2,764	12,483	**39,804**	39,772
Easement acquisition	2,894,173	-	-	**2,894,173**	2,954,298
Education Programs	35,857	-	-	**35,857**	36,054
Insurance	8,346	3,445	5,285	**17,076**	17,109
Legal	-	25,855	-	**25,855**	7,017
Lobbying	7,000	-	-	**7,000**	-
Occupancy	19,634	7,934	12,174	**39,742**	19,382
Office supplies (including equipment)	14,346	5,921	9,086	**29,353**	26,966
Other (credit card and bank fees)	6,266	2,586	3,968	**12,820**	27,634
Postage	1,834	2,656	13,305	**17,795**	16,290
Printing	4,030	784	53,919	**58,733**	59,866
Special Events (includes capital campaign)	7,616	3,776	57,482	**68,874**	56,303
Sponsorships	5,479	2,261	3,470	**11,210**	3,670
Stewardship Assistance Program	100,000	-	-	**100,000**	100,000
Telephone	4,227	1,745	2,677	**8,649**	5,254
Travel	12,651	5,384	2,858	**20,893**	18,786
	$4,211,048	$ 401,435	$ 665,885	**$ 5,278,368**	$5,232,110

Notes to Financial Statements
June 30, 2012

1. Organization

Marin Agricultural Land Trust (MALT) was established as a California nonprofit corporation in 1980 by a coalition of local ranchers and environmentalists to help save Marin County's agricultural land. MALT acquires, in voluntary transactions with landowners, agricultural conservation easements. Some of the Bay Area's most highly acclaimed dairy products and organic crops are produced on farmland protected by MALT conservation easements, which total nearly 44,300 acres on 69 family farms and ranches. Additionally, MALT encourages public policies in support of agriculture, and conducts hikes, tours, and lectures relating to agriculture.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of MALT and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, accrued assets, accrued liabilities, and net asset accounts.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, MALT is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. MALT has also adopted the provisions of ASC 958.205.55.31 thru 958.205.55.53, *Presentation of Financial Statements – Endowment Disclosures* (which incorporated the previously issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*).

Revenue Recognition

MALT records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Use of Estimates

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

2. Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

MALT considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. MALT maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. MALT has not experienced any losses in such accounts.

Investments and Endowment

MALT follows the provisions of *Accounting Standards Update (ASU) 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs* [effective December 15, 2011] and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that MALT could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of June 30, 2012. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Investments include money market funds, certificates of deposit, and mutual funds. Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statement of activities and changes in net assets.

MALT's endowment consists of a diverse mixture of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by ASC 958.320, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. MALT has interpreted the 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, MALT classifies as permanently restricted net assets (a) the original value of 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 remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as either temporarily restricted net assets or unrestricted net assets until those amounts are appropriated for expenditure by MALT in a manner consistent with the standard of prudence prescribed by UPMIFA (and SPMIFA, the State Prudent Management of Institutional Funds Act which California has adopted).

Inventory

Inventory includes various boutique items which are recorded at the lower of cost or market value using the first in-first out (FIFO) method.

2. Summary of Significant Accounting Policies *(continued)*

Property, Equipment, and Improvements

Property and equipment are valued at cost or, if donated, at fair market value on the date of donation. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets. The cost of property and equipment which benefit future periods is capitalized and depreciated over the estimated useful life of each class of depreciable asset.

Contributed Services and Costs

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Net Assets

In accordance with accounting principles generally accepted in the United States of America, financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Grants and contributions are classified in the appropriate net asset category based on the absence or existence of donor-imposed restrictions that limit the use of the donated assets if they are designated as support for future periods or future projects when they are received.

MALT reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Permanently restricted net assets include those net assets that must be maintained in perpetuity in accordance with donor restrictions (see Note 13). The investment return from such assets may be used for purposes as specified by the donor or, if the donor has not specified a purpose, the income from such investments is not restricted and is included in unrestricted net assets. Permanently restricted net assets were created by gifts from donors who stipulated that their contributions be used to perpetuate the operating and program activities of MALT.

Unrestricted net assets include all of those donated assets that have no restrictions or limitations imposed on their use. The Board of Directors may elect certain unrestricted funds to be set aside as Board designated funds, which may not be spent without approval by the Board.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements in order to conform to the presentation used in 2012, including reclassification of certain beginning net asset balances on the statement of activities and changes in net assets.

2. Summary of Significant Accounting Policies *(continued)*

Advertising

Advertising costs are incurred by MALT to promote its programs and are expensed as incurred. Advertising expense amounted to $13,645 and $8,054 for the years ended June 30, 2012 and 2011, respectively, and such costs are reflected on the statement of functional expenses.

Conservation Easements

Conservation Easements reflect legally enforceable land preservation agreements between landowners and MALT and were created specifically for the purposes of land conservation. MALT's policy is to assign each easement a nominal value of $1 because it is the intention of MALT to hold such easements in perpetuity. During the year of acquisition, grants and contributions received for the acquisition of conservation easements are recorded as revenue while the related expenditures are recorded as expenses of the Land Preservation Fund (which is part of the unrestricted activities of the organization).

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in unrestricted net assets, unless they are restricted in accordance with donor instructions, in which case such amounts are reflected as either temporarily or permanently restricted contributions (as indicated under *"Net Assets"* on page 8).

Functional Allocation of Expenses

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

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, MALT is required to report information regarding its exposure to various tax positions taken by MALT and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that MALT has adequately evaluated its current tax positions and has concluded that as of June 30, 2012 MALT does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

MALT has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that MALT continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. MALT could potentially receive unrelated business income in the future (such as program advertising or sub-lease rental income) requiring MALT to file separate tax returns under federal and state statutes. If such conditions exist, MALT will calculate and accrue the applicable taxes.

3. Cash and Cash Equivalents

Cash and cash equivalents include all funds in banks (checking, savings, and certificates of deposit) at the time of purchase that have a maturity date of three months or less. The components of cash and cash equivalents are as follows at June 30, 2012 and 2011:

	2012	2011
Checking (noninterest-bearing)	**$ 73,000**	$ 126,301
Money market (interest-bearing)	**5,891**	109,302
Cash on hand	**165**	165
Total cash and cash equivalents	**$ 79,056**	$ 235,768

MALT attempts to limit its credit risk associated with cash equivalents by utilizing highly rated financial institutions. Funds in money market accrue interest at 0.20% per annum at June 30, 2012.

4. Receivables

Receivables consist of the following at June 30, 2012 and 2011:

	2012	2011
Accounts receivable	**$ 5,024**	$ 1,079
Note Receivable - Land	**38,032**	256,677
Pledges Receivable	**314,200**	72,000
Grants Receivable	**30,000**	616,988
Bequests Receivable	**90,918**	-
Dividends Receivable	**381**	2,098
Discount on long-term pledges receivable	**(14,573)**	(4,048)
Total receivables (short and long term)	**$ 463,982**	$ 944,794

Receivables are expected to be collected as follows at June 30, 2012:

Year ending June 30, 2013	$ 307,555
Year ending June 30, 2014	93,000
Year ending June 30, 2015	68,000
Year ending June 30, 2016	10,000
Subtotal	478,555
Less: Allowance for uncollectible amounts **	-
Less: Unamortized discount	(14,573)
Subtotal	463,982
Long-term receivables (net)	(307,555)
Receivables due within one year	$ 156,427

Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4% per annum. The change in the value of the long-term receivables during the years ended June 30, 2012 and 2011 amounted to $10,525 and $4,048, respectively, and is reflected as a component of changes in temporarily restricted net assets.

** MALT uses the direct write-off method with regards to receivables deemed uncollectible. During the years ended June 30, 2012 and 2011, MALT recognized no bad debts. Management has evaluated the receivables as of June 30, 2012 and determined that such amounts are fully collectible based on the financial health of the donors involved.

Notes to Financial Statements

5. Investments and Endowment

Investments consist of the following at June 30, 2012 and 2011:

	2012	2011
Money market accounts	$ 1,694	$ -
Mutual funds principally invested in bonds	6,051,754	6,263,501
Mutual funds principally invested in equity securities	3,693,312	4,065,053
Commodity linked derivatives	97,999	108,248
Total investments	$ 9,844,759	$ 10,436,802

Endowment net asset composition by type of fund is summarized as follows as of June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Money market accounts	$ 1,694	$ -	$ -	$ 1,694
Mutual funds principally invested in bonds	4,447,429	389,911	1,214,414	6,051,754
Mutual funds principally invested in equity securities	-	625,870	3,067,442	3,693,312
Commodity linked derivatives	-	-	97,999	97,999
Total investments	$ 4,449,123	$ 1,015,781	$ 4,379,855	$9,844,759

Changes in endowment net assets for the year ended June 30, 2012 and net asset composition by type of fund at June 30, 2012 is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets-beginning of year	$ 1,580,981	$ 29,948	$ 4,418,353	$ 6,029,282
Investment return:				
Investment income	26,462	-	-	26,462
Investment income–Perm Restricted Fund	148,049	-	-	148,049
Realized/unrealized decline-Interfund	(48,764)	(29,948)	-	(78,712)
Realized/unrealized decline-Perm Restricted	(216,494)	-	-	(216,494)
Total investment return	(90,747)	(29,948)	-	(120,695)
Contributions	142,119	-	-	142,119
Appropriation of endowment assets	(311,063)	-	-	(311,063)
Transfers to operating fund	(228,356)	-	-	(228,356)
Endowment net assets by type of fund:				
Donor-restricted endowment funds	-	-	4,418,353	4,418,353
Board-designated endowment funds	1,092,934	-	-	1,092,934
Endowment net assets-end of year	$ 1,092,934	$ -	$ 4,418,353	$ 5,511,287

During the years ended June 30, 2012 and 2011, earnings on investments were reinvested. Net realized losses amounted to ($45,794) and ($90,100) for the years ended June 30, 2012 and 2011, respectively. Net unrealized gains (losses) amounted to ($220,621) and $1,029,093 for the years ended June 30, 2012 and 2011, respectively. All realized and unrealized gains (losses) are reflected as components of investment return on the statement of activities and changes in net assets.

5. Investments and Endowment *(continued)*

MALT has an Investment Committee which has the responsibility for establishing MALT's return objectives (generally lower rates of return associated with more stable and safer investments) and to define the risk parameters. The committee routinely oversees investment performances and reviews cash flows necessary to sustain MALT's operating activities.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires MALT to retain as a fund of perpetual duration. In accordance with ASC 958.205.55.31, there are no deficiencies of this nature that are required to be reported in unrestricted net assets at June 30, 2012 and 2011. Such future deficiencies could result from unfavorable market fluctuations occurring after the investment of new restricted contributions and continued appropriation for certain programs which are deemed prudent by the Board of Directors. MALT's investments may decline below their original basis due to market fluctuations and unrealized losses which are beyond the control of MALT's management. Deficiencies of this nature are reported in unrestricted net assets.

Return Objectives and Risk Parameters

MALT has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that MALT must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Investment Committee and the Board of Directors, the endowment assets are invested in a manner that is intended to (1) produce results that approximate the price and yield results of the general market conditions (2) subject MALT to a moderate level of investment risk and (c) maintain sufficient liquidity to meet planned expenditures.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, MALT 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). MALT targets a diversified asset allocation that places a greater emphasis on equity-based investments (mutual funds) to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

MALT has a policy of appropriating for distribution an amount equal to or less than 4.5% of the average value of the total fund investments for the most recent twelve calendar quarters. Unrestricted funds may be transferred for expenditure monthly; amounts from permanently restricted funds in excess of their original, fixed value may be transferred for expenditure semi-annually or as otherwise directed by the donor. The Board may direct the transfer of unrestricted funds in excess of a target balance to other MALT purposes. Distributions from permanently restricted funds in excess of 7% of the fair market value of the fund, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure is made, are ordinarily deemed imprudent.

5. Investments and Endowment *(continued)*

Spending Policy and How the Investment Objectives Relate to Spending Policy *(continued)*
In accordance with this policy, MALT appropriated $311,063 and $32,471 which represented the board-approved budgeted draw from its investment portfolio for the years ended June 30, 2012 and 2011, respectively. The appropriation requires approval of the investment committee. In establishing this policy, MALT considered the long-term expected return on the investments in its endowment fund. Accordingly, over the long term, MALT expects the current spending policy to allow its endowment fund assets to grow at a moderate rate annually. This is consistent with MALT'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.

6. Fair Value Measurements

Composition of assets utilizing fair value measurements at June 30, 2012 is as follows:

	Totals	Level 1	Level 2	Level 3
Investments (short and long term)	$ 9,844,759	$9,844,759	$ -	$ -
Receivables (short and long term)	463,982	-	463,982	-
Inventory	16,313	16,313	-	-
Beneficial interest in charitable gifts	445,376	-	-	445,376
Conservation easements and options	5,246	-	-	5,246
Totals	$10,775,676	$9,861,072	$ 463,982	$ 450,622

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models.

Assets Classified as Level 3

The significant unobservable inputs used in the fair value measurement of the entity's asset-backed gifts are the estimated future values of the underlying assets. The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. Those valuation techniques principally include present value techniques which incorporate certain rate of return assumptions. Conservation easements are valued by management at a nominal $1 per easement.

7. Beneficial Interest in Charitable Gifts

MALT was named the long-term beneficiary of two irrevocable charitable remainder trusts (CRTs) and five irrevocable charitable gift annuities (CGAs) in prior years whereby donors have contributed assets in exchange for annual distributions to named individuals. These distributions are based on the value of the gift instruments' underlying assets and the earnings thereon. Following the passing of the specified individuals, a percentage of the remaining principal will be distributed to MALT, with the remaining funds earmarked for other charities.

The CRTs are maintained by third-party trustees, while the CGAs are managed by independent foundations. The amount recorded on the books represents the projected future fair value of MALT's vested interest in the underlying asset (instrument) which are discounted to net present value using an interest rate of 5.5% per annum. On an annual basis, MALT revalues its beneficial interest in each instrument based on applicable life expectancy tables published by the Internal Revenue Service and the Centers for Disease Control. Since there is an implied time restriction, the beneficial interests are classified as temporarily restricted.

For the years ended June 30, 2012 and 2011, the interest in all of the life annuities was adjusted for changes in fair value of the assets held in the trusts. Management has determined that the fair values reflected on the statements of financial position as of June 30, 2012 and 2011 amounted to $445,376 and $464,110, respectively. These assets are classified as Level 3 under fair value hierarchy. The change in the value of the life annuities as reflected on the statement of activities and changes in net assets decreased by $18,734 for the year ended June 30, 2012 and increased by $145,480 for the year ended June 30, 2011 ($116,990 of the increase as the result of additional gifts).

8. Option to Purchase Conservation Easement

In February 2012, MALT acquired an Option to Purchase a Conservation Easement on a local ranch. The terms of the option agreement call for a single payment by MALT to the ranch owner in the amount of $5,000. With this option, MALT has the right to purchase the easement for the estimated fair market value of the conservation easement as determined by an agreed upon appraiser. Such appraisal is to be completed by January 18, 2013. The option period is set to expire on April 30, 2013.

As of June 30, 2011, MALT held a separate Option to Purchase a Conservation easement on another local ranch. This option was in the amount of $310,000 and was exercised when the easement was purchased on August 8, 2011. During the year ended June 30, 2012, this option was reflected as an expense as part of the total "easement acquisition" costs of $2,894,173 on the statement of functional expenses

Notes to Financial Statements

9. Property and Equipment

Property and equipment consist of the following at June 30, 2012 and 2011:

	2012	2011
Land	**$ 462,582**	$ 462,582
Office building and improvements	**994,726**	672,719
Furnishings and equipment	**113,846**	74,735
Website and software	**65,428**	65,428
Vehicles	**18,000**	18,000
Less accumulated depreciation	**(268,169)**	(221,127)
Total property and equipment (net)	**$ 1,386,413**	$ 1,072,337

Total depreciation expense amounted to $52,115 and $48,396 for the years ended June 30, 2012 and 2011, respectively, and is reported on the statement of functional expenses. During the years ended June 30, 2012 and 2011, MALT disposed of certain fully and partially depreciated equipment which resulted in a loss of $457 and $554, respectively. MALT owns and occupies the land and building in which its headquarters is based.

10. In-Kind Contributions

During the years ended June 30, 2012 and 2011, MALT was the recipient of a variety of in-kind contributions, including pro-bono meeting space, food, beverages, advertising and other items. The values of these contributions met the criteria for recognition under ASC 958.605.30-11 *Revenue Recognition of Not-For-Profit Entities* and are reflected in the financial statements with estimated fair values of $20,461 and $5,238 for the years ended June 30, 2012 and 2011, respectively.

11. Retirement Plans

MALT offers eligible employees the opportunity to participate in a Simplified Employee Retirement Plan ("SEP IRA") which is qualified under the Internal Revenue Code. Employees of MALT, regardless of earnings, are eligible to participate in the Plan after two years of service. Employer contributions are discretionary and subject to the approval of the Board of Directors. Contributions are based on a percentage of each employee's eligible compensation, provided that the contribution does not exceed the statutory maximum of pre-tax deferrals set by the Internal Revenue Service. Employer contributions amounted to $37,367 and $28,875 for the years ended June 30, 2012 and 2011, respectively.

MALT has also established a 403(b)(7) Retirement Plan by which individual employees may, through salary reduction payments, make "pre-tax" contributions to a self-directed custodial account in which dividends, interest, capital gain, and other earnings accumulate on a tax-deferred basis.

12. Capital Campaign

During the year ended June 30, 2012, MALT launched a $2 million campaign to raise funds to protect three local farms. In connection with this campaign, a donor pledged $250,000 conditioned upon MALT raising $1.75 million. This additional pledge has not been recorded in the financial statements because MALT has not yet raised all of the matching funds and it thus did not meet the criteria for recognition under ASC 958.605.30-8 *"Revenue Recognition of Not-For-Profit Entities."*

Notes to Financial Statements

13. Net Assets

Unrestricted Net Assets

Unrestricted net assets consist of the following at June 30, 2012 and 2011:

	2012	2011
Unrestricted cumulative operating activities	**$ 1,513,127**	$ 1,475,401
Unrestricted for land preservation	**3,650,749**	5,045,041
Designated by the Board of Directors for endowment fund	**1,092,934**	1,580,981
Total unrestricted net assets	**$ 6,256,810**	$ 8,101,423

Temporarily Restricted Net Assets

Temporarily restricted net assets are summarized as follows for the year ended June 30, 2012:

Restricted For:	Beginning	Additions	Reductions	Ending
Charitable Gift Annuities:				
Implied long-term time restriction	$ 184,816	$ -	$ * 22,442	**$ 162,374**
Charitable Remainder Trusts:				
Implied long-term time restriction	279,294	* 3,708	-	**283,002**
Distaff Thistle management	47,704	100	5,344	**42,460**
Easement acquisition	133,210	2,147,143	1,376,853	**903,500**
Feasibility study:				
Tax issues for easement properties	4,425	-	-	**4,425**
General support for future periods	29,948	14,000	29,948	**14,000**
Mandatory Agricultural Use enforcement for future periods	-	72,917	-	**72,917**
Manuscript on the history of the Point Reyes Peninsula	15,000	-	12,240	**2,760**
Marin Carbon Project	239,232	92,792	303,545	**28,479**
Others	2,106	200	584	**1,722**
Stewardship support	-	7,500	-	**7,500**
	$ 935,735			**$ 1,523,139**

* Represents the change in the calculated values of the charitable gifts. The net change of $18,734 has been reflected as an "other change in net assets" under temporarily restricted on the statement of activities and changes in net assets for the year ended June 30, 2012.

Permanently Restricted Net Assets

Permanently restricted net assets consist of the following at June 30, 2012 and 2011:

	2012	2011
Gifts received and restricted for endowment programs	**$ 4,418,353**	$ 4,418,353

There were no contributions of permanently restricted net assets during the years ended June 30, 2012 and 2011. All of the endowment funds, classified as permanently restricted net assets, represent donor contributions that are subject to restrictions of gift instruments requiring that the principal balances be maintained in perpetuity. By law, MALT is permitted to transfer all interest and realized/unrealized gains to unrestricted net assets. During the years ended June 30, 2012 and 2011, MALT utilized investment earnings generated by assets classified as permanently restricted (see Note 5).

Notes to Financial Statements

14. Related Party Transactions

In May 2011, MALT purchased an agricultural conservation easement from a group of landowners, one of whom was the mother-in-law of a MALT board member. The easement purchase price of $2,913,400 was determined by an independent real estate appraiser, and the board member, following MALT's conflict of interest policy, did not participate in the decision to purchase the easement. The decision to purchase the easement was approved by MALT's Board of Directors.

15. Quasi-Endowment Fund with Marin Community Foundation

MALT is the beneficiary to "The Fund to Preserve Marin Agriculture: A Component Fund of the Marin Community Foundation." The purpose of the Fund is to accept contributions and, with the advice of the MALT Board of Directors, to distribute funds to support MALT's activities and programs. Marin Community Foundation retains control of the Fund and these assets are therefore not reflected in the financial statements. Management has estimated that this Fund has a fair value of $43,454 and $76,288 at June 30, 2012 and 2011, respectively.

16. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, MALT is required to record a liability for the estimated amounts of compensation and related benefits under existing employment laws. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the statements of financial position based on employee compensation rates. Accrued payroll liabilities amounted to $55,107and $50,594 at June 30, 2012 and 2011, respectively.

17. Other Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future program activities, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate MALT to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond MALT's control, such as generosity of donors and general economic conditions, and (c) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements. Certain of the grants and contracts are subject to audit and final acceptance by the granting agency.

18. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, MALT has evaluated subsequent events through September 20, 2012, the date the financial statements were available to be issued. MALT anticipates closing escrow on a conservation easement late October 2012 for a purchase price of $1,346,000. In the opinion of management there are no other subsequent events which need to be disclosed.