VENTANA WILDLIFE SOCIETY

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORTS

Year Ended March 31, 2020

McGILLOWAY, RAY, BROWN & KAUFMAN
ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ventana Wildlife Society
Monterey, California

Report on the Financial Statements

We have audited the accompanying financial statements of Ventana Wildlife Society (the Society) (a California nonprofit organization), which comprise the statement of financial position as of March 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of March 31, 2020, 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.

Emphasis of Matter

Uncertainties Regarding the Future Outcome of Litigation
As discussed in Note 17 to the financial statements, the Society is a defendant in a lawsuit related to a wildlife fire in Monterey County. Our opinion is not modified with respect to this matter.

Dolan Fire
As discussed in Note 18 to the financial statements, which described the effects of the fire at the Society's Big Sur Condor Sanctuary. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020, on our consideration of Ventana Wildlife Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ventana Wildlife Society's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ventana Wildlife Society's internal control over financial reporting and compliance.

McGilloway, Ray, Brown & Kaufman

McGilloway, Ray, Brown & Kaufman
Salinas, California
September 29, 2020

VENTANA WILDLIFE SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020

ASSETS	
Current assets	
Cash and cash equivalents	$ 62,026
Board designated investment	116,098
Grants receivable	25,000
Contracts receivable	49,107
Prepaid expenses	8,878
Beneficial interest in split-interest trust receivable, current portion	78,945
Total current assets	340,054
Other Assets	
Property and equipment, net	2,547,994
Beneficial interest in split-interest trust receivable, less current portion	819,411
Total other assets	3,367,405
Total assets	$ 3,707,459
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	$ 4,607
Accrued liabilities	24,487
Camp deposits	6,083
Current portion of long-term debt	36,878
Total current liabilities	72,055
Long-term debt - noncurrent portion, net of unamortized debt issuance cost of $33,967	679,155
Total liabilities	751,210
Net assets	
Without Donor Restriction	
Undesignated	319,640
Board designated liquidity reserve	116,098
Board designated land	390,500
Total net assets without donor restriction	826,238
With Donor Restriction	
Purpose restrictions	1,083,011
Perpetual in nature	1,047,000
Total net assets with donor restriction	2,130,011
Total net assets	2,956,249
Total liabilities and net assets	$ 3,707,459

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

VENTANA WILDLIFE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Public support			
Grants and contributions	$ 432,867	$ 271,002	$ 703,869
Government contracts	282,212	-	282,212
In-kind contributions	44,990	-	44,990
Total public support	760,069	271,002	1,031,071
Program service fees and other revenues			
Fees for service	38,915	-	38,915
Investment income, net	766	-	766
Change in value of split interest trust	-	(73,825)	(73,825)
Other income	16,532	-	16,532
Total program service fees and other revenues	56,213	(73,825)	(17,612)
Net assets released from restrictions	515,799	(515,799)	-
Total revenues, gains, and other support	1,332,081	(318,622)	1,013,459
Expenses			
Program services	1,061,823	-	1,061,823
Supporting services			
Management and general	131,033	-	131,033
Fundraising	96,140	-	96,140
Total expenses	1,288,996	-	1,288,996
Change in net assets	43,085	(318,622)	(275,537)
Net assets, beginning of year	783,153	2,448,633	3,231,786
Net assets, end of year	$ 826,238	$ 2,130,011	$ 2,956,249

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

VENTANA WILDLIFE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2020

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Expenses				
Salary and benefits	$ 566,724	$ 85,283	$ 85,768	$ 737,775
Supplies	45,945	2,239	2,239	50,423
Occupancy	53,916	5,241	-	59,157
Depreciation	74,178	3,216	2,895	80,289
Miscellaneous	33,432	3,341	-	36,773
Contract services	45,645	-	-	45,645
Staff travel and vehicle maintenance	61,050	-	-	61,050
Nonlead bullets	39,804	-	-	39,804
Insurance	37,239	-	-	37,239
Equipment rent and maintenance	11,983	2,702	2,702	17,387
Accounting and legal fees	-	29,011	-	29,011
Volunteer travel	13,200	-	-	13,200
Transmitter equipment	23,459	-	-	23,459
Interest	38,568	-	-	38,568
Dues and memberships	8,617	-	-	8,617
Printing	4,610	-	-	4,610
Membership and donor expenses	-	-	2,536	2,536
Postage and shipping	3,453	-	-	3,453
Total functional expenses	$ 1,061,823	$ 131,033	$ 96,140	$ 1,288,996

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

VENTANA WILDLIFE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020

Cash flows from operating activities	
Change in net assets	$ (275,537)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	80,289
Change in value of split-interest agreement	168,021
Gain on sale of vehicles	(10,176)
(Increase) decrease in assets and liabilities	
Contracts receivable	(11,028)
Grants receivable	175,000
Prepaid expenses	(7,410)
Accounts payable	(18,684)
Accrued liabilities	(8,494)
Camp deposits	3,568
Net cash provided by operating activities	95,549
Cash flows from investing activities	
Purchase of investments	(216,098)
Proceeds from sale of investments	100,000
Purchase of vehicles and equipment	(78,044)
Proceeds from sale of vehicles	10,176
Net cash used by investing activities	(183,966)
Cash flows from financing activities	
Proceeds from long-term debt	716,033
Payments of long-term debt	(750,000)
Net cash used by financing activities	(33,967)
Decrease in cash and cash equivalents	(122,384)
Cash and cash equivalents, beginning of year	184,410
Cash and cash equivalents, end of year	$ 62,026
Supplemental Disclosure of Cash Flows Information	
Cash paid for interest	$ 38,568

1. Nature of Activities

Organization and Nature of Activities
Ventana Wildlife Society (the Society), is a California nonprofit public benefit corporation formed in 1977 for the purpose of conserving native wildlife and their habitats. The programs of the Society include species recovery, ecosystem services, and education and outreach. The Society maintains a rearing and release facility as well as numerous feeding sites for endangered California Condors. In Big Sur, California the Society operates their Discovery Center in collaboration with the California State Parks at Andrew Molera State Park. Revenues are primarily derived from charitable grants, individual contributions, and service fees.

2. Summary of Significant Accounting Policies

The Society prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Society are described subsequently to enhance the usefulness and understanding of the financial statements.

Basis of Accounting
The Society prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted accounting principles in the United States of America.

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 at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Significant estimates used in the preparation of these financial statements include:

- The assumptions used in determining the net present value of the Society's irrevocable interests in charitable trust. A description of the assumptions used is included in Note 8.

Financial Statement Presentation
The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) ASU No. 2016-14 (Topic 958) dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Entities” (the “Guide”).

Net Assets
The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purposes in performing the primary objectives of the Society. The Society’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restrictions will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions.

Classification of Transactions

All revenue and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than the loss due to change in value of split-interest trust receivable are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of financial position and statement of cash flows, the Society considers all unrestricted demand deposit accounts, money market accounts and cash on hand which are not managed as part of long-term investments to be cash equivalents. The carrying value of those cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Board Designated Investment and Related Income, Gains, and Losses

The Society invests cash in excess of its immediate need in money market funds. Investments are initially recorded at cost. Subsequent to acquisition, investments are reported at fair value based upon market quotations or, if managed by fund managers, the fair value information provided by them. Investment income and realized and unrealized gains and losses are recognized as net assets without donor restrictions.

Grants and Contracts Receivable

Accounts, pledges and grants receivable are stated at unpaid balances, which the Society believes is fully collectible, therefore no allowance for uncollectible receivables has been recorded. All receivables are due within one year. It is the Society's policy to charged off uncollectible accounts receivable when management determines the receivable will not be collected.

Beneficial Interest in Split-Interest Agreement

The Society recognizes an asset and the related revenue of charitable trust when they receive notification of an irrevocable interest in this type of contribution. When management expects the cash from these contributions to be received in more than a year in the future, the asset and revenue are discounted using the risk-free interest rate applicable to the years in which the cash flows are expected to be received.

Property and Equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over $3,000 and a useful life of more than one year are capitalized. The cost of repairs and maintenance which does not improve or extend the lives of the respective assets is expensed currently. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, which range from 5 to 32 years.

Revenue Recognition

The Society recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the services are provided. Other income and property revenue are reported when earned based upon the contract terms.

Contributions and grants, whether or not restricted, are recognized as revenue at fair value when received by or unconditionally promised to the Society. The Society reports gifts of cash and other assets restricted by donors as increase in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions and grants are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if expected to be collected in one year and at discounted value if expected to be collected in more than one year. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed services are recognized at fair value 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. Contributions of tangible assets are recorded at fair value when received. The Society records contributed goods and services as in-kind revenue and expenses in the appropriate expense account. Donated use of facilities is reported as contributions and expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. Indirect salary and related payroll expenses are allocated based on management's analysis. Expenses such as utilities and insurance are based on square footage and employee time. Other expenses, such as telephone and travel, are based on management's analysis.

Concentrations of Credit Risk

Financial instruments which potentially subject the Society to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and receivables. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. The majority of the Society's cash was held at two financial institutions at March 31, 2020. These accounts are insured up to $250,000 per depositor by an agency of the federal government. At March 31, 2020, the Society's uninsured cash balances totaled $0. Investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. The Society's investments are maintained in a money market account. Money market account at brokerage firm is protected by the Securities Investor Protection Corporation (SIPC) coverage applicable to the account. Receivables consist primarily of grants receivable, contracts receivable, and trust receivable and are closely monitored by the Society for collectability. Contributions and grants are receivables from donors and will be paid according to agreed-upon payment schedules. The Society believes these amounts are fully collectible.

Income Taxes

The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and a similar provision in the California tax codes. The Society qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2).

The Society files its form 990 in the U.S. federal jurisdiction, the California Franchise Tax Board, and the office of the state's attorney general for the State of California.

The Society's federal tax returns are subject to examination generally for three years after they are filed, and its state returns are subject to examination generally for four years after they are filed.

The Society believes that it has appropriate support for tax positions taken and, therefore, does not have any uncertain tax provisions that are material to the financial statements at March 31, 2020.

Recently Issued Accounting Pronouncements

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which amended revenue recognition guidance to clarify the principles for recognizing revenues from contracts with customers. The guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, disclosures are required about customer contracts, significant judgement and changes in judgement, and assets recognized from the costs to obtain or fulfill a contract. ASU No. 2014-09 is effective for annual reporting in fiscal years beginning after December 15, 2019. The Society currently expects the impact to be de minimis given the immaterial nature of its revenue sources outside of contributions and investment earnings.

In June 2018, FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this Update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958- 605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional. The amendments provide for additional clarifying guidance resulting in greater consistency in application and make the accounting for contributions more operable. The guidance is effective for periods beginning after December 15, 2019. The amendments in this Update should be applied on a modified prospective basis. Retrospective application is permitted. The Society is currently evaluating the impact of the pending adoption of this new standard on its financial statements and expects the impact to be de minimis.

In February 2016, FASB issued ASU No. 2016-02, which amends the FASB Accounting Standards Codification and creates Topic 842, *Leases*, requiring organizations to recognize lease assets and lease liabilities on the statement of net position and requiring disclosure of key information about leasing arrangements. The guidance is effective for periods beginning after December 15, 2021. ASU No. 2016-02 mandates a modified retrospective transition method. The Society is currently evaluating the impact of the pending adoption of this new standard on its financial statements and expects the impact to be de minimis.

3. Financial Assets Availability, Liquidity, and Reserves Management

The following reflects the Society's financial assets as of March 31, 2020, reduced by amounts not available for general expenditure due to contractual or donor-imposed restrictions, available to meet cash needs for general expenditure within one year:

Cash and cash equivalents	$ 62,026
Board designated investments	116,098
Grants receivable	25,000
Contracts receivable	49,107
Trust receivables - current portion	78,945
Total financial assets as of March 31, 2020	331,176
Less financial assets held to meet donor-imposed restrictions:	
Restricted by donor with purpose restrictions	(263,600)
Less board-designated liquidity reserve	(116,098)
Total financial assets available to meet cash need for general expenditure within one year	(48,522)
Other resources available:	
Line of credit	62,000
Total financial assets and other resources available to meet cash need for general expenditure within one year	$ 13,478

The Society has a goal of establishing and maintaining a minimum of three months of liquidity, which is calculated by adding all unrestricted cash and equivalents plus receivables, divided by one-twelfth of projected operating expenses, excluding in-kind. As part of its liquidity management, the Society invests cash in excess of daily requirements in various short-term investments, such as money market funds or certificates of deposit.

In addition to the financial assets and other resources available for general expenditure within one year, the Society has board-designated liquidity reserve net assets without donor restrictions of $116,098 that, while the Society does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, with Board approval, if necessary.

4. Fair Value Measurements

The Society measures its assets and liabilities at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (ASC) 820. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

The guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The guidance expands disclosures about instruments measured at fair value. The guidance applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, the guidance does not require any new fair value measurements.

The guidance establishes a three-level valuation hierarchy for disclosure of fair value measurements. The three levels are defined as follows:

- *Level 1* - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access. Level 1 securities include highly liquid U.S. Treasury securities, certain common stocks and mutual Funds.
- *Level 2* - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs to the valuation methodology include quoted prices for identical assets or liabilities in inactive markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial statements. Most debt securities, preferred stocks, certain equity securities, short-term investments, and derivatives are model pricing using observable inputs and are classified as Level 2.
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurements. These inputs reflect assumptions of management about pricing the assets or liability including assumptions about risk such as bid/ask spreads and liquidity discounts. Example of Level 3 assets include investment in limited partnership.

When available, the Society measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many assets and liabilities that the Society is required to measure at fair value (for example, in-kind donated use of facility and unconditional promise to give).

The primary uses of fair value measures in the Society's financial statements are:

- Initial measurement of noncash gifts, including gifts of donated use of facility and unconditional promise to give.
- Recurring measurement of board designated investments.
- Recurring measurement of beneficial interest in split-interest trust receivable.

The following methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a description of the Society's valuation methodologies for assets measured at fair value:

Money Market Funds: Determined by the published NAV per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

Beneficial Interest in Split-Interest Agreement: Donations that are held in split-interest trust where the Society does not serve as trustee, representing beneficial interest in trust. Values are based on the present value of expected cash flows, which approximates fair value.

The following table summarize the levels in the fair value hierarchy of the Society's assets at March 31, 2020:

	Total	Level 1	Level 3
Money market fund	$ 116,098	$ 116,098	$ -
Trust receivable under split-interest agreement	898,356	-	898,356
Total recurring fair value of assets	$ 1,014,454	$ 116,098	$ 898,356

The following table summarize the changes in the fair value of the Society's Level 3 assets at March 31, 2020

Balance, beginning of year	$ 1,066,377
Distribution	(94,196)
Change in value	(73,825)
Balance, end of year	$ 898,356

5. Grants Receivable

Grants receivable consist of the following at March 31, 2020:

Harden Foundation	$ 15,000
Barnet Segal Charitiable Trust	10,000
Total grants receivable	$ 25,000

Grants receivable are restricted for outdoor youth education and are expected to be collected within the next year.

6. Property and Equipment, net

The following is a summary of fixed assets as of March 31, 2020:

Land	$ 1,746,925
Buildings	877,049
Vehicles	190,557
Equipment	152,694
Capital Improvements	40,437
	3,007,662
Less: Accumulated depreciation	(459,668)
Property and equipment, net	$ 2,547,994

Included in land is a parcel in Lake Nacimiento of unimproved land which was recorded at fair market value of $570,000 in 2006. This property was purchased with a restricted contribution. Under the terms of the contribution agreement, the property is to remain in a relatively natural state so as not to disturb nesting bald eagles, or other programs consistent with the Society's missions, "conserving native wildlife and their habitat." In the event of dissolution, the Society will transfer said property to another qualifying non-profit organization chartered with similar charitable purposes. Consequently, it is reported as in perpetuity. A 20% interest was initially acquired as a gift valued at $277,500 and in 2011 the remaining 80% of the property was obtained. The Society paid $250,000 cash and received a $340,000 in-kind donation as the value of the remaining interest in this parcel was determined to be $590,000. The Society obtained title to the property on November 17, 2011.

Depreciation expense totaled $80,289 for the year ended March 31, 2020.

7. Trust Receivable

Trust receivable at March 31, 2020 consists of the amounts due in the following years:

Beneficial interest in trust receivable in less than one year	$ 78,945
Beneficial interest in trust receivable in one to five years	331,565
Beneficial interest in trust receivable in more than five years	915,749
Total beneficial interest in trust receivable	1,326,259
Less discount to present value	(427,903)
Total beneficial interest in trust receivable - net	$ 898,356

In 2017 a donor established a trust (the Trust) with The Community Foundation for Monterey County naming the Society as a 50% income beneficiary of a charitable lead trust split-interest agreement. Under the terms of the trust, the Society is to receive one-half the greater of (a) the net income of the Trust for the prior year, or (b) five percent of the average fair market value of the fund assets to be used to purchase capital assets. Distributions are to be made through March 6, 2035. Any remaining funds at the end of the distribution period are to be paid to The Nature Conservancy. The receivable for the Trust is carried at fair value, which the Society has estimated based on the present value of its expected future cash inflows. The Society uses an interest rate commensurate with the expected earnings to discount the contribution receivable, which was 5.0% for the year ended March 31, 2020. The Society has estimated the fair value of its interest in the Trust to be $898,356. The Society received $94,196 from the Trust in year ended March 31, 2020. On an annual basis, the Society will review the anticipated payments from the contribution receivable based on current market conditions and the value of the underlying funds.

8. Long-Term Debt

The Society refinanced a mortgage in the amount of $750,000 on March 4, 2020 for its office building at 9699 Blue Larkspur Lane, Monterey, California consisting of three attached units for a total of 3,400 square feet. The loan is fixed at 4.13% for 15 years.

Principal and interest payments for the next five year, and thereafter, are as follows:

Year ending March 31,	Principal	Interest	Total
2021	$ 36,878	$ 30,282	$ 67,160
2022	38,430	28,730	67,160
2023	40,047	27,112	67,159
2024	41,733	25,428	67,161
2025	43,490	23,670	67,160
Thereafter	549,422	122,175	671,597
	$ 750,000	$ 257,397	$ 1,007,397

9. Line of Credit

The Society maintains a $62,000 line of credit arrangement with Wells Fargo Bank for use in organizational activities. The line of credit bears interest at 8.5%. The line of credit had no outstanding balance as of March 31, 2020.

10. Board Designated Without Donor Restriction Net Assets

The Society's Board of Directors has a policy of maintaining board designated reserve funds. These funds, plus a portion of land value, are available for use at the discretion of the Board. At March 31, 2020, board designated net assets consisted of funds designated for cash reserves and a portion of its Big Sur wildlife sanctuary in the amount of $116,098 (see Note 3) and $390,500, respectively.

11. With Donor Restriction Net Assets

Net assets with donor restriction are available for the following purposes or periods as of March 31, 2020:

Subject to expenditure for specified purpose:	
Split-intrest agreements	$ 898,356
Capital asset acquisition	50,921
Youth education and internships	133,734
	1,083,011
Not subject to appropriation or expenditure:	
Wildlife sanctuaries land to be preserved and maintained in their natural states	
Lake Nacimento	570,000
Big Sur	477,000
	1,047,000
Total with donor restriction net assets	$ 2,130,011

12. In-Kind Contributions and Contributed Services

In-kind contributions and contributed services received by the Society during the year ended March 31, 2020 consisted of the following:

Advertising	$ 17,300
Andrew Molera State Park rent	24,000
Donations	3,690
Total in-kind contributions and contributed services	$ 44,990

13. Retirement Plan

The Society maintains a 403(b) Tax Sheltered Annuity Plan which is available to all full-time employees and is fully vested after one year of service. Under the terms of the Plan, each participant may elect to defer a portion of compensation and the Society matches the deferrals up to a maximum of $112.50 per pay period. The Society's portion of the pension expense for the year ended March 31, 2020 was $26,370.

14. Funds Held at Community Foundation

The Community Foundation for Monterey County (CFMC) holds endowment funds for the Society. Under the terms of the restricted endowment funds agreement, the Board of Governors of the CFMC has full authority as to the investment and reinvestment of fund assets. The Society or other donors may add additional gifts to the fund at any time.

The earnings payout of the fund is evaluated at least annually by CFMC taking into account the total return from investments, fees, expenses and the effects of inflation. The market value of the Society's share of the pooled investments as of March 31, 2020 was $29,861 with no distributions received from the endowment funds during the year.

The balances are not reflected in the accompanying financial statements as the funds do not fall under the recognition requirements of the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification relating to *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others.*

15. Government Contracts

The Society has been awarded a number of federal, state and local government contracts. Funds were distributed to the various programs according to the scope of the contract awards. The contracts are considered exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized when incurred. Claimed expenses include expenses that are allocated to management and general in the accompanying statement of functional expenses.

Financial awards from federal, state, and local government entities in the form of grants are subject to special audit. Such audits could result in claims against the Society for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits and the Society's management is monitoring grant expenses to verify compliance requirements are met.

16. Contingent Liability

Uncertainties Regarding the Future Outcome of Litigation

The Society is a party to litigation regarding an accident that occurred with one if its vehicles by an employee who worked for the Society part-time and managed a large private ranch where a condor recovery project took place. During a fence construction project, unrelated to the Society's operations, a wildfire was started in Monterey County. Three claims were filed in the Superior Court of Monterey against the ranch owner and the Society. Nonprofits Insurance Alliance of California (NIAC) is defending the Society against all claims. The Society has a general liability policy through NIAC for $1 million and a commercial umbrella policy for $4 million. Legal action is in the late stages, and a global settlement has been reached within insurance limits.

17. Subsequent Events

COVID-19: On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, have declared a state of emergency. The Society immediately adopted an Infectious Disease Policy after the County of Monterey issued guidance, which changed operations. Insofar as the condor recovery program, only small changes in safety protocol were needed and therefore was largely unaffected by COVID-19. However, the outdoor youth education programs have been entirely online via Zoom with reduced number of clients. The Society is developing a plan to slowly "re-open" outdoor education operations following local guidance and best practices while navigating a changing funding environment. Despite the pandemic hampering programming currently and causing some revenue loss, there are new funding sources available for outdoor education.

Dolan Fire: On August 20 and 21, 2020 the Dolan Fire destroyed the Condor Sanctuary in Big Sur. Since no education programs were planned to occur at the Big Sur Condor Sanctuary this year due to COVID-19, this program was not affected by the Dolan Fire any further. The Condor Sanctuary sustained considerable damage after the Dolan Fire took out the condor research center/cabin, the condor release facility, and water system as well as road damage caused by downed trees and landslides. The condor population likely also sustained considerable losses since approximately 10 percent of the flock is now considered missing. The Society will be able to rebuild the Condor Sanctuary in Big Sur and continue releasing captive-bred condors to the wild as a result of generous public support following the fire.

In connection with the preparation of the financial statements and in accordance with ASC Topic 855, *Subsequent Events*, Management of the Society has performed an analysis of the activities and transactions subsequent to March 31, 2020 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended March 31, 2020 through September 29, 2020, which was the date the financial statements were available to be issued and determined there were no other items to be disclosed.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Ventana Wildlife Society

We have audited, in accordance with the 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, the financial statements of Ventana Wildlife Society (a California nonprofit organization), which comprise the statement of financial position as of March 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ventana Wildlife Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ventana Wildlife Society's internal control. Accordingly, we do not express an opinion on the effectiveness of Ventana Wildlife Society's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A s*ignificant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ventana Wildlife Society's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGilloway, Ray, Brown & Kaufman

McGilloway, Ray, Brown & Kaufman
Salinas, California
September 29, 2020