

VENTANA WILDLIFE SOCIETY
FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORTS

March 31, 2021

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, 2021, 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.

Gerald Ray, CPA | Patricia Kaufman, CPA, CGMA | Smriti Shrestha, CPA

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021, 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
Salinas, California
November 29, 2021

VENTANA WILDLIFE SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021

ASSETS

Current assets

Cash and cash equivalents	\$ 364,978
Investments	932,348
Grants receivable	234,690
Contracts receivable	31,037
Prepaid expenses	10,355
Beneficial interest in split-interest trust receivable, current portion	93,345
Total current assets	1,666,753

Other assets

Land, property and equipment, net	2,526,476
Beneficial interest in split-interest trust receivable, less current portion	1,038,313
Total other assets	3,564,789

Total assets	\$ 5,231,542
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LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 18,995
Accrued liabilities	43,280
Camp deposits	2,300
Current portion of long-term debt	38,291
Total current liabilities	102,866

Long-term debt - noncurrent portion, net	643,280
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Total liabilities	746,146
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Net assets

Without Donor Restriction

Undesignated	1,010,032
Board designated liquidity reserve	116,098
Board designated land	390,500
Total net assets without donor restriction	1,516,630

With Donor Restriction

Purpose restrictions	1,921,766
Perpetual in nature	1,047,000
Total net assets with donor restriction	2,968,766

Total net assets	4,485,396
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Total liabilities and net assets	\$ 5,231,542
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The accompanying notes are an integral part of these financial statements.

VENTANA WILDLIFE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Public support			
Grants and contributions	\$ 1,070,935	\$ 861,754	\$ 1,932,689
Government contracts	355,475	10,304	365,779
Paycheck Protection Program grant	138,639	-	138,639
In-kind contributions	101,071	-	101,071
Total public support	<u>1,666,120</u>	<u>872,058</u>	<u>2,538,178</u>
Program service fees and other revenues			
Service fees	6,248	-	6,248
Investment return, net	45	-	45
Change in value of split interest trust	-	328,438	328,438
Other income	78,589	-	78,589
Total program service fees and other revenues	<u>84,882</u>	<u>328,438</u>	<u>413,320</u>
Net assets released from restrictions	<u>361,741</u>	<u>(361,741)</u>	<u>-</u>
Total revenues, gains, and other support	<u>2,112,743</u>	<u>838,755</u>	<u>2,951,498</u>
Expenses			
Program services	1,194,759	-	1,194,759
Supporting services			
Management and general	143,595	-	143,595
Fundraising	83,997	-	83,997
Total expenses	<u>1,422,351</u>	<u>-</u>	<u>1,422,351</u>
Change in net assets	690,392	838,755	1,529,147
Net assets, beginning of year	<u>826,238</u>	<u>2,130,011</u>	<u>2,956,249</u>
Net assets, end of year	<u>\$ 1,516,630</u>	<u>\$ 2,968,766</u>	<u>\$ 4,485,396</u>

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

VENTANA WILDLIFE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2021

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Expenses				
Salary and benefits	\$ 633,430	\$ 88,247	\$ 70,991	\$ 792,668
Supplies	40,149	3,620	3,620	47,389
Occupancy	52,489	5,241	-	57,730
Depreciation	64,218	2,780	2,502	69,500
In-kind	77,071	-	-	77,071
Bank charges	-	12,465	-	12,465
Miscellaneous	29,889	-	-	29,889
Contract services	79,423	-	-	79,423
Staff travel and vehicle maintenance	35,426	-	-	35,426
Nonlead bullets	33,828	-	-	33,828
Insurance	33,926	-	-	33,926
Equipment rent and maintenance	1,567	2,038	2,038	5,643
Accounting and legal fees	-	29,204	-	29,204
Volunteer travel	10,560	-	-	10,560
Transmitter equipment	43,719	-	-	43,719
Interest	32,977	-	-	32,977
Dues and memberships	7,527	-	-	7,527
Printing	4,564	-	-	4,564
Membership and donor expenses	-	-	4,846	4,846
Postage and shipping	13,996	-	-	13,996
Total functional expenses	<u>\$ 1,194,759</u>	<u>\$ 143,595</u>	<u>\$ 83,997</u>	<u>\$ 1,422,351</u>

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

VENTANA WILDLIFE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021

Cash flows from operating activities	
Change in net assets	\$ 1,529,147
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	69,500
Contributed investment securities	(143,205)
Change in value of split-interest agreement	(233,302)
Amortization of bond issuance cost	2,264
Loss on sale of assets	5,301
(Increase) decrease in assets and liabilities	
Contracts receivable	18,070
Grants receivable	(209,690)
Prepaid expenses	(1,477)
Accounts payable	14,388
Accrued liabilities	18,793
Camp deposits	(3,783)
Net cash provided by operating activities	<u>1,066,006</u>
Cash flows from investing activities	
Purchase of investments	(673,045)
Purchases of property and equipment	(57,283)
Proceeds from sale of assets	4,000
Net cash used by investing activities	<u>(726,328)</u>
Cash flows from financing activities	
Payments of long-term debt	(36,726)
Net cash used by financing activities	<u>(36,726)</u>
Net increase in cash and cash equivalents	302,952
Cash and cash equivalents, beginning of year	62,026
Cash and cash equivalents, end of year	<u>\$ 364,978</u>
Supplemental disclosure of cash flow information	
Cash paid for interest	<u>\$ 32,977</u>

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

VENTANA WILDLIFE SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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 its Discovery Center in collaboration with the California State Parks at Andrew Molera State Park. Revenues are primarily derived from charitable grants, individual contributions, government contracts, and service fees.

2. Summary of Significant Accounting Policies

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 in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities.

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 Not-For-Profit Entities, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Entities” (the “Guide”).

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.

Classes of 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 Society 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 are reported as decreases in net assets without donor restrictions.

VENTANA WILDLIFE SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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.

Investments 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

Grants receivable represent various amounts owed to Ventana Wildlife Society from various donating entities and individuals. Contracts receivable consist of amounts due from government contracts. Grants and contracts receivable are stated at unpaid balances, which the Society believes are fully collectible, and therefore, no allowance for uncollectible receivables has been recorded. It is the Society's policy to charge 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. Thereafter, beneficial interest in the trust is reported at fair value in the statement of financial position, with changes in fair value recognized in the statement of activities.

Property and Equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$3,000 and with 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.

Accrued Compensated Absences

All regular employees, both full-time and part-time, accrue vacation and sick leave upon hire. The rate of vacation accrual is based on length of employment. Any unused vacation accrual is paid upon termination. Unused sick leave, however, is not paid out upon separation of employment.

Debt Issuance Costs

Debt issuance costs are carried at cost, less accumulated amortization, and are being amortized over the life of the related debt. The Society reported such costs as a direct deduction from the related debt. Similarly, the Society currently reports amortization of debt issuance costs as interest expense.

Revenue Recognition

The Society recognizes support and revenue on the accrual basis of accounting.

Grants and Contributions – Grants and contributions, whether or not restricted, are recognized as revenue at fair value when received by or unconditionally promised to the Society. Grants and contributions are considered to be without donor restrictions, unless specifically restricted by the donor.

VENTANA WILDLIFE SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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 grants and contributions 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.

Government Contracts – A portion of the Society’s revenue is derived from cost-reimbursable government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Society has incurred expenditures in compliance with specific contract or grant provisions. Revenue recognized on the contracts but for which billings have not been presented to the agencies or received from the agencies is reflected as contracts receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Society received cost-reimbursable grants of \$693,436 that have not been recognized at March 31, 2021 because qualifying expenditures have not yet been incurred. See Note 16 for additional information regarding government contracts.

Paycheck Protection Program Grant – The Society is accounting for Paycheck Protection Program funding of \$138,639 as a conditional grant in accordance with ASC 958-605, Not-for-Profit Entities: Revenue Recognition. This standard indicated that the conditions of the grant should be “substantially met” by the Society before the receipt of assets is recognized as revenue. At March 31, 2021, all program funding were recognized because qualifying expenditures have been incurred, and therefore, these funds are recorded as grants in the statement of activities. The loan was forgiven by the U.S. Small Business Administration during the year.

Program Service Fees – The Society recognizes revenue from program service fees in the period in which the services are provided, generally within one year. The performance obligation consists of providing educational classes, presentations, tours, and camps at specified rates, and is recognized ratably as services are simultaneously received and consumed by the customer. Amounts paid in advance for services are deferred until performance obligations have been met.

In-Kind Contributions

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 benefitted using a reasonable allocation method that is consistently applied. Indirect salary and related payroll expenses are allocated based on management’s analysis.

VENTANA WILDLIFE SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

Expenses such as utilities and insurance, are allocated based on square footage and employee time. Other expenses, such as telephone and travel, are allocated 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, 2021. These accounts are insured up to \$250,000 per depositor by an agency of the federal government. At March 31, 2021, 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 two money market accounts. Money market accounts at brokerage firms are protected by the Securities Investor Protection Corporation (SIPC) coverage applicable to the accounts. 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, 2021.

Recent and Upcoming Accounting Standards Updates (ASU)

ASU 2014-09

In May 2014, the 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 judgements, 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, 2018. In June 2020, FASB issued ASU No. 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* to delay the effective date for annual reporting to fiscal years beginning after December 15, 2019. Analysis of various provisions of this standard resulted in no significant changes in the way the Society recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a modified retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

VENTANA WILDLIFE SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

ASU 2016-02

In February 2016, the 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, 2020. ASU No. 2016-02 mandates a modified retrospective approach. In June 2020, FASB issued ASU No. 2020-05 Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) to delay the effective date for annual reporting to fiscal years beginning after December 15, 2021. 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.

ASU 2020-07

In September 2020, the FASB issued ASU No. 2020-07 (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The guidance is effective for periods beginning after June 15, 2021. The amendments in this Update will be applied on a retrospective basis. 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, 2021, 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	\$ 364,978
Investments	932,348
Grants receivable	234,690
Contracts receivable	31,037
Trust receivables - current portion	<u>93,345</u>
Total financial assets as of March 31, 2021	1,656,398
Less financial assets held to meet donor-imposed restrictions:	
Restricted by donor with purpose restrictions	(883,453)
Less board-designated liquidity reserve	<u>(116,098)</u>
Total financial assets available to meet cash need for general expenditure within one year	656,847
Other resources available:	
Line of credit	<u>62,000</u>
Total financial assets and other resources available to meet cash need for general expenditure within one year	<u>\$ 718,847</u>

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.

VENTANA WILDLIFE SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

In addition to the financial assets and other resources available for general expenditure within one year, the Society has a board-designated liquidity reserve 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, 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 instrument. 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 asset 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 measurements 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.

VENTANA WILDLIFE SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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 summarizes the levels in the fair value hierarchy of the Society's assets at March 31, 2021:

	Total	Level 1	Level 2	Level 3
Money market fund	\$ 932,348	\$ 932,348	\$ -	\$ -
Trust receivable under split-interest agreement	1,131,658	-	-	1,131,658
Total recurring fair value of assets	<u>\$ 2,064,006</u>	<u>\$ 932,348</u>	<u>\$ -</u>	<u>\$ 1,131,658</u>

The following table summarizes the changes in the fair value of the Society's Level 3 assets at March 31, 2021:

Balance, beginning of year	\$ 898,356
Distribution	(95,136)
Change in value	<u>328,438</u>
Balance, end of year	<u>\$ 1,131,658</u>

5. Grants Receivable

Grants receivable consist of the following at March 31, 2021:

Grants receivable in less than one year	\$ 219,690
Grants receivable in one to two years	<u>15,000</u>
Total grants receivable	<u>\$ 234,690</u>

Management believes all grants receivable are fully collectible and are expected to be collected according to the schedule above. The fair value of the payments due in more than one year approximate the carrying amounts and no present value discount was considered necessary.

As of March 31, 2021, one organization constitutes approximately 68% of total grants receivable.

VENTANA WILDLIFE SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

6. Land, Property and Equipment, net

The following is a summary of fixed assets at March 31, 2021:

Land - in perpetuity	\$ 1,047,000
Land - operating	699,925
Buildings	799,153
Vehicles	182,326
Equipment	72,646
Capital improvements	30,395
Construction in progress	6,050
	2,837,495
Less: Accumulated depreciation	(311,019)
Property and equipment, net	\$ 2,526,476

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 nonprofit organization chartered with similar charitable purposes. Consequently, it is reported as donor restricted in perpetuity.

A second parcel also included in land is the site of the condor release facility in Big Sur and is valued in total at \$867,500. A 20% interest was initially acquired as a gift in 2005, valued at \$277,500. In 2011, the remaining 80% of the property was obtained. The Society paid \$250,000 cash and received a \$340,000 in-kind donation because 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. A portion of the cash and a portion of the in-kind donation totaling \$477,000 was reported as donor restricted in perpetuity. The remainder, totaling \$390,500, was not restricted by the donors. In 2013, the Society's Board of Directors voted to designate the unrestricted portion as part of the condor sanctuary.

The third parcel is the site of the Society's office in Monterey purchased in 2018 and represents 30% of the total purchase price, which was estimated as the market value of the land.

Depreciation expense totaled \$69,500 for the year ended March 31, 2021.

7. Trust Receivable

Trust receivable at March 31, 2021 consists of the amounts due in the following years:

Beneficial interest in trust receivable in less than one year	\$ 93,345
Beneficial interest in trust receivable in one to five years	518,177
Beneficial interest in trust receivable in more than five years	958,628
	1,570,150
Total beneficial interest in trust receivable	1,570,150
Less discount to present value	(438,492)
Total beneficial interest in trust receivable - net	\$ 1,131,658

VENTANA WILDLIFE SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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, a separate and non-related not-for-profit entity.

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 trust receivable, which was 5.0% for the year ended March 31, 2021. The Society has estimated the fair value of its interest in the Trust to be \$1,131,658. The Society received a distribution of \$95,136 from the Trust during the year ended March 31, 2021. On an annual basis, the Society will review the anticipated payments from the trust 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 has a fixed interest rate of 4.13% per annum for 15 years.

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

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 38,291	\$ 28,730	\$ 67,021
2023	40,337	27,112	67,449
2024	41,733	25,427	67,160
2025	43,490	23,670	67,160
2026	45,320	21,840	67,160
Thereafter	504,103	100,335	604,438
	<u>713,274</u>	<u>\$ 227,114</u>	<u>\$ 940,388</u>
Less unamortized debt issuance cost	<u>(31,703)</u>		
	<u>\$ 681,571</u>		

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% per annum. The line of credit had no outstanding balance as of March 31, 2021.

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, 2021, board-designated net assets consisted of funds designated for cash reserves in the amount of \$116,098 (see Note 3), and a portion of its Big Sur wildlife sanctuary in the amount of \$390,500 (see Note 6).

VENTANA WILDLIFE SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

11. With Donor Restriction Net Assets

Net assets with donor restriction are available for the following purposes or periods as of March 31, 2021:

Subject to expenditure for specified purpose:

Split-interest agreements	\$ 1,131,658
Capital asset acquisition	78,432
Youth education and internships	257,009
Rebuilding in Big Sur	454,667
	1,921,766

Not subject to appropriation or expenditure:

Wildlife sanctuaries land to be preserved and maintained in their natural states

Lake Nacimiento	570,000
Big Sur	477,000
	1,047,000

Total with donor restriction net assets	\$ 2,968,766
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12. In-Kind Contributions and Contributed Services

In-kind contributions and contributed services received by the Society during the year ended March 31, 2021 consisted of the following:

Advertising	\$ 45,142
Andrew Molera State Park rent	24,000
Donations	31,929
Total in-kind contributions and contributed services	\$ 101,071

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 100% of the deferrals, up to a maximum of \$300 per month. The Society's portion of the pension expense for the year ended March 31, 2021 was \$21,180.

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, 2021 was \$40,656, 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 958 of the FASB Accounting Standards Codification (ASC) relating to *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*.

VENTANA WILDLIFE SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

15. Revenue from Contracts with Customers

The following table provides information about significant changes in the contract liabilities for the year ended March 31, 2021:

Deferred revenue from camp deposits, beginning of year	\$ 6,083
Revenue recognized that was included in deferred revenue at the beginning of year	(3,783)
	\$ 2,300
	\$ 2,300

16. Grants and Government Contracts

The Society has been awarded a number of grants and government contracts. Funds were distributed to the various programs according to the scope of the grant/contract awards. Accordingly, revenue is recognized when earned and expenses are recognized when incurred.

At March 31, 2021, the Society has approximately \$693,436 in government contracts that have not been recognized in the statement of activities because the conditions on which they depend has not yet been met, as follows:

Agency	Scope of Work	Total Amount Awarded	Outstanding Balance	Conditions to be Met
US National Park Service	Condor Recovery by GPS Data Sharing	\$ 18,480	\$ 7,122	Incurrence of allowable costs and submission of required reports
US Fish and Wildlife Service	Condor Monitoring	359,116	328,079	Incurrence of allowable costs and submission of required reports
US Fish and Wildlife Service	Rebuild after Dolan Fire	80,000	73,196	Incurrence of allowable costs and submission of required reports
National Oceanic and Atmospheric Administration	Watershed Exploration Program for Teens	59,983	27,246	Incurrence of allowable costs and submission of required reports
National Fish and Wildlife Foundation	Rebuild after Dolan Fire	70,000	70,000	Incurrence of allowable costs and submission of required reports
Santa Lucia Conservancy	Bird Surveys	6,756	6,756	Incurrence of allowable costs and submission of required reports
Pacific Gas and Electric Co.	Condor Monitoring	150,000	150,000	Incurrence of allowable costs and submission of required reports
		\$ 744,335	\$ 662,399	

Financial awards from federal, state, and local government entities in the form of grants are subject to special audits. 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.

17. Subsequent Events

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, 2021 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended March 31, 2021 through November 29, 2021, 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
Ventana Wildlife Society
Monterey, California

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, 2021, 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 November 29, 2021.

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 *significant 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.

Gerald Ray, CPA | Patricia Kaufman, CPA, CGMA | Smriti Shrestha, CPA

Daniel McGilloway Jr, CPA | Sarita Shannon, CPA | Sukhdev Singh, CPA | Whitney Ernest, CPA |
Laura Armbruster, CPA | Rose Maxwell, CPA

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 Ventana Wildlife 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
Salinas, California
November 29, 2021