VENTANA WILDLIFE SOCIETY

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORTS

Year Ended March 31, 2019

McGILLOWAY, RAY, BROWN & KAUFMAN
ACCOUNTANTS & CONSULTANTS

CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7
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*	16

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, 2019, 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 Ventana Wildlife Society as of March 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Uncertainties Regarding the Future Outcome of Litigation
As discussed in Note 17 to the financial statements, the Ventana Wildlife Society is party to multiple legal actions. Those actions claim substantial damages as a result of a wildfire in Monterey County. Legal action is in the discovery stage and settlement of the legal actions is unknown at this time. Our opinion is not modified with respect to this matter.

Effect of Adopting New Accounting Standard
As discussed in Note 1 to the financial statements, in 2018, Ventana Wildlife Society adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit-Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. 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 October 4, 2019, 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
October 4, 2019

VENTANA WILDLIFE SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019

ASSETS	
Current assets	
Cash and cash equivalents	$ 69,060
Board designated cash reserves	115,350
Grants receivable	200,000
Contracts receivable	38,079
Prepaid expenses	1,470
Trust receivable, current portion	90,083
Total current assets	514,042
Other Assets	
Property and equipment, net	2,550,239
Trust receivable, less current portion	976,294
Total other assets	3,526,533
Total assets	$ 4,040,575
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	$ 23,291
Accrued liabilities	32,981
Camp deposits	2,515
Current portion of long-term debt	50,000
Total current liabilities	108,787
Long-term debt, less current portion	700,000
Total liabilities	808,787
Net assets	
Without Donor Restriction	
Undesignated	277,303
Board designated cash reserves	115,350
Board designated land purchase	390,500
Total net assets without donor restriction	783,153
With Donor Restriction	
Purpose restrictions	1,401,635
Perpetual in nature	1,047,000
Total net assets with donor restriction	2,448,635
Total net assets	3,231,788
Total liabilities and net assets	$ 4,040,575

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

VENTANA WILDLIFE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
Public support			
Bequests	$ 25,000	$ -	$ 25,000
Grants	125,538	500,370	625,908
Contributions	150,762	115,000	265,762
Government contracts	252,144	-	252,144
In-kind contributions	57,224	-	57,224
Change in value of split interest trust	16,162	-	16,162
Total support	626,830	615,370	1,242,200
Program service revenue			
Fees for service	57,706	-	57,706
Other income	8,508	-	8,508
Total revenues and other support	693,044	615,370	1,308,414
Net assets released from restrictions	529,632	(529,632)	-
Total revenues, support and net assets released from restrictions	1,222,676	85,738	1,308,414
Expenses			
Program services	1,085,172	-	1,085,172
Supporting services			
Management and general	126,144	-	126,144
Fundraising	72,295	-	72,295
Total expenses	1,283,611	-	1,283,611
Change in net assets	(60,935)	85,738	24,803
Net assets, beginning of year	844,088	2,362,897	3,206,985
Net assets, end of year	$ 783,153	$ 2,448,635	$ 3,231,788

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

VENTANA WILDLIFE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Expenses				
Salary and benefits	$ 585,111	$ 84,840	$ 66,113	$ 736,064
Supplies	64,669	2,513	-	67,182
Occupancy	55,648	5,823	-	61,471
Depreciation	75,790	4,038	2,019	81,847
Miscellaneous	44,490	1,992	1,605	48,087
Contract Services	10,896	-	-	10,896
Staff travel and vehicle maintenance	61,564	-	-	61,564
Nonlead bullets	36,495	-	-	36,495
Insurance	37,764	-	-	37,764
Equipment rent and maintenance	25,499	5,576	-	31,075
Accounting and legal fees	-	21,362	-	21,362
Volunteer travel	13,650	-	-	13,650
Transmitter equipment	19,120	-	-	19,120
Interest	43,244	-	-	43,244
Dues and memberships	7,674	-	-	7,674
Membership and donor expenses	-	-	2,558	2,558
Postage and shipping	3,558	-	-	3,558
Total functional expenses	$1,085,172	$126,144	$ 72,295	$1,283,611
Percentage of total	84%	10%	6%	100%

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

VENTANA WILDLIFE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

Cash flows from operating activities	
Change in net assets	$ 24,803
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	81,847
Change in value of split-interest agreement	65,337
(Increase) decrease in assets	
Accounts receivable	(9,644)
Grants receivable	(200,000)
Property tax refund	5,089
Prepaid expenses	5,258
Increase (decrease) in liabilities	
Accounts payable	14,893
Accrued liabilities	5,338
Camp deposits	(1,890)
Net cash provided (used) by operating activities	(8,969)
Cash flows from financing activities	
Principal payments on long-term debt	(50,000)
Net cash used by financing activities	(50,000)
Decrease in cash and cash equivalents	(58,969)
Cash and cash equivalents, beginning of year	243,379
Cash and cash equivalents, end of year	$ 184,410
Supplemental Disclosure of Cash Flows Information	
Cash paid for interest	$ 43,244

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

1. Nature of Activities and Summary of Significant Accounting Policies

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.

Basis of Accounting

The Society prepares its financial statements on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America (GAAP) and, accordingly, the financial statements include all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) ASU 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 Organizations" (the "Guide").

Classes of Net Assets

The Society has classified the individual funds according to donor-imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as:

Net assets without donor restriction – 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 restriction – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Society or the passage of time.

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.

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, 2019.

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 statements.

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.

Contributions Received under Split-Interest Agreement
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, 2019. The Society has estimated the fair value of its interest in the Trust to be $1,066,377. The Society received $81,500 from the Trust in year ended March 31, 2019. 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.

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. 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 quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2* - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial statements.

- *Level 3* - inputs to the valuation methodology are unobservable and significant to the fair value measurements.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis have been categorized into a hierarchy based on the observable and unobservable inputs used to determine fair value as of March 31, 2019.

Contributed Goods and Services

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.

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

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions received with restrictions that are met within the same reporting period may be recorded as without donor restriction and increase without donor restriction net assets. Revenue from conditional grants and program fees are recognized as revenue in the period in which the services are provided or the condition has been met.

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

The Society maintains cash balances at a number of financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Society manages its cash accounts in an effort to not exceed FDIC limits, however, from time to time the accounts may exceed insured limits. The Society has not experienced any loss in such accounts and, as such, the Society believes it is not exposed to any significant credit risk on cash balances.

Recently Adopted Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. The amendment applies to all not-for-profit entities, and reduces the classes of net assets to net assets with donor restrictions and net assets without donor restrictions; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations or restrictions on cash or other asset donations; and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds.

The adoption of the new accounting standard improves the net asset classification requirements and the information in the financial statements and notes about the Society's liquidity, financial performance, and cash flows presented to provide more useful information to donors, grantors, creditors, and other users of these financial statements. The Society has adopted the requirements of ASU 2016-14 in 2019.

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, 2018. 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, 2018. 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, 2019. 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.

2. Financial Assets Availability, Liquidity, and Reserves Management

The following reflects the Society's financial assets as of March 31, 2019, 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	$ 69,060
Less cash restricted for capital asset purchases	(28,482)
Total cash and cash equivalents available	40,578
Board designated reserves	115,350
Receivables	238,079
Less receivables restricted for more than one year	(80,000)
Total receivables available	158,079
Total	$ 314,007

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable within one year of the statement of financial position. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. 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. At March 31, 2019, the Society had 3.2 months of liquidity. In addition, 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. As described in Note 8, Ventana Wildlife Society also has a line of credit in the amount of $62,000, which it could draw upon in the event of an unanticipated liquidity need.

3. Board Designated Cash Reserves

The Society's Board of Directors has a policy of maintaining board designated reserve funds. These funds are available for use at the discretion of the Board. The Society invests cash and cash equivalents at well capitalized financial institutes in demand deposits or money market accounts that are insured up to $250,000 by either the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation. Board designated cash reserves are available for financial asset liquidity as described in Note 2. Board designated cash reserves as of March 31, 2019 totaled $115,350.

4. Grants Receivable

Grants receivable consist of the following at March 31, 2019:

Monterey Peninsula Foundation	$ 40,000
The David and Lucile Packard Foundation	160,000
Total grants receivable	$ 200,000

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

5. Property and Equipment, net

The following is a summary of fixed assets as of March 31, 2019:

Land	$ 1,746,925
Buildings	877,049
Vehicles	186,648
Equipment	126,920
Capital Improvements	30,394
	2,967,936
Less: Accumulated depreciation	(417,697)
Property and equipment, net	$ 2,550,239

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 $277,000 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 remining 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 purchase in the amount of $137,000 was restricted in perpetuity and $113,000 was board designated from unrestricted funds.

Depreciation expense totaled $81,847 for the year ended March 31, 2019.

6. Trust Receivable

Trust receivable at March 31, 2019 consists of the amounts due in the following years:

Due in one year	$ 90,083
Due through 2035	1,517,891
Total	1,607,974
Less discount to present value	(541,597)
Total trust receivable	$ 1,066,377

7. Fair Value of Investment

Fair value of assets measured on a recurring basis at March 31, 2019 are as follows:

	Total Value	Level 3
Trust receivable under split-interest agreements	$1,066,377	$1,066,377

The following is a summary of activity for the year ended March 31, 2019 of the Trust measured at fair value based on Level 3 inputs:

Balance at April 1, 2018	$ 1,131,715
Activity during fiscal year	
Distribution	(81,500)
Change in value	16,162
Total change	(65,338)
Balance at March 31, 2019	$ 1,066,377

8. 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 10.5%. The line of credit had no outstanding balance as of March 31, 2019.

9. Long-Term Debt

The Society obtained a mortgage in the amount of $775,000 on December 15, 2017 for the purchase of a building at 9899 Blue Larkspur Lane, Monterey, California. The loan was a short-term loan due January 14, 2018. The Society obtained a subsequent mortgage on January 25, 2018 with a maturity date of January 25, 2033 and an initial interest rate of 5.5%. Terms of the loan include monthly payments of interest and annual principal payments of $50,000 through January 2023. At that time, interest accrues at the prime rate plus 1.75 percentage points, with the same principal payments.

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

Year ending March 31,	Principal	Interest	Total
2020	$ 50,000	$ 40,104	$ 90,104
2021	50,000	37,354	87,354
2022	50,000	34,604	84,604
2023	50,000	31,854	81,854
2024	50,000	29,104	79,104
Thereafter	500,000	137,729	637,729
	$ 750,000	$ 310,749	$1,060,749

10. Board Designated Net Assets

Board designated net assets consisted of funds designated for cash reserves (as described in Note 3) and Big Sur wildlife sanctuary land purchase in the amount of $115,350 and $390,500, respectively.

11. Net Assets With Donor Restriction

Net assets with donor restriction are available for the following purposes or periods as of March 31, 2019:

Subject to expenditure for specified purpose:	
Split-intrest agreements	$ 1,066,376
Capital asset acquisition	45,294
Youth education and internships	289,965
	1,401,635
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	$ 2,448,635

12. Net Assets Released from Restriction

Net assets were released from restriction during the year by incurring expenses satisfying the restricted purpose as follows:

Purpose restrictions:	
Split-intrest agreements	$ 65,338
Capital asset acquisition	93,244
Youth education and internships	371,050
Total net assets released from restriction	$ 529,632

13. In-Kind Contributions and Contributed Services

In-Kind contributions and contributed services received by the Society during the year ended March 31, 2019 consisted of the following:

Advertising	$ 25,536
Andrew Molera State Park rent	24,000
Donations	7,688
Total in-kind contributions and contributed services	$ 57,224

14. Retirement Plan

The Society maintains a 403(b) Tax Sheltered Annuity Plan which is available to all employees who have completed one year of service and have attained age 21. 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, 2019 was $16,695.

15. 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, 2019 was $32,683 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.*

16. 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.

17. 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. Three claims were filed in the Superior Court of Monterey against the ranch owner and the Society including a fire cost recovery complaint of $15.5 million by Cal-Fire. 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.

18. Correction of Error

Reclassification

Upon review of the Society's with donor restriction net assets, it was discovered that certain funds were not classified properly in prior years. As a result of management's review, the Society's beginning net assets as of March 31, 2018 have been reclassified as follows:

	Without Donor Restriction	With Donor Restriction	Total
Reclassification:			
Unreleased funds used for capital asset acquisition in 2017	$ 65,143	$ (65,143)	$ -

19. Subsequent Events

The Society management has performed an analysis of the activities and transactions subsequent to March 31, 2019 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended March 31, 2019. Management has performed their analysis through October 4, 2019, the date the financial statements were available to be issued. Management determined that the Society did not have any subsequent events that required recognition or disclosure in the financial statements for the fiscal year ended March 31, 2019.

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, 2019, 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 October 4, 2019.

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 organization'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 organization'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
October 4, 2019