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FINANCIAL STATEMENTS

For the Years Ended

MARCH 31, 2018 and 2017

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**GRACE CPAs, LLP**

Certified Public Accountants & Consultants

2600 GARDEN ROAD, SUITE 320  
MONTEREY, CALIFORNIA 93940

**VENTANA WILDLIFE SOCIETY**  
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# GRACE CPAs, LLP

Certified Public Accountants & Consultants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Ventana Wildlife Society

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ventana Wildlife Society (a nonprofit organization), which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits 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 audits 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, 2018 and 2017, and the changes in its net assets and its cash flows for the yearw 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 February 1, 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 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 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.

*Grace CPAs, LLP*

Monterey, California  
February 1, 2019

**VENTANA WILDLIFE SOCIETY**  
**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2018 and 2017**

	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 128,063	\$ 207,908
Board designated cash reserves	115,316	115,281
Pledges receivable	-	40,000
Grants receivable	28,435	63,609
Deposits and prepaid expenses	6,728	12,768
Restricted cash	-	65,302
Trust receivable, current portion	92,204	90,250
Total current assets	370,746	595,118
<b>Other Assets</b>		
Trust receivable, less current portion	1,039,510	1,000,614
Property and equipment (net)	2,637,175	1,632,935
Total other assets	3,676,685	2,633,549
 Total assets	\$ 4,047,431	\$ 3,228,667
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 8,398	\$ 28,951
Accrued liabilities	27,643	24,947
Camp deposits	4,405	3,849
Current portion of long-term debt	50,000	-
Total current liabilities	90,446	57,747
 <b>Long-term Debt less current portion</b>	750,000	-
 Total liabilities	840,446	57,747
<b>Net Assets</b>		
Unrestricted		
Undesignated	273,129	161,356
Board designated-cash reserves	115,316	115,281
Board designated land purchase	390,500	390,500
Total unrestricted net assets	778,945	667,137
Temporarily restricted	1,381,040	1,456,783
Permanently restricted	1,047,000	1,047,000
 Total net assets	3,206,985	3,170,920
 Total liabilities and net assets	\$ 4,047,431	\$ 3,228,667

See accompanying notes and independent auditor's report.

**VENTANA WILDLIFE SOCIETY**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED MARCH 31, 2018 and 2017**

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues. Support and Other Income</b>								
Public support								
Charitable trusts and bequests	\$ -	\$ 124,479	\$ -	\$ 124,479	\$ -	\$ 1,284,938		\$ 1,284,938
Grants	283,165	260,960	-	544,125	456,386	112,500	-	568,886
Contributions	393,163	-	-	393,163	168,063	-	-	168,063
Government contracts	143,282	-	-	143,282	138,519	-	-	138,519
In-kind contributions	63,083	-	-	63,083	89,751	-	-	89,751
Total public support	<u>882,693</u>	<u>385,439</u>	<u>-</u>	<u>1,268,132</u>	<u>852,719</u>	<u>1,397,438</u>	<u>-</u>	<u>2,250,157</u>
Program service revenue								
Fees for services	95,917	-	-	95,917	167,718	-	-	167,718
Total program service revenue	<u>95,917</u>	<u>-</u>	<u>-</u>	<u>95,917</u>	<u>167,718</u>	<u>-</u>	<u>-</u>	<u>167,718</u>
Other income								
Special events (net of expense)	(8,659)	-	-	(8,659)	45,434	-	-	45,434
Gain/(loss) on sale of assets	(6,244)	-	-	(6,244)	2,710	-	-	2,710
Interest income	1,140	-	-	1,140	1,499	-	-	1,499
Total other income	<u>(13,763)</u>	<u>-</u>	<u>-</u>	<u>(13,763)</u>	<u>49,643</u>	<u>-</u>	<u>-</u>	<u>49,643</u>
Net assets released from restrictions	461,182	(461,182)	-	-	202,574	(202,574)	-	-
Total revenues and other support	<u>1,426,029</u>	<u>(75,743)</u>	<u>-</u>	<u>1,350,286</u>	<u>1,272,654</u>	<u>1,194,864</u>	<u>-</u>	<u>2,467,518</u>
<b>Expenses</b>								
Program services	1,132,446	-	-	1,132,446	1,065,471	-	-	1,065,471
Support services								
Management and general	124,187	-	-	124,187	115,944	-	-	115,944
Fundraising	57,588	-	-	57,588	54,449	-	-	54,449
Total expenses	<u>1,314,221</u>	<u>-</u>	<u>-</u>	<u>1,314,221</u>	<u>1,235,864</u>	<u>-</u>	<u>-</u>	<u>1,235,864</u>
Change in net assets	111,808	(75,743)	-	36,065	36,790	1,194,864	-	1,231,654
Net assets, beginning of year	<u>667,137</u>	<u>1,456,783</u>	<u>1,047,000</u>	<u>3,170,920</u>	<u>630,347</u>	<u>261,919</u>	<u>1,047,000</u>	<u>1,939,266</u>
Net assets, end of year	<u>\$ 778,945</u>	<u>\$ 1,381,040</u>	<u>\$ 1,047,000</u>	<u>\$ 3,206,985</u>	<u>\$ 667,137</u>	<u>\$ 1,456,783</u>	<u>\$ 1,047,000</u>	<u>\$ 3,170,920</u>

See accompanying notes and independent auditor's report.

**VENTANA WILDLIFE SOCIETY**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED MARCH 31, 2018 and 2017**

	2018				2017				
	Program Services	Supporting Services General and Administrative		Fundraising	Total	Program Services	Supporting Services General and Administrative		Fundraising
Personnel costs	\$ 599,133	\$ 86,664	\$ 52,684	\$ 738,481	\$ 590,809	\$ 82,381	\$ 34,375	\$ 707,565	
Supplies	78,885	2,571	-	81,456	58,413	2,229	-	60,642	
Occupancy costs	64,639	8,378	-	73,017	64,250	8,094	-	72,344	
Depreciation	69,625	-	-	69,625	51,279	-	-	51,279	
Miscellaneous	51,321	4,280	-	55,601	71,274	3,382	-	74,656	
Contract services	55,186	-	-	55,186	5,915	-	16,038	21,953	
Staff travel and vehicle maintenance	54,609	-	-	54,609	53,709	-	-	53,709	
Nonlead bullets	38,377	-	-	38,377	30,635	-	-	30,635	
Insurance	35,711	-	-	35,711	29,281	-	-	29,281	
Equipment rent and maintenance	24,233	3,380	-	27,613	36,203	3,969	-	40,172	
Accounting and legal fees	-	18,914	-	18,914	12,542	15,889	-	28,431	
Volunteer travel	16,332	-	-	16,332	15,818	-	-	15,818	
Transmitter equipment	15,720	-	-	15,720	18,438	-	-	18,438	
Interest	12,153	-	-	12,153	-	-	-	-	
Dues and memberships	8,087	-	-	8,087	10,197	-	-	10,197	
Printing	5,442	-	-	5,442	12,844	-	-	12,844	
Membership/donor expenses	-	-	4,904	4,904	-	-	4,036	4,036	
Postage and shipping	2,993	-	-	2,993	3,864	-	-	3,864	
<b>Total</b>	<b>\$ 1,132,446</b>	<b>\$ 124,187</b>	<b>\$ 57,588</b>	<b>\$ 1,314,221</b>	<b>\$1,065,471</b>	<b>\$ 115,944</b>	<b>\$ 54,449</b>	<b>\$ 1,235,864</b>	

See accompanying notes and independent auditor's report.

**VENTANA WILDLIFE SOCIETY**  
**STATEMENTS OF CASH FLOWS**  
FOR THE YEARS ENDED MARCH 31, 2018 and 2017

	2018	2017
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 36,065	\$ 1,231,654
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	69,625	51,279
(Gain)/loss on sales of assets	6,244	(2,710)
(Increase) decrease in operating assets		
Pledges receivable	40,000	(35,000)
Grants receivable	35,174	(15,958)
Deposits and prepaid expenses	6,040	259
Trust receivable	(40,850)	(1,090,864)
Increase (decrease) in operating liabilities		
Accounts payable	(20,553)	23,364
Accrued liabilities	2,696	1,862
Camp deposits	556	1,184
Net cash provided by operating activities	134,997	165,070
 <b>Cash flows from investing activities:</b>		
Sales/disposal of fixed assets	4,500	19,629
Purchases/sales of fixed assets	(1,084,609)	(138,765)
Net cash used in investing activities	(1,080,109)	(119,136)
 <b>Cash flows from financing activities:</b>		
Transfer to board designated fund	(35)	(35)
Donor restricted cash	65,302	58,036
Mortgage note	800,000	-
Net cash provided by financing activities	865,267	58,001
 Net increase (decrease) in cash and cash equivalents	(79,845)	103,935
 Cash and cash equivalents, beginning of year	207,908	103,973
 Cash and cash equivalents, end of year	\$ 128,063	\$ 207,908
 Supplemental cash flow disclosure:		
Interest paid	\$ 12,153	\$ -
In-kind revenue and expenses:		
Rent, services and goods	\$ 63,083	\$ 89,751

See accompanying notes and independent auditor's report.

**VENTANA WILDLIFE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 and 2017**

**1. NATURE OF ACTIVITIES**

Ventana Wildlife Society (the Society) is a California non-profit corporation. The Society was 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 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**

**Basis of Accounting**—Ventana Wildlife Society uses the accrual basis of accounting under which revenues are recognized when they are earned and expenses are recognized when the related liability is incurred.

**Basis of Presentation**—The Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**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 cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**Accounts, Pledges and Grants 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 charge off uncollectible accounts receivable when management determines the receivable will not be collected.

**Contributions Receivable under Split-Interest Agreement**—During the year ended March 31, 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 of the greater of (a) the net income of the trust for the prior year, or b) 5% 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, 2018 and 2017. The Society has estimated the fair value of its interest in the Trust to be \$1,090,864, which was recorded in the fiscal year ended March 31, 2017 as a temporarily restricted contribution and as contribution receivable-split-interest agreement. The Organization received \$83,629 and \$194,074 from the Trust in the years ended March 31, 2018 and 2017, respectively. 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.

**VENTANA WILDLIFE SOCIETY**  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018 and 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

**Property and Equipment**—Property and equipment are stated at cost or fair value at the date of donation. The Society capitalizes property and equipment with a value greater than \$3,000 and a useful life of more than one year. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which ranges from five to twenty years.

**Restricted and Unrestricted Revenue and Support**—Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with temporary restrictions that are met in the same reporting period may be reported as unrestricted support and increase unrestricted net assets.

**Fair Value Measurements**—The Society classifies its financial assets and liabilities based on a valuation method using three levels:

- Level 1 values are based on quoted prices in active markets for identical securities.
- Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets.
- Level 3 values are based on significant unobservable inputs that reflect the Society's determination of assumptions that market participants might reasonably use in valuing the securities.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

The valuation methodologies used to measure the fair value of the Society's assets, liabilities, and instruments classified in net assets are described as follows:

- The carrying amounts of cash, cash reserves, grants receivable, deposits and prepaid expenses, current and accrued liabilities approximate fair value because of the short maturity of these instruments.
- Contributions receivable under split interest agreements are valued using unobservable inputs and are therefore classified using Level 3 measurements.

While the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such assets and liabilities existed, or had such assets and liabilities been liquidated, and these differences could be material to the financial statements.

**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 recognized at fair value when received. No contributed services have been recorded in the financial statements as there were none that met the criteria for recognition. The Society received in-kind contributions of rent and advertising which are recorded as in-kind revenue and expensed in the appropriate expense account.

**VENTANA WILDLIFE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 and 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

**Income Taxes**—The Society is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision in the California tax codes. In addition, the Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a Society that is not a private foundation under Section 170(a)(2). The Society’s management has considered its tax positions and believes that all of the positions taken by the Society in its federal and state tax returns are more likely than not to be sustained on examination by taxing authorities. The Society’s Federal and California tax exempt returns for 2014 through 2017 are subject to examination by the federal and state taxing authorities, generally for three years after they are filed.

**Expense Allocation**—The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities and the statements of functional expense. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Use of Estimates**—Financial statements prepared in accordance with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassifications**—Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year’s format. Net assets and changes in net assets are unchanged due to these reclassifications

**Date of Management's Review for Subsequent Events**—In preparing the financial statements, the Society’s management has evaluated events and transactions for potential recognition and disclosure through February 1, 2019, which is the date the financial statements were available to be issued.

**3. CASH/CASH EQUIVALENTS, BOARD DESIGNATED AND RESTRICTED CASH**

**Cash and cash equivalents**—Cash and cash equivalents as of March 31 consisted of the following:

	2018	2017
Demand deposits	\$ 126,754	\$ 206,600
Certificate of deposit	1,309	1,308
	\$ 128,063	\$ 207,908

**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 institutions 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 (SIPC).

Board designated cash reserves as of March 31 consisted of the following:

	2018	2017
Demand deposits	\$ 115,316	\$ 115,281

**VENTANA WILDLIFE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 and 2017**

**3. CASH/CASH EQUIVALENTS, BOARD DESIGNATED AND RESTRICTED CASH, continued**

**Restricted cash**—The Society received a \$250,000 contribution in the year ended March 31, 2015 which requires a separate bank account and is restricted in use and time of use. For the years ended March 31, 2018 and 2017, \$33,846 and \$58,036 was available for use.

Restricted cash as of March 31 consisted of the following:

	2018	2017
Certificate of deposit	\$ -	\$ 65,302

The cash may be used for various educational and operational purposes at any time in the future.

**4. PROPERTY AND EQUIPMENT (net of depreciation)**

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

	2018	2017
Land	\$ 1,437,500	\$ 1,437,500
Buildings and improvements	1,221,957	160,146
Equipment	126,920	120,616
Vehicles	186,648	183,226
	2,973,025	1,901,488
Less: accumulated depreciation	(335,850)	(268,553)
	\$ 2,637,175	\$ 1,632,935

Included in land is a parcel 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 to not disturb nesting bald eagles, or other programs consistent with the Society's mission, "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 permanently restricted. 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. A portion of the cash purchase in the amount of \$137,000 was permanently restricted and \$113,000 was board designated from unrestricted funds.

Depreciation expense totaled \$69,625 and \$51,279, respectively for the years ended March 31, 2018 and 2017.

**VENTANA WILDLIFE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 and 2017**

**5. TRUST RECEIVABLE**

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

	<u>2018</u>	<u>2017</u>
Due in one year	\$ 92,204	\$ 90,250
Due in one to nineteen years	<u>1,650,446</u>	<u>1,710,508</u>
Total trust receivable	1,742,650	1,800,758
Less:		
Discount to present values	<u>(610,936)</u>	<u>(709,894)</u>
Total trust receivable	<u><u>\$1,131,714</u></u>	<u><u>\$ 1,090,864</u></u>

**6. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair values of assets measured on a recurring basis at March 31 are as follows:

<u>2018:</u>	<u>Fair Value</u>	<u>(Level 3)</u>
Contributions receivable under split-interest agreements	<u>\$ 1,131,714</u>	<u>\$ 1,131,714</u>
<u>2017:</u>	<u>Fair Value</u>	<u>(Level 3)</u>
Contributions receivable under split-interest agreements	<u>\$ 1,090,864</u>	<u>\$ 1,090,864</u>

The following is a summary of activity for the years ended March 31, 2018 and 2017 for assets measured at fair value based on Level 3 inputs:

Contributions receivable under split-interest agreements:

Balance April 1, 2016	\$ -
Contributions- present value of future cash flows	<u>1,090,864</u>
Balance March 31, 2017	1,090,864
Distributions and change in value of future cash flows	<u>40,850</u>
Balance March 31, 2018	<u><u>\$ 1,131,714</u></u>

**7. CONCENTRATION 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 insured) 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 Organization believes it is not exposed to any significant credit risk on its cash balances.

**VENTANA WILDLIFE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 and 2017**

**8. COMMITMENTS AND CONTINGENCIES**

**Credit Cards**—The Society has established credit limits up to \$7,500 for credit cards to be used by authorized officers or representatives of the Society. The balance due on these cards at March 31, 2018 and 2017 totaled \$3,949 and \$8,998, respectively, and is included in accounts payable.

**Revolving Line of Credit**—The Society maintains a \$62,000 revolving line of credit for use in organizational activities. Advances on the credit line are payable upon demand and carry an interest rate of 12.25% and 11.0% as of March 31, 2018 and 2017, respectively. During the years ended March 31, 2018 and 2017 there were advances of \$0- and \$9,357, respectively, taken on the line of credit, which were paid in full prior to year-end each year.

**Contingent Liabilities** – The Society may be a party to a potential litigation regarding an accident that occurred with one of its vehicles while being used for a personal task by an off-duty employee. Two claims have been filed naming the property owner and not the Society. The claims are believed to be for less than \$500,000. There is a potential of further claims up to \$16 million, however, the Society should not be the target defendant should litigation commence.

**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 Prime plus 1.75 percentage points, with the same principal payment terms.

Maturities of long term debt for the next five years are as follows:

Year Ending March 31	Amount
2019	\$ 50,000
2020	50,000
2021	50,000
2022	50,000
2023	50,000
Thereafter	<u>550,000</u>
Total	<u>\$ 800,000</u>

Interest paid was \$12,153 during the year ended March 31, 2018.

**10. LEASE OBLIGATIONS**

The Society leased two properties - administrative offices and a residence for interns under month-to-month leases, until January 2018, when an office building was purchased. Total rent paid on these leases for the years ending March 31, 2018 and 2017 was \$33,901 and \$34,930, respectively.

**VENTANA WILDLIFE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 and 2017**

**11. PENSION PLAN**

The Society maintains a 403(b) tax shelter annuity plan for the benefit of its eligible employees. 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 years ended March 31, 2018 and 2017 was \$17,196 and \$16,305, respectively.

**12. RESTRICTIONS/DESIGNATIONS ON NET ASSETS**

**Temporarily Restricted Net Assets**—Temporarily restricted net assets at March 31, 2017 and 2018 are available for the following purposes:

	Balance 3/31/17	Additions	Released	Balance 3/31/18
Split-interest agreements	\$ 1,090,864	\$ 40,850	\$ -	\$ 1,131,714
Capital asset acquisition	194,074	83,629	(170,522)	107,181
Youth education and internships	171,845	260,960	(290,660)	142,145
Total temporarily restricted net assets	<u>\$ 1,456,783</u>	<u>\$ 385,439</u>	<u>\$(461,182)</u>	<u>\$ 1,381,040</u>

**Permanently Restricted/Board Designated Net Assets**—Permanently restricted and board designated net assets were as follows at March 31, 2018 and 2017:

Wildlife Sanctuaries Land:

Permanently restricted:

Lake Nacimiento	\$ 570,000
Big Sur	477,000
Total permanently restricted net assets	<u>1,047,000</u>

Board designated land purchase:

Big Sur	390,500
Total Wildlife Sanctuaries land	<u>\$1,437,500</u>

**13. IN-KIND CONTRIBUTIONS AND CONTRIBUTED SERVICES**

The Society received various types of in-kind contributions during the years ended March 31, 2018 and 2017. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses, or fixed assets.

The Society received in-kind contributions and recognized in-kind rent expense for use of a portion of Andrew Molera State Park of \$24,000 each year, as well as in-kind goods and services of \$1,908 and \$29,045 and in-kind advertising of \$37,175 and \$36,706 for the years ended March 31, 2018 and 2017, respectively.

**VENTANA WILDLIFE SOCIETY**  
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**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 endowments fund agreement, the Board of Governors of the CFMC has full authority as to the investment and reinvestment of the 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, 2018 and 2017 was \$32,024 and \$29,341, respectively, with no distributions received from the endowment funds in either 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 as incurred. Contract activity for the year ended March 31, 2018 was as follows:

	CFDA #	Federal Awards/ Expenditures	State Awards/ Expenditures	Project Income	Organization Match	Total Expenditures Claimed
CA Coastal Comm	N/A	\$ -	\$ 22,264	\$ -	\$ -	\$ 22,264
NOAA Watershed	11.429	33,606		-	15,142	48,748
USFWS-ESF	15.608	41,590	-	-	-	41,590
USFWS-SOB	15.657	34,821	-	-	-	34,821
Dept. Parks/Rec.	N/A	-	25,000	-	-	25,000
Monterey Co-FGC	N/A	-	11,000	-	-	11,000
		<u>\$ 110,017</u>	<u>\$ 58,264</u>	<u>\$ -</u>	<u>\$ 15,142</u>	<u>\$ 183,423</u>

Claimed expenses listed above include expenses that are allocated to management and general in the accompanying statements of functional expenses. The organization match above includes \$15,142 in matching cash.

Financial awards from federal, state, and local governmental 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 since the Society's management is monitoring grant expenses to ensure compliance requirements are met.

**VENTANA WILDLIFE SOCIETY**  
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**16. SPECIAL EVENTS**

Special events results for the fiscal years ended March 31 were as follows:

	2018	2017
Feathers in Flight/Movie Event		
Revenue	\$ -	\$ 62,887
Expense	(5,719)	(15,431)
Net income	(5,719)	47,456
Merchandise		
Revenue	2,454	4,926
Expense	(5,394)	(6,948)
Total special event income	\$ (8,659)	\$ 45,434

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 nonprofit organization), which comprise the statements of financial position as of March 31, 2018 and 2017 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 1, 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 *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.

**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.

*Grace CPAs, LLP*

Monterey, California  
February 1, 2019