AUDUBON CANYON RANCH, INC.
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

For the Years Ended
June 30, 2019 and 2018

DORAN & ASSOCIATES

C O N T E N T S

DORAN & ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Audubon Canyon Ranch, Inc.
Stinson Beach, California

We have audited the accompanying financial statements of Audubon Canyon Ranch, Inc. (a California nonprofit public benefit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018 (as restated; see Note 3), 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Audubon Canyon Ranch, Inc. as of June 30, 2019 and 2018 (as restated), and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard
As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Doran & Associates

November 26, 2019

AUDUBON CANYON RANCH, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018 (as restated)

	2019	2018 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	$ 5,012,149	$ 5,436,992
Restricted cash (Note 1)	83,018	60,804
Current portion of pledges, grants, and bequests receivable (Note 4)	399,083	474,291
Accounts receivable	40,485	5,320
Inventory	1,487	20,871
Prepaid expenses	55,543	57,195
Total current assets	5,591,765	6,055,473
Pledges, grants, and bequests receivable, net of current portion (Note 4)	243,334	-
Endowment investments (Note 5)	26,873,158	27,178,532
Remainder interest in trusts, at present value (Note 6)	94,178	81,613
Property, equipment and improvements, net of accumulated depreciation of $3,684,125 at 2019 and $3,447,722 at 2018 (Notes 1 and 7)	11,106,227	10,674,011
Total assets	$ 43,908,662	$ 43,989,629
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 323,044	$ 216,865
Unspent insurance proceeds (Note 7)	3,610,334	4,122,647
Total liabilities	3,933,378	4,339,512
Net assets (Note 8):		
Without donor restrictions	12,352,341	11,981,115
With donor restrictions	27,622,943	27,669,002
Total net assets	39,975,284	39,650,117
Total liabilities and net assets	$ 43,908,662	$ 43,989,629

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

AUDUBON CANYON RANCH, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES
For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND TRANSFERS			
Public support:			
Gifts and bequests	$ 1,431,289	$ 1,082,068	$ 2,513,357
Grants	61,705	-	61,705
In-kind services (Note 9)	88,217	-	88,217
Total public support	1,581,211	1,082,068	2,663,279
Revenue:			
Net investment return (Note 5)	315,847	697,071	1,012,918
Bookstore sales, net	1,140	-	1,140
Other revenue	9,729	-	9,729
Total revenue	326,716	697,071	1,023,787
Proceeds from insurance (Note 7)	599,321	-	599,321
Net assets released from restriction pursuant to endowment spending rate distribution formula	1,043,660	(1,043,660)	-
Net assets with donor restrictions released from restriction, fulfillment of purpose and/or time restrictions	781,538	(781,538)	-
Total support, revenue and transfers	4,332,446	(46,059)	4,286,387
EXPENSES AND LOSSES			
Program services (see Note 9)	2,764,092	-	2,764,092
General and administrative	648,481	-	648,481
Fundraising	548,647	-	548,647
Total expenses and losses	3,961,220	-	3,961,220
Change in net assets	371,226	(46,059)	325,167
Net assets, beginning of year	11,981,115	27,669,002	39,650,117
Net assets, end of year	$ 12,352,341	$ 27,622,943	$ 39,975,284

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

AUDUBON CANYON RANCH, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES (CONTINUED)
For the year ended June 30, 2018 (as restated)

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND TRANSFERS			
Public support:			
Gifts and bequests	$ 1,144,937	$ 625,126	$ 1,770,063
Grants	9,949	87,000	96,949
In-kind services (Note 9)	158,003	-	158,003
Total public support	1,312,889	712,126	2,025,015
Revenue:			
Net investment return (Note 5)	552,974	1,406,626	1,959,600
Bookstore sales, net	1,684	-	1,684
Other revenue	7,514	-	7,514
Total revenue	562,172	1,406,626	1,968,798
Proceeds from insurance (Note 7)	579,929	-	579,929
Net assets released from restriction pursuant to endowment spending rate distribution formula	1,058,064	(1,058,064)	-
Net assets with donor restrictions released from restriction, fulfillment of purpose and/or time restrictions	540,833	(540,833)	-
Total support, revenue and transfers	4,053,887	519,855	4,573,742
EXPENSES AND LOSSES			
Program services (see Note 9)	2,663,896	-	2,663,896
General and administrative	762,496	-	762,496
Fundraising	424,727	-	424,727
Total expenses	3,851,119	-	3,851,119
Loss on impairment of fixed assets (Note 7)	24,854	-	24,854
Total expenses and losses	3,875,973	-	3,875,973
Change in net assets	177,914	519,855	697,769
Net assets, beginning of year, as originally stated	11,570,916	27,381,432	38,952,348
Reclassification (Note 3)	232,285	(232,285)	-
Net assets, beginning of year, as restated	11,803,201	27,149,147	38,952,348
Net assets, end of year	$ 11,981,115	$ 27,669,002	$ 39,650,117

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

AUDUBON CANYON RANCH, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019

	Program Services	General and Administrative	Fundraising	Total
Personnel	$ 1,713,647	$ 355,380	$ 392,001	$ 2,461,028
Library and public education	54,063	-	-	54,063
Research and special projects	238,066	-	-	238,066
Insurance	47,819	9,917	10,939	68,675
Professional fees and contract services	4,990	130,649	-	135,639
Supplies and other general expenses	34,600	7,175	7,915	49,690
Repairs and maintenance	238,062	18,988	20,944	277,994
Utilities and telephone	64,734	13,425	14,808	92,967
Transportation	107,084	1,669	388	109,141
Printing and website	13,891	-	6,953	20,844
Postage and mailing	2,319	-	5,849	8,168
Community outreach and recognition	3,023	-	50,684	53,707
Miscellaneous fees and taxes	55,884	10,223	511	66,618
In-kind legal	21,299	66,918	-	88,217
Cost of goods sold	2,481	-	-	2,481
Total expenses before depreciation	2,601,962	614,344	510,992	3,727,298
Depreciation and amortization	164,611	34,137	37,655	236,403
Total expenses	2,766,573	648,481	548,647	3,963,701
Less expenses included with revenues on the Statement of Activities:				
Merchandise cost of goods sold	2,481	-	-	2,481
Total expenses included in the expenses section on the Statement of Activities	$ 2,764,092	$ 648,481	$ 548,647	$ 3,961,220

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

AUDUBON CANYON RANCH, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
For the year ended June 30, 2018

	Program Services	General and Administrative	Fundraising	Total
Personnel	$ 1,670,872	$ 482,412	$ 280,698	$ 2,433,982
Library and public education	78,174	-	-	78,174
Research and special projects	79,519	-	-	79,519
Insurance	40,163	11,596	6,747	58,506
Professional fees and contract services	8,673	81,224	-	89,897
Supplies and other general expenses	75,360	21,758	12,660	109,778
Repairs and maintenance	260,485	30,134	17,534	308,153
Utilities and telephone	70,019	20,215	11,763	101,997
Transportation	76,093	1,669	388	78,150
Printing and website	18,737	-	6,953	25,690
Postage and mailing	2,319	-	9,126	11,445
Communications and recognition	3,024	-	54,219	57,243
Miscellaneous fees and taxes	40,627	10,227	511	51,365
In-kind legal and other	96,208	61,795	-	158,003
Cost of goods sold	5,573	-	-	5,573
Total expenses before depreciation	2,525,846	721,030	400,599	3,647,475
Depreciation and amortization	143,623	41,466	24,128	209,217
Total expenses	2,669,469	762,496	424,727	3,856,692
Less expenses included with revenues on the Statement of Activities:				
Merchandise cost of goods sold	5,573	-	-	5,573
Total expenses included in the expenses section on the Statement of Activities	$ 2,663,896	$ 762,496	$ 424,727	$ 3,851,119

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

AUDUBON CANYON RANCH, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 325,167	$ 697,769
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	236,403	209,217
Gain on sale of land	(5,000)	-
Loss on impairment of fixed assets	-	24,854
Realized gain on investments	(485,447)	(1,260,499)
Unrealized loss on investments	450,655	31,719
Insurance proceeds used for purchase of property, equipment and improvements	(404,669)	(355,566)
Changes in assets and liabilities:		
Pledges, grants and bequests receivable	(168,126)	(473,191)
Accounts receivable	(35,165)	-
Inventory	19,384	2,082
Prepaid expenses	1,652	(1,181)
Life income gifts and remainder interest in trusts	(12,565)	(303)
Accounts payable and accrued expenses	106,179	40,171
Total adjustments	(296,699)	(1,782,697)
Net cash provided (used) by operating activities	28,468	(1,084,928)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash	(22,214)	1,904
(Use of) receipt of insurance proceeds	(512,313)	4,122,647
Sales / withdrawals of endowment investments	340,166	957,730
Purchase of property, equipment and improvements	(264,950)	(140,244)
Proceeds from sale of land	6,000	-
Net cash (used) provided by investing activities	(453,311)	4,942,037
Net (decrease) increase in cash and cash equivalents	(424,843)	3,857,109
Cash and cash equivalents, beginning of year	5,436,992	1,579,883
Cash and cash equivalents, end of year	$ 5,012,149	$ 5,436,992
Non-cash transactions:		
Donation of marketable securities	$ 4,000	$ 14,794
Additional disclosures:		
Property, equipment, and improvements funded by insurance proceeds	$ 404,669	$ 355,566

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

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Audubon Canyon Ranch, Inc. (hereafter ACR, or the Corporation), a California nonprofit public benefit corporation, is a system of wildlife sanctuaries and centers of nature education in the counties of Marin and Sonoma, California. ACR has five primary properties: the Martin Griffin Preserve, Bouverie Preserve, Cypress Grove Research Center, Mayacamas Mountain Sanctuary, Modini-Ingalls Ecological Preserve, and a number of other properties in Marin and Sonoma Counties. Audubon Canyon Ranch protects the natural resources of its sanctuaries while fostering an understanding and appreciation of these environments. We educate children and adults, promote ecological literacy that is grounded in direct experience and conduct research and restoration that advances conservation science.

ACR receives the majority of its support and revenue from public and private contributions and earnings from fund investments.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment (see Note 8).

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Method of Accounting - The financial statements of the Corporation are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

Not included in cash and cash equivalents is cash restricted for use by donor instruction, which was $83,018 and $60,804 at June 30, 2019 and 2018, respectively.

Contributions - Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment and Improvements - The Corporation records property and equipment in excess of $2,000 at cost of acquisition or, if donated, fair market value at date of donation. Depreciation is recognized using the straight-line method over the useful lives of the assets, which range from 5 to 39 years for buildings and 5 to 10 years for equipment.

The Corporation reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. During the year ended June 30, 2018, there was an impairment on newly-acquired assets damaged by wildfire (see Note 7).

Functional Expenses - The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, occupancy, office expenses, information technology, insurance, depreciation and other, which are allocated based on time studies or other measures of effort.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes - The Corporation is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, and is considered by the IRS to be an organization other than a private foundation. In the opinion of management, there is no unrelated business income.

ASC 740-10, *Accounting for Uncertainty in Income Taxes* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. The Corporation has determined whether any tax positions have met the recognition threshold and has measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed (four years for California). Any interest or penalties assessed to the Corporation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Update, ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*- In August 2016, the FASB issued new financial statement presentation guidance, which applies to most nonprofit financial statements. The new guidance has impacted net asset classes, the presentation of investment return, and other changes, and was effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The new standard had a material effect on the Corporation's financial position, results of operations, or cash flows.

Accounting Standards Update, ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* - In response to divergence in the way restricted cash is classified and presented in financial statements, FASB issued an amendment requiring that a statement of cash flows explain the change during a reporting period of the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. The amendment is effective for fiscal years beginning after December 31, 2018. The new standard is expected to have an impact on the Corporation's statement of cash flows.

Accounting Standards Update, ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* - In June 2018, the FASB issued clarified guidance regarding the way nonprofit organizations record contracts and grants being received and issued. For each arrangement, the organization will have to determine key elements of the agreement including (a) whether or not there is an exchange transaction (i.e., direct commensurate value to funder), (b) whether there are donor-imposed conditions for non-exchange transactions (e.g., measurable performance barriers, etc.) before commitment may be recognized as income, and (c) whether there are donor-imposed restrictions on non-exchange, unconditional funds (i.e., limited purpose or timing restrictions). The new standard is effective for resource recipients for fiscal years beginning after December 15, 2018, and for resource providers for fiscal years beginning after December 15, 2019, and is expected to have a material impact on the Corporation's statement of financial position, results of operations, and cash flows.

Accounting Standards Update, ASU 2016-02, *Leases* - In February 2016, the FASB issued amendments to the way lessees record lease transactions. Upon implementation, lessees will be required to recognize at commencement the right-of-use asset and a lease liability representing the lessee's obligation to make lease payments arising from the lease, as discounted, for all leases except short-term leases. This Standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2019, and early adoption is permitted. Management is currently evaluating the impact the amendments to this ASU will have on the financial statements of the Corporation.

Subsequent Events - Subsequent events have been evaluated through November 26, 2019, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

Cash and cash equivalents	$ 4,007,158
Contributions receivable without donor restriction	399,083
Other receivables	40,485
Endowment spending rule distributions	1,382,484
Endowment other distributions	331,596
Total	$ 6,160,806

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Audubon Canyon Ranch, Inc. has a goal to maintain financial assets (cash and short-term investments) sufficient to meet 60 days of operating expenses, which are approximately $600,000. The Organization invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

NOTE 3 RECLASSIFICATION

During the year ended June 30, 2019, the Corporation analyzed the values of donor-restricted real estate and determined that the donor-restricted values were not reflecting depreciation on certain depreciable assets. As a result, $232,285 was reclassified, reducing net assets with donor restrictions and increasing net assets without donor restrictions as of July 1, 2017.

NOTE 4 PLEDGES, GRANTS, AND BEQUESTS

The Corporation received pledges, grants, and bequests receivable for various purposes. The receivables are collectible as follows at June 30, 2019 and 2018:

	2019	2018
Current portion	$ 399,083	$ 474,291
Long-term portion, year ending June 30:		
2021	68,334	-
2022	25,000	-
2023	25,000	-
2024	25,000	-
2025	25,000	-
Thereafter	75,000	-
Total long-term portion	243,334	-
Total pledges, grants, and bequests	$ 642,417	$ 474,291

It is the practice of the Corporation to expense uncollectibles only after exhausting all efforts to collect the amounts due. There is no allowance for doubtful accounts and management believes all amounts will be collected in full.

NOTE 5 ENDOWMENT INVESTMENTS

Endowment investments consist of two components:

- *Donor Restricted Endowment Investments* representing the historic dollar value of contributions restricted by donors for permanent investment.

- *Board-Designated Endowment Investments* representing funds allocated to the endowment by the Corporation's Board of Directors.

The following are the major categories of marketable equity securities measured at fair value on a recurring basis during the years ended June 30, 2019 and 2018, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	Fair Value Measurements Using			
Description:	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2019:				
Equity securities	$ 9,162,642	$ -	$ -	$ 9,162,642
Fixed income	9,087,198	-	-	9,087,198
Other	8,623,318	-	-	8,623,318
	$ 26,873,158	$ -	$ -	$ 26,873,158
2018:				
Equity securities	$ 9,621,494	$ -	$ -	$ 9,621,494
Fixed income	9,414,280	-	-	9,414,280
Other	8,142,758	-	-	8,142,758
	$ 27,178,532	$ -	$ -	$ 27,178,532

The following summarizes the investment income (loss), including operating account activity, during the years ended June 30, 2019 and 2018:

	2019	2018
Realized gain	$ 485,447	$ 1,260,499
Unrealized loss	(450,655)	(31,719)
Interest and dividend income	1,063,132	817,236
Investment management fees	(85,006)	(86,416)
	$ 1,012,918	$ 1,959,600

NOTE 5 ENDOWMENT INVESTMENTS (Continued)

ACR's endowment consists of two investment accounts containing cash and cash equivalents, bonds, equities, and treasury bills, established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Law - The Board of Directors of ACR has interpreted the California State Prudent Management of Institutional Funds Act (SPMIFA) as requiring, absent explicit donor stipulations to the contrary, the appropriation for expenditures or accumulation of so much of the donor-restricted endowment fund as the Board determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Consistent with this interpretation, ACR has classified as restricted net assets of the donor-restricted endowment fund, (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if applicable. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

NOTE 5 ENDOWMENT INVESTMENTS (Continued)

Endowment Net Asset Composition by Type of Fund as of:

Description	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2019			
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor	$ -	$ 14,587,814	$ 14,587,814
Accumulated investment gains	-	5,610,301	5,610,301
	-	20,198,115	20,198,115
Board-designated endowment funds	7,763,052	-	7,763,052
Total funds	$ 7,763,052	$ 20,198,115	$ 27,961,167
Cash and cash equivalents	$ -	$ 1,088,009	$ 1,088,009
Endowment investments	7,763,052	19,110,106	26,873,158
	$ 7,763,052	$ 20,198,115	$ 27,961,167
June 30, 2018			
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor	$ -	$ 14,587,814	$ 14,587,814
Accumulated investment gains	-	5,956,890	5,956,890
	-	20,544,704	20,544,704
Board-designated endowment funds	8,054,754	-	8,054,754
Total funds	$ 8,054,754	$ 20,544,704	$ 28,599,458
Cash and cash equivalents	$ -	$ 1,202,947	$ 1,202,947
Bequest receivable	-	217,979	217,979
Endowment investments	8,054,754	19,123,778	27,178,532
	$ 8,054,754	$ 20,544,704	$ 28,599,458

NOTE 5 ENDOWMENT INVESTMENTS (Continued)

Changes in Endowment Net Assets for the Fiscal Years Ended June 30, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2017	$ 8,020,129	$ 19,978,163	$ 27,998,292
Investment return:			
Interest and dividends	230,671	586,444	817,115
Realized gain	355,839	904,660	1,260,499
Unrealized loss	(8,955)	(22,764)	(31,719)
Management fees	(24,274)	(61,714)	(85,988)
Total investment return	553,281	1,406,626	1,959,907
Contributions	-	217,979	217,979
Transfers to endowment investments	278,305	-	278,305
Total contributions and changes in contributions	278,305	217,979	496,284
Appropriation of endowment assets for expenditure:			
Spending rule	(333,784)	(1,025,264)	(1,359,048)
Additional appropriations	(463,177)	(32,800)	(495,977)
Total appropriations	(796,961)	(1,058,064)	(1,855,025)
Endowment net assets, June 30, 2018	8,054,754	20,544,704	28,599,458
Investment return:			
Interest and dividends	284,370	733,162	1,017,532
Realized gain	135,667	349,780	485,447
Unrealized loss	(125,944)	(324,711)	(450,655)
Management fees	(23,722)	(61,160)	(84,882)
Total investment return	270,371	697,071	967,442
Contributions	-	-	-
Transfers to endowment investments	800,919	-	800,919
Total contributions and changes in contributions	800,919	-	800,919
Appropriation of endowment assets for expenditure:			
Spending rule	(335,320)	(1,043,660)	(1,378,980)
Additional appropriations	(1,027,672)	-	(1,027,672)
Total appropriations	(1,362,992)	(1,043,660)	(2,406,652)
Endowment net assets, June 30, 2019	$ 7,763,052	$ 20,198,115	$ 27,961,167

NOTE 5 ENDOWMENT INVESTMENTS (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2019 or 2018.

Investment Return Objectives and Risk Parameters

ACR has adopted investment objectives for endowment assets that attempt to provide consistent, predictable cash flows for ACR's programs and to preserve the purchasing power, or inflation-adjusted value, of the endowment. Endowment assets include those assets of the donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The endowment assets are invested in a manner consistent with ACR's organizational and other documents and applicable law. The return objective is to produce a net average annual total return, over the long-term, equal to the change in the Consumer Price Index ("CPI") plus 4.5%. The performance of the portfolio is measured against an appropriate weighting of specific indices (such as the S&P 500 Index, Russell 3000 Index, MSCI EAFE Index, and Barclays Aggregate Bond Index), as determined by the Investment Committee. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

The assets are invested in a manner consistent with the purpose and objectives stated above. The organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Return Objective Relates to Spending Policy

ACR has a policy of appropriating for distribution each year an amount equal to the sum of a) 30% of the average of the fair market value of the portfolio at the close of the preceding four quarters (ending June through March) multiplied by a factor of 0.045, plus b) 70% of the prior year distribution amount, adjusted for inflation, plus c) an adjustment for the amount of the gifts added to the endowment since the previous year's distribution amount was determined. Other withdrawals are only permitted at the authorization of the Board of Directors. In establishing this policy, the organization considered, among other things, the long-term expected return on its endowment. Accordingly, over the long-term, the return objective of the organization is for its endowment to produce a net average annual total return equal to the change in CPI plus 4.5%. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 6 REMAINDER INTEREST IN TRUSTS

The Corporation is the charitable remainder beneficiary for several charitable remainder uni-trusts (CRUTs) holding primarily marketable securities. The CRUTs are subject to life estates, whereby the assets, upon death of the income beneficiary, are distributed to ACR.

The following are the major categories of CRUTs measured at fair value using the market approach on a recurring basis during the years ended June 30, 2019 and 2018, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	Fair Value Measurements Using			
Description	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Remainder interest in trusts:				
June 30, 2019	$ -	$ 94,178	$ -	$ 94,178
June 30, 2018	$ -	$ 81,613	$ -	$ 81,613

The following is a reconciliation of the beginning and ending balances for assets, using the market approach, measured at fair value on a recurring basis using significant other observable inputs (Level 2) during the years ended June 30, 2019 and 2018:

Balance, June 30, 2017	$ 81,310
Unrealized gain	303
Balance, June 30, 2018	81,613
Unrealized gain	12,565
Balance, June 30, 2019	$ 94,178

NOTE 7 PROPERTY, EQUIPMENT AND IMPROVEMENTS

Property, equipment and improvements consisted of the following:

Property, Equipment and Improvements, at Cost	Land	Buildings and Improvements	Furniture and Equipment	Total
Balance, June 30, 2017	$ 7,891,270	$ 5,152,430	$ 607,077	$ 13,650,777
Additions	-	343,632	152,178	495,810
Impairment*	-	(11,475)	(13,379)	(24,854)
Balance, June 30, 2018	7,891,270	5,484,587	745,876	14,121,733
Additions	-	487,717	181,902	669,619
Disposals	(1,000)	-	-	(1,000)
Balance, June 30, 2019	7,890,270	5,972,304	927,778	14,790,352

NOTE 7 PROPERTY, EQUIPMENT AND IMPROVEMENTS (Continued)

Accumulated depreciation	Land	Buildings and Improvements	Furniture and Equipment	Total
Balance, June 30, 2017		2,741,557	496,948	3,238,505
Depreciation expense		167,543	41,674	209,217
Balance, June 30, 2018		2,909,100	538,622	3,447,722
Depreciation expense		175,234	61,169	236,403
Balance, June 30, 2019		3,084,334	599,791	3,684,125
Property, equipment and improvements, net, June 30, 2019	$ 7,890,270	$ 2,887,970	$ 327,987	$ 11,106,227
Property, equipment and improvements, net, June 30, 2018	$ 7,891,270	$ 2,575,487	$ 207,254	$ 10,674,011

The Corporation has received donations of land and buildings subject to donor restriction. See Note 8 for the values of donor restricted property, equipment and improvement. Associated with the acquisition of land, the Corporation agreed to assignment of various land use restriction agreements.

* A major fire occurred in October 2017 in northern California in Sonoma and Napa Counties. ACR has a preserve in Glen Ellen, Sonoma County referred to as the Bouverie Preserve. This preserve lost a substantial portion of its buildings to the fire, including administrative offices and program facilities, resulting in a net impairment of the value of newly-acquired assets of $24,854 as of June 30, 2018.

Subsequent to the fire, ACR has received insurance proceeds to cover the replacement of fixed assets damaged by the fire, as well as operating costs incurred due to the damage. During the years ended June 30, 2019 and 2018, the insurance transactions were as follows:

Insurance proceeds received as of June 30, 2018	$ 4,702,576
Less: Property, equipment and improvements funded by insurance proceeds	355,566
Operating costs funded by insurance proceeds	224,363
Total proceeds from insurance recognized, Statement of Activities	579,929
Unspent insurance proceeds at June 30, 2018	4,122,647
Insurance proceeds received as of June 30, 2019	87,008
	4,209,655
Less: Property, equipment and improvements funded by insurance proceeds	404,669
Operating costs funded by insurance proceeds	194,652
Total proceeds from insurance recognized, Statement of Activities	599,321
Unspent insurance proceeds at June 30, 2019	$ 3,610,334

Management is assessing the needs of the organization to develop a plan to use the unspent insurance proceeds.

NOTE 8 NET ASSETS

Net Assets Without Donor Restrictions:

	2019	2018
Undesignated	$ 4,589,289	$ 3,926,361
Designated by the board as a quasi-endowment (see Note 2)	7,763,052	8,054,754
	$ 12,352,341	$ 11,981,115

Net Assets With Donor Restrictions:

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to expenditures for specified purposes:		
Mayacamas land restoration	$ 445,764	$ 658,162
Promises to give, the proceeds from which have been restricted by donors for programs	641,667	250,000
Other purposes	235,659	101,485
Subject to the passage of time:		
Remainder interest in trusts	94,178	81,613
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	750	6,312
Land and buildings, net of accumulated depreciation, per donor restrictions	1,896,465	1,916,381
	3,314,483	3,013,953
Endowments:		
Subject to appropriation and expenditures when a specified event occurs:		
With donor restrictions	1,167,089	1,355,083
Available for general use	4,443,212	4,601,807
	5,610,301	5,956,890
Subject to the organization's endowment spending policy and appropriation	14,587,814	14,587,814
Total endowments	20,198,115	20,544,704
Land held in perpetuity, per donor restrictions	4,110,345	4,110,345
	$ 27,622,943	$ 27,669,002

NOTE 9 IN-KIND GOODS AND SERVICES

The Corporation receives the benefit of in-kind goods and services that either (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased by the organization if they had not been provided by contribution. Services requiring specialized skills are provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals and craftspeople.

The following are the major categories of in-kind contributions measured at fair value using the market approach on a non-recurring basis during the years ended June 30, 2019 and 2018, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	Fair Value Measurements Using			
Description	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2019:				
Equipment	$ -	$ 20,299	$ -	$ 20,299
Labor	-	67,918	-	67,918
	$ -	$ 88,217	$ -	$ 88,217
2018:				
Equipment	$ -	$ 47,730	$ -	$ 47,730
Labor	-	70,273	-	70,273
Rent value	-	40,000	-	40,000
	$ -	$ 158,003	$ -	$ 158,003

The Corporation also benefits from a substantial number of volunteers who donate significant amounts of time to ACR programs. Such volunteer services do not meet the criteria, stated above, required to record the value of such services as revenue and expense in the Statement of Activities. The Corporation estimates approximately 12,585 hours were provided to ACR during the year ended June 30, 2018, valued at an average rate of $29.67 for a total estimated value of $373,453. The Corporation estimates approximately 14,450 hours were provided to ACR during the year ended June 30, 2019, valued at an average rate of $30.62 for a total estimated value of $442,436.

NOTE 10 PENSION AND RETIREMENT PLAN

The Corporation has a contributory pension plan established and operated pursuant to the provisions of the Internal Revenue Code Section 403(b) which covers substantially all employees who are 18 year of age or older and have completed one year of service. The annual employer contribution is discretionary up to 15% of gross eligible wages. The Corporation made contributions to the plan totaling $75,154 for the year ended June 30, 2019, and $78,769 for the year ended June 30, 2018.

NOTE 11 RISKS, UNCERTAINTIES AND CONCENTRATIONS

The Corporation relies on a significant amount of funding received in the form of donations and grants from individuals and foundations as well as investment income to support its operations. The current global financial markets may have an impact on the level of funding provided by these funding sources and the market value of marketable equity securities held by the Corporation. While it is impracticable to determine the impact of these events, management is taking steps to address potential changes in funding levels and reduce the Corporation's exposure to impact from these events.

During the year ended June 30, 2019, the Corporation received bequests, pledges and donations from four sources that represented 30% of total support. Two of these funders also represent 90% of pledges, grants, and bequests receivable at June 30, 2019.

NOTE 12 EXCESS OF FDIC

As of June 30, 2019, the Corporation had exceeded the Federal Depository Insurance Corporation cash limit of $250,000 on its depository accounts. At June 30, 2019, the Corporation had approximately $893,000 on deposit in excess of federally insured limits.