

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**For the Years Ended  
June 30, 2016 and 2015**

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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, 2016 and 2015, and the related statements of activities 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, 2016 and 2015, 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.

**Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Doran & Associates*

November 29, 2016

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

**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 1,056,798	\$ 1,448,931
Restricted cash (Note 1)	70,151	73,431
Pledges, grants, and bequests receivable (Note 1)	20,302	9,023
Accounts receivable (Note 1)	5,830	6,769
Inventory (Note 2)	21,811	22,679
Prepaid expenses	<u>56,677</u>	<u>61,441</u>
Total current assets	1,231,569	1,622,274
Endowment investments (Note 3)	25,704,693	27,246,409
Remainder interest in trusts, at present value (Note 4)	69,059	79,758
Property, equipment and improvements, net of accumulated depreciation of \$3,610,738 at 2016 and \$3,392,984 at 2015 (Notes 1 and 5)	<u>10,847,398</u>	<u>10,418,988</u>
Total assets	<u>\$ 37,852,719</u>	<u>\$ 39,367,429</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 192,794</u>	<u>\$ 190,364</u>
Total liabilities	<u>192,794</u>	<u>190,364</u>
Net assets:		
Unrestricted	12,031,267	12,846,901
Temporarily restricted (Note 6)	6,673,147	7,526,624
Permanently restricted (Note 3)	<u>18,955,511</u>	<u>18,803,540</u>
Total net assets	<u>37,659,925</u>	<u>39,177,065</u>
Total liabilities and net assets	<u>\$ 37,852,719</u>	<u>\$ 39,367,429</u>

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, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT, REVENUE AND TRANSFERS</b>				
Public support:				
Gifts and bequests	\$ 686,677	\$ 15,831	\$ 151,971	\$ 854,479
Grants	114,517	176,970	-	291,487
In-kind services (Note 7)	19,982	-	-	19,982
Total public support	<u>821,176</u>	<u>192,801</u>	<u>151,971</u>	<u>1,165,948</u>
Revenue:				
Endowment income transfers (Note 3)	2,249,015	-	-	2,249,015
Special event earned income, net of direct expenses of \$33,001 (Note 8)	(21,851)	-	-	(21,851)
Bookstore sales, net	1,949	-	-	1,949
Other revenue	6,052	-	-	6,052
Total revenue	<u>2,235,165</u>	<u>-</u>	<u>-</u>	<u>2,235,165</u>
Net assets released from restriction (Note 9)	<u>216,159</u>	<u>(216,159)</u>	<u>-</u>	<u>-</u>
Total public support, revenue and transfers	<u>3,272,500</u>	<u>(23,358)</u>	<u>151,971</u>	<u>3,401,113</u>
<b>EXPENSES</b>				
Program services (see Note 7)	1,941,115	-	-	1,941,115
General and administrative	510,455	-	-	510,455
Fundraising	454,804	-	-	454,804
Total expenses	<u>2,906,374</u>	<u>-</u>	<u>-</u>	<u>2,906,374</u>
Change in net assets from operations	366,126	(23,358)	151,971	494,739
<b>OTHER INCOME (EXPENSE)</b>				
Endowment income, net of transfers (Note 3)	<u>(1,181,760)</u>	<u>(830,119)</u>	<u>-</u>	<u>(2,011,879)</u>
Change in net assets	(815,634)	(853,477)	151,971	(1,517,140)
Net assets, beginning of year	<u>12,846,901</u>	<u>7,526,624</u>	<u>18,803,540</u>	<u>39,177,065</u>
Net assets, end of year	<u>\$12,031,267</u>	<u>\$ 6,673,147</u>	<u>\$18,955,511</u>	<u>\$ 37,659,925</u>

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, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT, REVENUE AND TRANSFERS</b>				
Public support:				
Gifts and bequests	\$ 350,991	\$ 99,058	\$ 2,025	\$ 452,074
Grants	241,804	-	-	241,804
In-kind services (Note 7)	6,996	-	-	6,996
Total public support	<u>599,791</u>	<u>99,058</u>	<u>2,025</u>	<u>700,874</u>
Revenue:				
Endowment income transfers (Note 3)	2,395,076	-	-	2,395,076
Special event earned income, net of direct expenses of \$7,839 (Note 8)	(7,639)	-	-	(7,639)
Loss on disposal of fixed assets (Note 5)	(37,124)	-	-	(37,124)
Bookstore sales, net	1,410	-	-	1,410
Other revenue	17,081	-	-	17,081
Total revenue	<u>2,368,804</u>	<u>-</u>	<u>-</u>	<u>2,368,804</u>
Net assets released from restriction (Note 9)	<u>196,150</u>	<u>(196,150)</u>	<u>-</u>	<u>-</u>
Total public support, revenue and transfers	<u>3,164,745</u>	<u>(97,092)</u>	<u>2,025</u>	<u>3,069,678</u>
<b>EXPENSES</b>				
Program services (see Note 7)	1,878,550	-	-	1,878,550
General and administrative	503,273	-	-	503,273
Fundraising	377,645	-	-	377,645
Total expenses	<u>2,759,468</u>	<u>-</u>	<u>-</u>	<u>2,759,468</u>
Change in net assets from operations	405,277	(97,092)	2,025	310,210
<b>OTHER INCOME (EXPENSE)</b>				
Endowment income, net of transfers (Note 3)	<u>(1,258,780)</u>	<u>(606,035)</u>	<u>-</u>	<u>(1,864,815)</u>
Change in net assets	(853,503)	(703,127)	2,025	(1,554,605)
Net assets, beginning of year	<u>13,700,404</u>	<u>8,229,751</u>	<u>18,801,515</u>	<u>40,731,670</u>
Net assets, end of year	<u>\$12,846,901</u>	<u>\$ 7,526,624</u>	<u>\$18,803,540</u>	<u>\$ 39,177,065</u>

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, 2016 and 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	<u>\$ (1,517,140)</u>	<u>\$ (1,554,605)</u>
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	217,754	198,960
Loss on disposal of fixed assets	-	37,124
Donation of property, equipment, and improvements	(7,773)	-
Realized gain on investments	(388,559)	(875,232)
Unrealized loss on investments	992,747	1,105,669
Changes in assets and liabilities:		
Pledges, grants and bequests receivable	(11,279)	5,414
Accounts receivable	939	1,810
Inventory	868	3,793
Prepaid expenses	4,764	(29,490)
Life income gifts and remainder interest in trusts	10,699	3,890
Accounts payable and accrued expenses	2,430	(41,687)
Total adjustments	<u>822,590</u>	<u>410,251</u>
Net cash used by operating activities	<u>(694,550)</u>	<u>(1,144,354)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Restricted cash	3,280	(18,110)
Sales / withdrawals of endowment investments	937,528	1,919,891
Purchase of property, equipment and improvements	(638,391)	(343,292)
Net cash provided by investing activities	<u>302,417</u>	<u>1,558,489</u>
Net (decrease) increase in cash and cash equivalents	(392,133)	414,135
Cash and cash equivalents, beginning of year	<u>1,448,931</u>	<u>1,034,796</u>
Cash and cash equivalents, end of year	<u>\$ 1,056,798</u>	<u>\$ 1,448,931</u>
Non-cash transactions:		
Donation of marketable securities	<u>\$ 4,126</u>	<u>\$ 3,112</u>
Donation of property, equipment, and improvements	<u>\$ 7,773</u>	<u>\$ -</u>

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2016 and 2015**

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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 (formerly the Bolinas Lagoon 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.

Basis of Presentation - Resources are classified for accounting and reporting purposes into three classes of net assets, according to externally imposed restrictions:

*Unrestricted net assets* - Net assets that are not subject to any donor-imposed restrictions.

*Temporarily restricted net assets* - Net assets resulting (a) from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Corporation pursuant to those stipulations, (b) from other asset enhancements and diminishments that are subject to the same kind of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Corporation pursuant to those stipulations.

*Permanently restricted net assets* - Net assets resulting (a) from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Corporation, (b) from other asset enhancements and diminishments that are subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

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 \$70,151 at June 30, 2016, and was \$73,431 at June 30, 2015.

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2016 and 2015**

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

Contributions - Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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. There were no impairment losses recognized in 2016 or 2015.

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.

Accounts, Pledges, Grants, and Bequests Receivable - 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.

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 have 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. 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.

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2016 and 2015**

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

Accounting Standards, 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 will impact net asset classes, the presentation of investment return, and other changes, and is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The new standard is not expected to have a material effect on the Corporation's financial position, results of operations, or cash flows.

Subsequent Events - Subsequent events have been evaluated through November 29, 2016, which is the date the financial statements were available to be issued.

NOTE 2 INVENTORY

Bookstore inventory items are held for resale and are stated at the lower of cost or market and determined on a first-in, first-out basis. Inventory at June 30, 2016 and 2015, totaled \$21,811 and \$22,679, respectively.

NOTE 3 ENDOWMENT INVESTMENTS AND PERMANENTLY RESTRICTED NET ASSETS

Endowment investments consist of two components:

- *Permanently 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, 2016 and 2015, using quoted prices in active markets for identified assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

<u>Description</u>	<u>Fair Value Measurements at June 30, 2016, Using</u>			Total
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equity securities	\$ 7,644,587	\$ -	\$ -	\$ 7,644,587
Fixed income	9,374,563	-	-	9,374,563
Other	8,685,543	-	-	8,685,543
	<u>\$ 25,704,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,704,693</u>

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2016 and 2015**

NOTE 3 ENDOWMENT INVESTMENTS AND PERMANENTLY RESTRICTED NET ASSETS  
(Continued)

Fair Value Measurements at June 30, 2015, Using

<u>Description</u>	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Equity securities	\$ 8,821,960	\$ -	\$ -	\$ 8,821,960
Fixed income	9,530,155	-	-	9,530,155
Other	8,894,294	-	-	8,894,294
	<u>\$ 27,246,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,246,409</u>

The following summarizes the investment income (loss), including operating account activity, during the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Realized gain	\$ 388,559	\$ 875,232
Unrealized loss	(992,747)	(1,105,669)
Interest and dividend income	925,046	846,752
Investment management fees	(83,722)	(86,054)
	<u>\$ 237,136</u>	<u>\$ 530,261</u>

Investment income is presented as follows on the Statements of Activities for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Endowment income transfers	\$ 2,249,015	\$ 2,395,076
Endowment income (loss), net of transfers	(2,011,879)	(1,864,815)
	<u>\$ 237,136</u>	<u>\$ 530,261</u>

ACR's endowment consists of two investment accounts containing cash and cash equivalents, bonds, and equities 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.

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2016 and 2015**

NOTE 3 ENDOWMENT INVESTMENTS AND PERMANENTLY RESTRICTED NET ASSETS  
(Continued)

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 permanently restricted net assets of the donor-restricted endowment fund, (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated 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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Endowment Net Asset Composition by Type of Fund as of:</u>				
<u>June 30, 2016</u>				
Donor-restricted endowment funds	\$ -	\$ 4,387,576	\$ 14,270,511	\$ 18,658,087
Board-designated endowment funds	7,574,622	-	-	7,574,622
Total funds	\$ 7,574,622	\$ 4,387,576	\$ 14,270,511	\$ 26,232,709
Cash and cash equivalents	\$ -	\$ 531,155	\$ -	\$ 531,155
Endowment investments	7,574,622	3,856,421	14,270,511	25,701,554
	\$ 7,574,622	\$ 4,387,576	\$ 14,270,511	\$ 26,232,709

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2016 and 2015**

NOTE 3 ENDOWMENT INVESTMENTS AND PERMANENTLY RESTRICTED NET ASSETS  
(Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>June 30, 2015</u>				
Donor-restricted endowment funds	\$ -	\$ 5,217,694	\$ 14,118,540	\$ 19,336,234
Board-designated endowment funds	<u>8,699,008</u>	<u>-</u>	<u>-</u>	<u>8,699,008</u>
Total funds	<u>\$ 8,699,008</u>	<u>\$ 5,217,694</u>	<u>\$ 14,118,540</u>	<u>\$ 28,035,242</u>
Cash and cash equivalents	\$ -	\$ 788,833	\$ -	\$ 788,833
Endowment investments	<u>8,699,008</u>	<u>4,428,861</u>	<u>14,118,540</u>	<u>27,246,409</u>
	<u>\$ 8,699,008</u>	<u>\$ 5,217,694</u>	<u>\$ 14,118,540</u>	<u>\$ 28,035,242</u>

Changes in Endowment Net Assets for the Fiscal Years Ended June 30, 2016 and 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2014	<u>\$ 9,874,936</u>	<u>\$ 5,823,730</u>	<u>\$ 14,116,515</u>	<u>\$ 29,815,181</u>
Investment return:				
Interest and dividends	221,562	539,922	-	761,484
Realized gain	254,660	620,572	-	875,232
Unrealized loss	<u>(321,708)</u>	<u>(783,961)</u>	<u>-</u>	<u>(1,105,669)</u>
Total investment return	<u>154,514</u>	<u>376,533</u>	<u>-</u>	<u>531,047</u>
Contributions	-	-	2,025	2,025
Transfers to endowment investments	<u>82,065</u>	<u>-</u>	<u>-</u>	<u>82,065</u>
Total contributions and changes in contributions	<u>82,065</u>	<u>-</u>	<u>2,025</u>	<u>84,090</u>
Appropriation of endowment assets for expenditure:				
Spending rule	(378,930)	(982,569)	-	(1,361,499)
Additional appropriations	<u>(1,033,577)</u>	<u>-</u>	<u>-</u>	<u>(1,033,577)</u>
Total appropriations	<u>(1,412,507)</u>	<u>(982,569)</u>	<u>-</u>	<u>(2,395,076)</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2016 and 2015**

NOTE 3 ENDOWMENT INVESTMENTS AND PERMANENTLY RESTRICTED NET ASSETS  
(Continued)

Changes in Endowment Net Assets for the Fiscal Years Ended June 30, 2016 and 2015 (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	8,699,008	5,217,694	14,118,540	28,035,242
Investment return:				
Interest and dividends	254,032	642,372	-	896,404
Realized gain	110,132	278,396	-	388,528
Unrealized loss	<u>(296,737)</u>	<u>(750,122)</u>	-	<u>(1,046,859)</u>
Total investment return	<u>67,427</u>	<u>170,646</u>	-	<u>238,073</u>
Contributions	-	-	151,971	151,971
Transfers to endowment investments	<u>59,581</u>	-	-	<u>59,581</u>
Total contributions and changes in contributions	<u>59,581</u>	-	<u>151,971</u>	<u>211,552</u>
Appropriation of endowment assets for expenditure:				
Spending rule	(370,380)	(1,000,764)	-	(1,371,144)
Additional appropriations	<u>(881,014)</u>	-	-	<u>(881,014)</u>
Total appropriations	<u>(1,251,394)</u>	<u>(1,000,764)</u>	-	<u>(2,252,158)</u>
Endowment net assets, June 30, 2016	<u>\$ 7,574,622</u>	<u>\$ 4,387,576</u>	<u>\$ 14,270,511</u>	<u>\$ 26,232,709</u>

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

*Permanently Restricted Net Assets*

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA

	<u>2016</u>	<u>2015</u>
	<u>\$ 14,270,511</u>	<u>\$ 14,118,540</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ 14,270,511</u>	<u>\$ 14,118,540</u>

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2016 and 2015**

NOTE 3    ENDOWMENT INVESTMENTS AND PERMANENTLY RESTRICTED NET ASSETS  
(Continued)

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) (Continued)

<i>Temporarily Restricted Net Assets</i>	2016	2015
Term endowment funds	\$ -	\$ -
The portion of perpetual endowment funds subject to a time restriction under SPMIFA:		
Without purpose restrictions	3,910,593	4,271,916
With purpose restrictions	476,983	945,778
Total endowment funds classified as temporarily restricted net assets	\$ 4,387,576	\$ 5,217,694

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, 2016 or 2015.

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.

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2016 and 2015**

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NOTE 3    ENDOWMENT INVESTMENTS AND PERMANENTLY RESTRICTED NET ASSETS  
(Continued)

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.

Permanently Restricted Net Assets

In addition to endowment funds, ACR received donations of land and a building donor-restricted as to use and disposal classified as permanently restricted. As of June 30, 2016 and 2015, the Corporation held the following permanently restricted net assets:

	<u>2016</u>	<u>2015</u>
Endowment funds	\$ 14,270,511	\$ 14,118,540
Permanently restricted land and buildings	<u>4,685,000</u>	<u>4,685,000</u>
	<u>\$ 18,955,511</u>	<u>\$ 18,803,540</u>

NOTE 4    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.

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2016 and 2015**

NOTE 4 REMAINDER INTEREST IN TRUSTS (Continued)

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, 2016 and 2015, using quoted prices in active markets for identified assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

Description	Fair Value Measurements Using			Total
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Remainder interest in trusts:				
June 30, 2016	\$ -	\$ 69,059	\$ -	\$ 69,059
June 30, 2015	\$ -	\$ 79,758	\$ -	\$ 79,758

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, 2016 and 2015:

Balance, June 30, 2014	\$ 83,648
Unrealized loss	<u>(3,890)</u>
Balance, June 30, 2015	79,758
Unrealized loss	<u>(10,699)</u>
Balance, June 30, 2016	<u>\$ 69,059</u>

NOTE 5 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, 2014	\$ 7,891,270	\$ 4,901,587	\$ 770,679	\$ 13,563,536
Additions	-	299,730	43,562	343,292
Disposals / write-offs	<u>-</u>	<u>(94,856)</u>	<u>-</u>	<u>(94,856)</u>
Balance, June 30, 2015	7,891,270	5,106,461	814,241	13,811,972
Additions	<u>-</u>	<u>634,276</u>	<u>11,888</u>	<u>646,164</u>
Balance, June 30, 2016	<u>7,891,270</u>	<u>5,740,737</u>	<u>826,129</u>	<u>14,458,136</u>

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2016 and 2015**

NOTE 5 PROPERTY, EQUIPMENT AND IMPROVEMENTS (Continued)

<u>Accumulated depreciation</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Furniture and Equipment</u>	<u>Total</u>
Balance, June 30, 2014		2,694,263	557,493	3,251,756
Depreciation expense		153,154	45,806	198,960
Disposals		<u>(57,732)</u>	<u>-</u>	<u>(57,732)</u>
Balance, June 30, 2015		2,789,685	603,299	3,392,984
Depreciation expense		<u>156,313</u>	<u>61,441</u>	<u>217,754</u>
Balance, June 30, 2016		<u>2,945,998</u>	<u>664,740</u>	<u>3,610,738</u>
Property, equipment and improvements, net, June 30, 2016	<u>\$ 7,891,270</u>	<u>\$ 2,794,739</u>	<u>\$ 161,389</u>	<u>\$ 10,847,398</u>
Property, equipment and improvements, net, June 30, 2015	<u>\$ 7,891,270</u>	<u>\$ 2,316,776</u>	<u>\$ 210,942</u>	<u>\$ 10,418,988</u>

The Corporation has received donations of land and buildings subject to donor restriction. See Notes 3 and 6 for the values of permanently and temporarily restricted property, equipment and improvement. Associated with the acquisition of land, the Corporation agreed to assignment of various land use restriction agreements.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Mayacamas land restoration	\$ 374,842	\$ 440,317
Land and buildings	1,574,011	1,574,011
Time-restricted	89,361	88,782
Other	247,357	205,820
Temporarily Restricted Endowment (see Note 3)	<u>4,387,576</u>	<u>5,217,694</u>
	<u>\$ 6,673,147</u>	<u>\$ 7,526,624</u>

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2016 and 2015**

NOTE 7 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, 2016 and 2015, using quoted prices in active markets for identified assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

<u>Description</u>	<u>Fair Value Measurements at June 30, 2016, Using</u>			<u>Total</u>
	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Legal services	\$ -	\$ 8,313	\$ -	\$ 8,313
Vehicle	-	7,773	-	7,773
Goods	-	3,896	-	3,896
	<u>\$ -</u>	<u>\$ 19,982</u>	<u>\$ -</u>	<u>\$ 19,982</u>

<u>Description</u>	<u>Fair Value Measurements at June 30, 2015, Using</u>			<u>Total</u>
	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Legal services	\$ -	\$ 6,996	\$ -	\$ 6,996

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 26,335 hours were provided to ACR during the year ended June 30, 2016, valued at an average rate of \$27.59 for a total estimated value of \$726,590. The Corporation estimates approximately 26,465 hours were provided to ACR during the year ended June 30, 2015, valued at an average rate of \$26.87 for a total estimated value of \$711,101, as revised.

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2016 and 2015**

NOTE 8 SPECIAL EVENT

During the years ended June 30, 2016 and 2015, the Corporation held special events activities resulting in net income as follows:

	2016	2015
Donations, shown as gifts and bequests on the Statements of Activities	\$ 85,624	\$ -
Ticket sales and auction proceeds	11,150	200
Less: direct expenses	33,001	7,839
Net special event earned income	(21,851)	(7,639)
Total event net income	\$ 63,773	\$ (7,639)

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTION

The Corporation fulfilled the use restrictions of the following temporarily restricted items and they were released to unrestricted net assets during the years ended June 30, 2016 and 2015:

	2016	2015
Mayacamas land restoration	\$ 65,475	\$ 58,997
Other	150,684	131,739
Time-restricted	-	5,414
	\$ 216,159	\$ 196,150

NOTE 10 VEHICLE AND EQUIPMENT LOANS

During the year ended June 30, 2011, the Corporation purchased a truck under a capital lease expiring October 6, 2015. During the years ended June 30, 2016 and 2015, the Corporation paid \$1,348 and \$5,392, respectively, toward this loan, including imputed interest. The total balance of the remaining loan as of June 30, 2016 and 2015 was \$0 and \$1,348, respectively, which is included in accounts payable and accrued expenses of the Statements of Financial Position.

During the year ended June 30, 2014, the Corporation purchased a tractor under a capital lease expiring December 2018. During the years ended June 30, 2016 and 2015, the Corporation paid \$3,947 each year toward this loan, including interest. The total balance of the remaining loan as of June 30, 2016 and 2015, was \$9,539 and \$13,487, respectively, which is included in accounts payable and accrued expenses of the Statements of Financial Position.

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2016 and 2015**

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NOTE 10 VEHICLE AND EQUIPMENT LOANS (Continued)

The estimated future minimum liability for the long-term equipment loan for the current and succeeding years are as follows:

Year ending <u>June 30,</u>	
2017	\$ 3,691
2018	3,815
2019	<u>2,409</u>
	<u>\$ 9,915</u>

NOTE 11 EQUIPMENT LEASES

The Corporation leases office equipment under several non-cancellable operating leases. One lease called for 60 monthly minimum payments of \$495, plus usage charges and was scheduled to mature June 2016 but was traded-in under a new equipment lease in April 2016. The new lease calls for 60 monthly payments of \$533, plus usage charges. In March 2014 the Corporation entered into a new lease for equipment calling for 60 monthly payments of \$250, plus usage charges. The total lease expense for these and other equipment for the years ended June 30, 2016 and 2015, was \$12,801 and \$10,396, respectively.

The estimated future minimum payments for the long-term lease for the current and succeeding years are as follows:

Year ending <u>June 30,</u>	
2017	\$ 9,396
2018	9,396
2019	8,646
2020	6,396
2021	<u>5,330</u>
	<u>\$ 39,164</u>

NOTE 12 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. There were no contributions made for the years ended June 30, 2016 and 2015.

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2016 and 2015**

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NOTE 13 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.

NOTE 14 EXCESS OF FDIC

As of June 30, 2016, the Corporation had exceeded the Federal Depository Insurance Corporation cash limit of \$250,000 on its depository accounts. At June 30, 2016, the Corporation had approximately \$211,000 on deposit in excess of federally insured limits.

SUPPLEMENTARY INFORMATION

**AUDUBON CANYON RANCH, INC.**  
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**SCHEDULES OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2016**

	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 1,236,907	\$ 346,976	\$ 245,274	\$ 1,829,157
Library and public education	98,713	-	-	98,713
Research and special projects	32,792	-	-	32,792
Insurance	35,174	29,515	-	64,689
Professional fees and contract services	4,884	20,768	798	26,450
Supplies and other general expenses	31,684	3,808	2,710	38,202
Repairs and maintenance	201,600	17,982	12,778	232,360
Utilities and telephone	46,356	35,452	24,202	106,010
Transportation	62,082	1,644	81	63,807
Printing and website	16,381	-	14,025	30,406
Postage and mailing	4,666	947	12,040	17,653
Community outreach and recognition	-	-	113,717	113,717
Miscellaneous taxes	17,722	-	-	17,722
Retirement of equipment	4,733	-	-	4,733
In-kind legal	-	12,209	-	12,209
Total expenses before depreciation	<u>1,793,694</u>	<u>469,301</u>	<u>425,625</u>	<u>2,688,620</u>
Depreciation and amortization	<u>147,421</u>	<u>41,154</u>	<u>29,179</u>	<u>217,754</u>
Total expenses	<u>\$ 1,941,115</u>	<u>\$ 510,455</u>	<u>\$ 454,804</u>	<u>\$ 2,906,374</u>

**AUDUBON CANYON RANCH, INC.**  
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**SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)**  
**For the year ended June 30, 2015**

	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 1,171,090	\$ 360,091	\$ 263,766	\$ 1,794,947
Library and public education	72,958	-	-	72,958
Research and special projects	29,908	-	-	29,908
Insurance	38,536	31,760	-	70,296
Professional fees and contract services	22,854	16,621	997	40,472
Supplies and other general expenses	33,948	3,613	2,666	40,227
Repairs and maintenance	221,118	16,262	11,991	249,371
Utilities and telephone	40,799	34,899	24,145	99,843
Transportation	64,123	2,965	217	67,305
Printing	14,788	-	6,890	21,678
Postage and mailing	5,752	1,256	6,902	13,910
Community outreach and recognition	-	-	33,204	33,204
Miscellaneous taxes	17,671	-	-	17,671
Retirement of equipment	1,722	-	-	1,722
In-kind legal	6,996	-	-	6,996
Total expenses before depreciation	<u>1,742,263</u>	<u>467,467</u>	<u>350,778</u>	<u>2,560,508</u>
Depreciation and amortization	<u>136,287</u>	<u>35,806</u>	<u>26,867</u>	<u>198,960</u>
Total expenses	<u>\$ 1,878,550</u>	<u>\$ 503,273</u>	<u>\$ 377,645</u>	<u>\$ 2,759,468</u>