

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

**FINANCIAL STATEMENTS**

**For the Years Ended**  
**June 30, 2025 and 2024**

## **C O N T E N T S**

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying financial statements of Audubon Canyon Ranch, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2025 and 2024, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Audubon Canyon Ranch, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Audubon Canyon Ranch, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Audubon Canyon Ranch, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Audubon Canyon Ranch, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

*Doran & Associates*

March 26, 2026

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

**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2025 and 2024**

|                                                                                                                                             | 2025                        | 2024                        |
|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                                                                                                                               |                             |                             |
| Current assets:                                                                                                                             |                             |                             |
| Cash and cash equivalents (Note 1)                                                                                                          | \$ 2,065,494                | \$ 3,903,071                |
| Restricted cash (Note 1)                                                                                                                    | 37,477                      | 40,580                      |
| Current portion of pledges, grants, and bequests receivable,<br>net of allowances (Note 3)                                                  | 1,094,608                   | 847,168                     |
| Investments (Notes 1 and 4)                                                                                                                 | 27,999,695                  | 27,678,187                  |
| Accounts receivable                                                                                                                         | 4,366                       | 4,366                       |
| Prepaid expenses                                                                                                                            | 106,021                     | 152,793                     |
| Total current assets                                                                                                                        | <u>31,307,661</u>           | <u>32,626,165</u>           |
| Operating lease, right of use assets, net of<br>accumulated amortization of \$124,813 at 2025<br>and \$49,376 at 2024 (Note 6)              | 145,605                     | 221,042                     |
| Pledges, grants, and bequests receivable,<br>net of current portion, net of allowances (Note 3)                                             | -                           | 295,218                     |
| Property, equipment, and improvements, net of<br>accumulated depreciation of \$5,964,011 at 2025<br>and \$5,524,545 at 2024 (Notes 1 and 7) | <u>10,999,266</u>           | <u>10,844,634</u>           |
| Total assets                                                                                                                                | <u><u>\$ 42,452,532</u></u> | <u><u>\$ 43,987,059</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>                                                                                                           |                             |                             |
| Current liabilities:                                                                                                                        |                             |                             |
| Accounts payable and accrued expenses                                                                                                       | \$ 398,418                  | \$ 284,392                  |
| Deferred revenue (Note 1)                                                                                                                   | -                           | 58,510                      |
| Current portion of operating lease liabilities (Note 6)                                                                                     | 81,718                      | 77,059                      |
| Unspent insurance proceeds (Note 7)                                                                                                         | -                           | 3,182,751                   |
| Total current liabilities                                                                                                                   | <u>480,136</u>              | <u>3,602,712</u>            |
| Operating lease liabilities, net of current portion (Note 6)                                                                                | <u>63,887</u>               | <u>143,983</u>              |
| Total liabilities                                                                                                                           | <u>544,023</u>              | <u>3,746,695</u>            |
| Net assets:                                                                                                                                 |                             |                             |
| Without donor restrictions                                                                                                                  | 16,809,693                  | 13,885,734                  |
| With donor restrictions (Note 8)                                                                                                            | <u>25,098,816</u>           | <u>26,354,630</u>           |
| Total net assets                                                                                                                            | <u>41,908,509</u>           | <u>40,240,364</u>           |
| Total liabilities and net assets                                                                                                            | <u><u>\$ 42,452,532</u></u> | <u><u>\$ 43,987,059</u></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, 2025**

|                                                                                                                     | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total                |
|---------------------------------------------------------------------------------------------------------------------|----------------------------------|-------------------------------|----------------------|
| <b>SUPPORT, REVENUE, AND TRANSFERS</b>                                                                              |                                  |                               |                      |
| Public support:                                                                                                     |                                  |                               |                      |
| Gifts and bequests                                                                                                  | \$ 322,251                       | \$ 1,231,608                  | \$ 1,553,859         |
| Grants                                                                                                              | 1,278,734                        | -                             | 1,278,734            |
| In-kind goods and services (Note 9)                                                                                 | <u>70,943</u>                    | <u>-</u>                      | <u>70,943</u>        |
| Total public support                                                                                                | <u>1,671,928</u>                 | <u>1,231,608</u>              | <u>2,903,536</u>     |
| Revenue:                                                                                                            |                                  |                               |                      |
| Program income                                                                                                      | 224,404                          | -                             | 224,404              |
| Net investment return (Note 4)                                                                                      | 1,004,895                        | 1,771,393                     | 2,776,288            |
| Other revenue                                                                                                       | <u>13,288</u>                    | <u>-</u>                      | <u>13,288</u>        |
| Total revenue                                                                                                       | <u>1,242,587</u>                 | <u>1,771,393</u>              | <u>3,013,980</u>     |
| Proceeds from insurance (Note 7)                                                                                    | 3,182,723                        | -                             | 3,182,723            |
| Net assets released from restriction pursuant<br>to endowment spending rate distribution formula                    | 2,152,539                        | (2,152,539)                   | -                    |
| Net assets with donor restrictions<br>released from restriction, fulfillment<br>of purpose and/or time restrictions | <u>2,106,276</u>                 | <u>(2,106,276)</u>            | <u>-</u>             |
| Total support, revenue, and transfers                                                                               | <u>10,356,053</u>                | <u>(1,255,814)</u>            | <u>9,100,239</u>     |
| <b>EXPENSES AND LOSSES</b>                                                                                          |                                  |                               |                      |
| Program services (see Note 9)                                                                                       | 5,391,707                        | -                             | 5,391,707            |
| General and administrative                                                                                          | 1,144,502                        | -                             | 1,144,502            |
| Fundraising                                                                                                         | <u>895,885</u>                   | <u>-</u>                      | <u>895,885</u>       |
| Total expenses and losses                                                                                           | <u>7,432,094</u>                 | <u>-</u>                      | <u>7,432,094</u>     |
| Change in net assets                                                                                                | 2,923,959                        | (1,255,814)                   | 1,668,145            |
| Net assets, beginning of year                                                                                       | <u>13,885,734</u>                | <u>26,354,630</u>             | <u>40,240,364</u>    |
| Net assets, end of year                                                                                             | <u>\$ 16,809,693</u>             | <u>\$ 25,098,816</u>          | <u>\$ 41,908,509</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, 2024**

|                                                                                                                     | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total                |
|---------------------------------------------------------------------------------------------------------------------|----------------------------------|-------------------------------|----------------------|
| <b>SUPPORT, REVENUE, AND TRANSFERS</b>                                                                              |                                  |                               |                      |
| Public support:                                                                                                     |                                  |                               |                      |
| Gifts and bequests                                                                                                  | \$ 181,770                       | \$ 2,041,463                  | \$ 2,223,233         |
| Grants                                                                                                              | 1,046,820                        | -                             | 1,046,820            |
| In-kind goods and services (Note 9)                                                                                 | <u>33,744</u>                    | <u>-</u>                      | <u>33,744</u>        |
| Total public support                                                                                                | <u>1,262,334</u>                 | <u>2,041,463</u>              | <u>3,303,797</u>     |
| Revenue:                                                                                                            |                                  |                               |                      |
| Net investment return (Note 4)                                                                                      | 1,122,812                        | 1,680,159                     | 2,802,971            |
| Gain on sale of property (Note 7)                                                                                   | 34,867                           | -                             | 34,867               |
| Other revenue                                                                                                       | <u>93,010</u>                    | <u>-</u>                      | <u>93,010</u>        |
| Total revenue                                                                                                       | <u>1,250,689</u>                 | <u>1,680,159</u>              | <u>2,930,848</u>     |
| Proceeds from insurance (Note 7)                                                                                    | 248,849                          | -                             | 248,849              |
| Net assets released from restriction pursuant<br>to endowment spending rate distribution formula                    | 1,774,241                        | (1,774,241)                   | -                    |
| Net assets with donor restrictions<br>released from restriction, fulfillment<br>of purpose and/or time restrictions | <u>2,411,016</u>                 | <u>(2,411,016)</u>            | <u>-</u>             |
| Total support, revenue, and transfers                                                                               | <u>6,947,129</u>                 | <u>(463,635)</u>              | <u>6,483,494</u>     |
| <b>EXPENSES AND LOSSES</b>                                                                                          |                                  |                               |                      |
| Program services (see Note 9)                                                                                       | 4,952,917                        | -                             | 4,952,917            |
| General and administrative                                                                                          | 897,803                          | -                             | 897,803              |
| Fundraising                                                                                                         | <u>742,042</u>                   | <u>-</u>                      | <u>742,042</u>       |
| Total expenses and losses                                                                                           | <u>6,592,762</u>                 | <u>-</u>                      | <u>6,592,762</u>     |
| Change in net assets                                                                                                | 354,367                          | (463,635)                     | (109,268)            |
| Net assets, beginning of year                                                                                       | <u>13,531,367</u>                | <u>26,818,265</u>             | <u>40,349,632</u>    |
| Net assets, end of year                                                                                             | <u>\$ 13,885,734</u>             | <u>\$ 26,354,630</u>          | <u>\$ 40,240,364</u> |

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, 2025**

|                                                                                      | Program<br>Services | General and<br>Administrative | Fundraising       | Total               |
|--------------------------------------------------------------------------------------|---------------------|-------------------------------|-------------------|---------------------|
| Personnel                                                                            | \$ 3,225,949        | \$ 769,915                    | \$ 674,652        | \$ 4,670,516        |
| Library and public education                                                         | 6,783               | -                             | -                 | 6,783               |
| Research and special projects                                                        | 955,639             | 3,539                         | -                 | 959,178             |
| Insurance                                                                            | 208,584             | 49,782                        | 43,622            | 301,988             |
| Professional fees and contract services                                              | -                   | 186,964                       | -                 | 186,964             |
| Supplies and other general expenses                                                  | 25,197              | 6,013                         | 5,270             | 36,480              |
| Repairs and maintenance                                                              | 313,811             | 31,638                        | 27,723            | 373,172             |
| Utilities and telephone                                                              | 68,071              | 16,246                        | 14,236            | 98,553              |
| Transportation                                                                       | 108,472             | 1,684                         | 81                | 110,237             |
| Printing and website                                                                 | 24,746              | -                             | -                 | 24,746              |
| Postage and mailing                                                                  | 10,542              | 2,046                         | 1,996             | 14,584              |
| Community outreach and recognition                                                   | -                   | -                             | 31,658            | 31,658              |
| Miscellaneous taxes, rent                                                            | 69,429              | 4,230                         | 33,167            | 106,826             |
| In-kind legal                                                                        | <u>70,943</u>       | <u>-</u>                      | <u>-</u>          | <u>70,943</u>       |
| Total expenses before depreciation                                                   | 5,088,166           | 1,072,057                     | 832,405           | 6,992,628           |
| Depreciation                                                                         | <u>303,541</u>      | <u>72,445</u>                 | <u>63,480</u>     | <u>439,466</u>      |
| Total expenses included in<br>the expenses section on the<br>Statement of Activities | <u>\$ 5,391,707</u> | <u>\$ 1,144,502</u>           | <u>\$ 895,885</u> | <u>\$ 7,432,094</u> |

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, 2024**

|                                                                                      | Program<br>Services | General and<br>Administrative | Fundraising       | Total              |
|--------------------------------------------------------------------------------------|---------------------|-------------------------------|-------------------|--------------------|
| Personnel                                                                            | \$2,964,972         | \$ 587,276                    | \$ 531,735        | \$4,083,983        |
| Library and public education                                                         | 11,066              | -                             | -                 | 11,066             |
| Research and special projects                                                        | 769,664             | 4,204                         | -                 | 773,868            |
| Insurance                                                                            | 253,888             | 50,287                        | 45,532            | 349,707            |
| Professional fees and contract services                                              | -                   | 129,080                       | -                 | 129,080            |
| Supplies and other general expenses                                                  | 39,269              | 7,779                         | 7,042             | 54,090             |
| Repairs and maintenance                                                              | 233,273             | 25,102                        | 22,729            | 281,104            |
| Utilities and telephone                                                              | 84,215              | 16,680                        | 15,103            | 115,998            |
| Transportation                                                                       | 96,915              | 2,666                         | 129               | 99,710             |
| Printing and website                                                                 | 30,907              | -                             | -                 | 30,907             |
| Postage and mailing                                                                  | 4,094               | 2,200                         | 1,550             | 7,844              |
| Community outreach and recognition                                                   | 30,300              | -                             | 23,556            | 53,856             |
| Miscellaneous taxes, rent                                                            | 59,349              | 2,946                         | 33,167            | 95,462             |
| In-kind goods and services                                                           | <u>32,084</u>       | <u>1,660</u>                  | <u>-</u>          | <u>33,744</u>      |
| Total expenses before depreciation                                                   | 4,609,996           | 829,880                       | 680,543           | 6,120,419          |
| Depreciation                                                                         | <u>342,921</u>      | <u>67,923</u>                 | <u>61,499</u>     | <u>472,343</u>     |
| Total expenses included in<br>the expenses section on the<br>Statement of Activities | <u>\$4,952,917</u>  | <u>\$ 897,803</u>             | <u>\$ 742,042</u> | <u>\$6,592,762</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, 2025 and 2024**

|                                                                                         | 2025         | 2024         |
|-----------------------------------------------------------------------------------------|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                            |              |              |
| Change in net assets                                                                    | \$ 1,668,145 | \$ (109,268) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: |              |              |
| Depreciation                                                                            | 439,466      | 472,343      |
| Amortization of right of use assets                                                     | 75,437       | 86,979       |
| Change in allowance for doubtful accounts                                               | (9,985)      | 38,921       |
| Change in present value discount allowance                                              | (21,582)     | 21,582       |
| Gain on sale of land, building, and equipment                                           | -            | (34,867)     |
| Realized gain on investments                                                            | (403,622)    | (208,355)    |
| Unrealized gain on investments                                                          | (1,696,793)  | (1,876,626)  |
| Insurance proceeds used for purchase of property, equipment, and improvements           | (368,084)    | (11,800)     |
| Changes in assets and liabilities:                                                      |              |              |
| Pledges, grants, and bequests receivable                                                | 79,345       | (248,992)    |
| Accounts receivable                                                                     | -            | 30,940       |
| Prepaid expenses                                                                        | 46,772       | (49,605)     |
| Accounts payable and accrued expenses                                                   | 114,026      | 55,975       |
| Deferred revenue                                                                        | (58,510)     | 58,510       |
| Use/release of insurance proceeds                                                       | (3,182,751)  | (248,849)    |
| Cash paid for operating leases                                                          | (75,437)     | (86,979)     |
| Total adjustments                                                                       | (5,061,718)  | (2,000,823)  |
| Net cash used by operating activities                                                   | (3,393,573)  | (2,110,091)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                            |              |              |
| Proceeds from CDs                                                                       | -            | 1,700,000    |
| Sales of investments                                                                    | 1,778,907    | 1,715,439    |
| Purchase of property, equipment, and improvements                                       | (226,014)    | (373,284)    |
| Proceeds from sale of land, building, and equipment                                     | -            | 50,000       |
| Net cash provided by investing activities                                               | 1,552,893    | 3,092,155    |
| Net (decrease) increase in cash and cash equivalents                                    | (1,840,680)  | 982,064      |
| Cash and cash equivalents, beginning of year                                            | 3,943,651    | 2,961,587    |
| Cash and cash equivalents, end of year                                                  | \$ 2,102,971 | \$ 3,943,651 |

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 (CONTINUED)**  
**For the years ended June 30, 2025 and 2024**

|                                                                                                    | 2025                | 2024                |
|----------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Reconciliation of cash and cash equivalents,<br>all accounts, to Statements of Financial Position: |                     |                     |
| Cash and cash equivalents                                                                          | \$ 2,065,494        | \$ 3,903,071        |
| Restricted cash                                                                                    | <u>37,477</u>       | <u>40,580</u>       |
|                                                                                                    | <u>\$ 2,102,971</u> | <u>\$ 3,943,651</u> |
| Non-cash transactions:                                                                             |                     |                     |
| Donation of marketable securities                                                                  | <u>\$ 14,343</u>    | <u>\$ 3,471</u>     |
| Addition to right of use asset obtained from new<br>operating lease liability, net of discount     | <u>\$ -</u>         | <u>\$ 270,418</u>   |
| Additional disclosures:                                                                            |                     |                     |
| Property, equipment, and improvements funded<br>by insurance proceeds before release               | <u>\$ 368,084</u>   | <u>\$ 11,800</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, 2025 and 2024**

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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization - Audubon Canyon Ranch (hereafter ACR, or the Organization) is a 501(c)(3) nonprofit land-based conservation organization founded in 1962. The Organization stewards 5,000 acres of coastal, inland, and upland habitat across Marin and Sonoma counties in Northern California. Through the integration of education, conservation science, and land stewardship, ACR works to ensure thriving ecosystems and healthy wildlife populations. Core programs include habitat restoration, prescribed fire training and implementation, environmental education, conservation research, and collaborative land management partnerships. The organization operates multiple nature preserves and connects communities with nature to build resilience in the face of environmental challenges.

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.

*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. Conditional promises to give for restricted purposes are presented as contributions without restrictions upon meeting the condition if the condition and restriction are met simultaneously.

Method of Accounting - The financial statements of the Organization 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 \$37,477 and \$40,580 at June 30, 2025 and 2024, respectively.

Investments - Investments primarily include corporate stocks, real estate funds and government and corporate bonds. Purchased investments in equity and debt securities with readily determinable fair values are reported at fair value based on quoted market prices. Other investment instruments are measured on the net equity basis, as reported on the K-1 or other year-end report. Investments received by donation are recorded at the fair value at the date of donation.

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2025 and 2024**

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

Investments (Continued) - Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Fair Value Measurements - Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or more advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on the fair value hierarchy, which includes three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are significant other observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Level 3 inputs are unobservable inputs for the assets or liabilities. Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, and may include the Organization's own data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Management has elected, as a practical expedient, to measure the fair value of investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or one that has the attributes of an investment company, on the basis of the net asset value ("NAV") per share of the investment or its equivalent, if the NAV or its equivalent is calculated in a manner consistent with the measurement principles of accounting for investment companies as of the entity's measurement date. The relevant guidance also requires disclosures by major category of investments about the attributes of investments. Management has elected to adopt this practical expedient for its remainder interest in trusts.

Hedging Activities - The Organization adopted ASC 815, *Accounting for Derivative Instruments and Hedging Activities*, which requires that all derivative instruments be recorded on the statement of activities at fair value. On the date derivative contracts are entered into, the Organization designates the derivatives as either (a) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), (b) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge), or c) a hedge of a net investment in a foreign operation (net investment hedge). Changes in the fair value of derivatives are recorded each period in current earnings. For hedge transactions, changes in fair value of the derivative instrument are generally offset in the statement of activities by changes in the fair value of the item being hedged. The ineffective portions of all hedges are recognized in current period earnings.

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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2025 and 2024**

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

Hedging Activities (Continued) - In March 2008, FASB issued ASC 815-10, *Disclosures about Derivative Instruments and Hedging Activities*. ASC 815-10 changed the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under ASC 815; and (c) how derivative instruments and related hedge items affect an entity's financial position, financial performance, and cash flows. ASC 815-10 is effective for quarterly interim periods beginning after November 15, 2008, and fiscal years that include those quarterly interim periods. The Organization evaluated the impact of the provisions of ASC 815-10 on its financial statements and determined it did not have a material impact on the Organization's financial statements.

The Organization has invested in several hedge funds at June 30, 2025 and 2024, totaling \$2,995,697 and \$1,319,566, respectively. The holdings at June 30, 2025, are Ironwood Institutional Multi-Strategy Fund LLC, BREIT, K-Infra, K-PEC, Flex, Stepstone Spring, NB PMAF, CPG Focused Access Fund, LLC, and HP/Millennium International.

The funds are invested with multiple underlying hedge funds with various investment strategies. The result is a diversified portfolio of hedge funds which runs across the absolute return and equity hedge spectrum. The objective is to create a balanced portfolio of hedge funds to achieve attractive returns while mitigating risks inherent in any single strategy. In addition, the objective is to provide positive returns with relatively low volatility and correlation when compared to major market indices. The fund of funds is a fund for which the investment advisor does ongoing monitoring and due diligence.

Revenue and Revenue Recognition - The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met. Consequently, grants of \$668,686 and \$1,282,486 have not been recognized in the accompanying financial statements at June 30, 2025 and 2024, respectively, because conditions have not yet been met. The grants are conditional upon meeting measurable performance barriers. At June 30, 2024, the Organization also held \$58,510 in deferred revenue for conditional awards received for which conditions had not yet been met. This condition was met and the revenue was recognized during the year ended June 30, 2025.

Revenue, other than unconditional contributions, bequests, and grants, is recognized in the period in which service is provided.

Property, Equipment and Improvements - The Organization 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.

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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2025 and 2024**

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

Property, Equipment and Improvements (Continued) - The Organization 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 2025 or 2024.

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, as follows:

| <u>Expense:</u>          | <u>Method of allocation</u> |
|--------------------------|-----------------------------|
| Payroll related expenses | Time studies                |
| Insurance                | Function and usage          |
| Facilities               | Asset usage                 |
| Postage and shipping     | Function and usage          |
| Telephone                | Function and usage          |
| Office expenses          | Function and usage          |
| Depreciation expenses    | Function and usage          |

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Income Taxes - The Organization 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 Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization 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 Organization 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, 2025 and 2024**

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

Reclassification - Certain balances at, and for the year ended June 30, 2024, were reclassified to conform with June 30, 2025, balances.

Subsequent Events - Subsequent events have been evaluated through March 26, 2026, 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:

|                                       | <u>2025</u>         | <u>2024</u>         |
|---------------------------------------|---------------------|---------------------|
| Cash and cash equivalents             | \$ 1,085,927        | \$ 2,882,239        |
| Other receivables                     | 35,306              | 4,366               |
| Endowment spending rule distributions | 1,457,661           | 1,431,133           |
| Endowment other distributions         | <u>717,721</u>      | <u>869,657</u>      |
| Total                                 | <u>\$ 3,296,615</u> | <u>\$ 5,187,395</u> |

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 \$1,000,000. The Organization invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

**NOTE 3 PLEDGES, GRANTS, AND BEQUESTS**

The Organization received pledges, grants, and bequests receivable for various purposes. The receivables are collectible as follows at June 30, 2025 and 2024:

|                                         | <u>2025</u>         | <u>2024</u>         |
|-----------------------------------------|---------------------|---------------------|
| Current portion                         | \$ 1,123,544        | \$ 872,889          |
| Allowance for doubtful accounts         | <u>(28,936)</u>     | <u>(25,721)</u>     |
| Net current portion                     | <u>1,094,608</u>    | <u>847,168</u>      |
| Long-term portion, year ending June 30: |                     |                     |
| 2026                                    | <u>-</u>            | <u>330,000</u>      |
| Total long-term portion                 | <u>-</u>            | <u>330,000</u>      |
| Allowance for doubtful accounts         | -                   | (13,200)            |
| Allowance for present value discount    | <u>-</u>            | <u>(21,582)</u>     |
| Net long-term portion                   | <u>-</u>            | <u>295,218</u>      |
| Total pledges, grants, and bequests     | <u>\$ 1,094,608</u> | <u>\$ 1,142,386</u> |



**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2025 and 2024**

**NOTE 3    PLEDGES, GRANTS, AND BEQUESTS (Continued)**

It is the practice of the Organization to expense uncollectibles only after exhausting all efforts to collect the amounts due. In the opinion of management, allowances appear reasonable in light of subsequent collections and other factors.

**NOTE 4    MANAGED PORTFOLIO INVESTMENTS**

Managed portfolio investments are stewarded by the ACR investment committee and its ACR Board of Directors approved investment consultant. These investments are managed within the ACR Board of Directors approved Investment Policy Statement (“IPS”) and consists of two components:

- *Donor Restricted Endowment Investments* representing the historic dollar value of contributions restricted by donors for permanent investment, see Note 5.
- *Unrestricted Fund Investments* representing unrestricted funds held in the managed investment portfolio by the Organization’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, 2025 and 2024, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

| <u>Description</u> | <u>Fair Value Measurements Using</u>                                                 |                                                                      |                                                              |                                                        | <u>Total</u>         |
|--------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------|----------------------|
|                    | <u>Quoted Price in<br/>Active Markets<br/>for Identical<br/>Assets<br/>(Level 1)</u> | <u>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</u> | <u>Investments<br/>Measured<br/>at Cost<br/>or NAV</u> |                      |
| <u>2025:</u>       |                                                                                      |                                                                      |                                                              |                                                        |                      |
| Equity securities  | \$ 6,743,744                                                                         | \$ -                                                                 | \$ -                                                         | \$ -                                                   | \$ 6,743,744         |
| Fixed income fund  | 5,282,680                                                                            | -                                                                    | -                                                            | -                                                      | 5,282,680            |
| ETFs               | 2,833,316                                                                            | -                                                                    | -                                                            | -                                                      | 2,833,316            |
| Mutual funds       | 6,836,470                                                                            | -                                                                    | -                                                            | -                                                      | 6,836,470            |
| HF/Alternative     | -                                                                                    | -                                                                    | -                                                            | 6,173,945                                              | 6,173,945            |
| T-bills            | -                                                                                    | 129,540                                                              | -                                                            | -                                                      | 129,540              |
|                    | <u>\$ 21,696,210</u>                                                                 | <u>\$ 129,540</u>                                                    | <u>\$ -</u>                                                  | <u>\$ 6,173,945</u>                                    | <u>\$ 27,999,695</u> |

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2025 and 2024**

**NOTE 4    MANAGED PORTFOLIO INVESTMENTS (Continued)**

| Description       | Fair Value Measurements Using                                             |                                                           |                                                    |                                              | Total                |
|-------------------|---------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|----------------------------------------------|----------------------|
|                   | Quoted Price in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Investments<br>Measured<br>at Cost<br>or NAV |                      |
| <u>2024:</u>      |                                                                           |                                                           |                                                    |                                              |                      |
| Equity securities | \$ 6,718,862                                                              | \$ -                                                      | \$ -                                               | \$ -                                         | \$ 6,718,862         |
| Fixed income fund | 7,281,418                                                                 | -                                                         | -                                                  | -                                            | 7,281,418            |
| ETFs              | 2,836,281                                                                 | -                                                         | -                                                  | -                                            | 2,836,281            |
| Mutual funds      | 6,866,773                                                                 | -                                                         | -                                                  | -                                            | 6,866,773            |
| HF/Alternative    | -                                                                         | -                                                         | -                                                  | 3,794,318                                    | 3,794,318            |
| T-bills           | -                                                                         | 14,419                                                    | -                                                  | -                                            | 14,419               |
| Other             | -                                                                         | 166,116                                                   | -                                                  | -                                            | 166,116              |
|                   | <u>\$ 23,703,334</u>                                                      | <u>\$ 180,535</u>                                         | <u>\$ -</u>                                        | <u>\$ 3,794,318</u>                          | <u>\$ 27,678,187</u> |

The following summarizes the investment income (loss), including operating account activity, during the years ended June 30, 2025 and 2024:

|                              | 2025                | 2024                |
|------------------------------|---------------------|---------------------|
| Realized gain                | \$ 403,622          | \$ 208,355          |
| Unrealized gain              | 1,696,793           | 1,876,626           |
| Interest and dividend income | 781,598             | 841,015             |
| Investment management fees   | (105,725)           | (123,025)           |
|                              | <u>\$ 2,776,288</u> | <u>\$ 2,802,971</u> |

**NOTE 5    ENDOWMENT**

ACR's endowment investment portfolio consists of five investment accounts containing cash and cash equivalents, bonds, equities, and treasury bills, established for a variety of purposes. As required by GAAP, net assets associated with endowment funds 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.

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2025 and 2024**

NOTE 5    ENDOWMENT (Continued)

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

Endowment Net Asset Composition by Type of Fund as of:

| <u>Description</u>                                                                                      | <u>Without<br/>Donor<br/>Restrictions</u> | <u>With<br/>Donor<br/>Restrictions</u> | <u>Total</u>         |
|---------------------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------------|----------------------|
| <u>June 30, 2025</u>                                                                                    |                                           |                                        |                      |
| Donor-restricted endowment funds:                                                                       |                                           |                                        |                      |
| Original donor-restricted gift amount<br>and amount required to be maintained<br>in perpetuity by donor | \$ -                                      | \$ 14,639,565                          | \$ 14,639,565        |
| Accumulated investment gains                                                                            | -                                         | 4,001,335                              | 4,001,335            |
|                                                                                                         | <u>-</u>                                  | <u>4,001,335</u>                       | <u>4,001,335</u>     |
| Total funds                                                                                             | <u>\$ -</u>                               | <u>\$ 18,640,900</u>                   | <u>\$ 18,640,900</u> |
| Cash and cash equivalents                                                                               | \$ -                                      | \$ 234,304                             | \$ 234,304           |
| Donor-restricted endowment investments                                                                  | -                                         | 18,406,596                             | 18,406,596           |
|                                                                                                         | <u>-</u>                                  | <u>18,406,596</u>                      | <u>18,406,596</u>    |
|                                                                                                         | <u>\$ -</u>                               | <u>\$ 18,640,900</u>                   | <u>\$ 18,640,900</u> |
| <u>June 30, 2024</u>                                                                                    |                                           |                                        |                      |
| Donor-restricted endowment funds:                                                                       |                                           |                                        |                      |
| Original donor-restricted gift amount<br>and amount required to be maintained<br>in perpetuity by donor | \$ -                                      | \$ 14,639,565                          | \$ 14,639,565        |
| Accumulated investment gains                                                                            | -                                         | 4,382,481                              | 4,382,481            |
|                                                                                                         | <u>-</u>                                  | <u>4,382,481</u>                       | <u>4,382,481</u>     |
| Total funds                                                                                             | <u>\$ -</u>                               | <u>\$ 19,022,046</u>                   | <u>\$ 19,022,046</u> |
| Cash and cash equivalents                                                                               | \$ -                                      | \$ 260,191                             | \$ 260,191           |
| Donor-restricted endowment investments                                                                  | -                                         | 18,761,855                             | 18,761,855           |
|                                                                                                         | <u>-</u>                                  | <u>18,761,855</u>                      | <u>18,761,855</u>    |
|                                                                                                         | <u>\$ -</u>                               | <u>\$ 19,022,046</u>                   | <u>\$ 19,022,046</u> |

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2025 and 2024**

NOTE 5    ENDOWMENT (Continued)

Changes in Endowment Net Assets for the Fiscal Years Ended June 30, 2025 and 2024

|                                                                        | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total              |
|------------------------------------------------------------------------|----------------------------------|-------------------------------|--------------------|
| Endowment net assets,<br>June 30, 2023                                 | \$ 8,563,090                     | \$ 19,086,128                 | \$ 27,649,218      |
| Investment return:                                                     |                                  |                               |                    |
| Interest and dividends                                                 | 7,530                            | 416,698                       | 424,228            |
| Realized gain                                                          | 17,688                           | 151,356                       | 169,044            |
| Unrealized gain                                                        | 124,463                          | 1,191,292                     | 1,315,755          |
| Management fees                                                        | (8,175)                          | (79,187)                      | (87,362)           |
| Total investment return                                                | <u>141,506</u>                   | <u>1,680,159</u>              | <u>1,821,665</u>   |
| Contributions                                                          | 119                              | -                             | 119                |
| Transfers to<br>endowment investments                                  | <u>-</u>                         | <u>-</u>                      | <u>-</u>           |
| Total contributions and<br>changes in contributions                    | <u>119</u>                       | <u>-</u>                      | <u>119</u>         |
| Appropriation of endowment<br>assets for expenditure:                  |                                  |                               |                    |
| Spending rule                                                          | (32,555)                         | (1,443,241)                   | (1,475,796)        |
| Additional appropriations                                              | (59,810)                         | (301,000)                     | (360,810)          |
| Total appropriations                                                   | <u>(92,365)</u>                  | <u>(1,744,241)</u>            | <u>(1,836,606)</u> |
| Transfer of unrestricted funds to<br>non-endowment investment accounts | <u>(8,612,350)</u>               | <u>-</u>                      | <u>(8,612,350)</u> |
| Endowment net assets,<br>June 30, 2024                                 | <u>-</u>                         | <u>19,022,046</u>             | <u>19,022,046</u>  |
| Investment return:                                                     |                                  |                               |                    |
| Interest and dividends                                                 | -                                | 442,770                       | 442,770            |
| Realized gain                                                          | -                                | 301,664                       | 301,664            |
| Unrealized gain                                                        | -                                | 1,095,915                     | 1,095,915          |
| Management fees                                                        | -                                | (68,956)                      | (68,956)           |
| Total investment return                                                | <u>-</u>                         | <u>1,771,393</u>              | <u>1,771,393</u>   |

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2025 and 2024**

NOTE 5    ENDOWMENT (Continued)

Changes in Endowment Net Assets for the Fiscal Years Ended June 30, 2025 and 2024 (Continued)

|                                                       | <u>Without<br/>Donor<br/>Restrictions</u> | <u>With<br/>Donor<br/>Restrictions</u> | <u>Total</u>         |
|-------------------------------------------------------|-------------------------------------------|----------------------------------------|----------------------|
| Contributions                                         | -                                         | -                                      | -                    |
| Transfers to<br>endowment investments                 | -                                         | -                                      | -                    |
| Total contributions and<br>changes in contributions   | -                                         | -                                      | -                    |
| Appropriation of endowment<br>assets for expenditure: |                                           |                                        |                      |
| Spending rule                                         | -                                         | (1,431,132)                            | (1,431,132)          |
| Additional appropriations                             | -                                         | (721,407)                              | (721,407)            |
| Total appropriations                                  | -                                         | (2,152,539)                            | (2,152,539)          |
| Endowment net assets,<br>June 30, 2025                | <u>\$ -</u>                               | <u>\$ 18,640,900</u>                   | <u>\$ 18,640,900</u> |

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. As of June 30, 2025 and 2024, there were no funds with deficiencies.

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). 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.

**AUDUBON CANYON RANCH, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2025 and 2024**

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**NOTE 5    ENDOWMENT (Continued)**

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 Trustees. 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    OPERATING LEASE RIGHT OF USE ASSETS**

On March 10, 2021, the Organization entered into a non-cancelable operating lease for warehouse/office space. The lease was scheduled to mature March 31, 2024, and required base monthly rent of \$2,893 plus common area maintenance fees. On August 1, 2022, the Organization entered into a non-cancelable operating lease for additional warehouse/office space. The lease was scheduled to mature March 31, 2024, and required base monthly rent of \$1,800 plus common area maintenance fees. On September 27, 2023, these leases were renegotiated with additional space added, resulting in a new primary lease effective November 1, 2023.

The lease requires monthly rent of \$6,869, plus common area operating expenses, and matures March 31, 2027. The lease also has a 36-month option to extend, which has not yet been exercised. The property has a fair value far in excess of the lease value, and alternative expected uses to the lessor after the lease term. The Organization has elected to use the risk-free interest rate of 4.76% for calculation of long-term discounting. The leases convey no ownership at the end of the lease terms, contain no purchase options, and require no guarantee of residual value. During the year ended June 30, 2025 and 2024, the Organization paid \$93,028 and \$75,821, respectively, under these leases and other immaterial equipment leases. The amortization of the right of use assets was \$75,437 for the year ended June 30, 2025, and \$49,376 for the new lease and \$37,603 for the remaining portion of the old leases, totaling \$86,979, at June 30, 2024.

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**For the years ended June 30, 2025 and 2024**

**NOTE 6 OPERATING LEASE RIGHT OF USE ASSETS (Continued)**

The future payments under these lease obligations are as follows:

| Year ending<br>June 30, | Scheduled<br>Payments | Less: effects<br>of discounting | Net               |
|-------------------------|-----------------------|---------------------------------|-------------------|
| 2026                    | \$ 86,538             | \$ 4,820                        | \$ 81,718         |
| 2027                    | 64,904                | 1,017                           | 63,887            |
|                         | <u>\$ 151,442</u>     | <u>\$ 5,837</u>                 | <u>\$ 145,605</u> |

**NOTE 7 PROPERTY, EQUIPMENT, AND IMPROVEMENTS**

Property, equipment, and improvements consisted of the following:

| Property, Equipment, and<br>Improvements, at Cost               | Land                | Buildings<br>and<br>Improvements | Furniture<br>and<br>Equipment | Total                |
|-----------------------------------------------------------------|---------------------|----------------------------------|-------------------------------|----------------------|
| Balance, June 30, 2023                                          | \$ 7,638,270        | \$ 6,369,563                     | \$ 1,991,395                  | \$ 15,999,228        |
| Additions                                                       | -                   | 11,800                           | 373,284                       | 385,084              |
| Disposals                                                       | (15,133)            | -                                | -                             | (15,133)             |
| Balance, June 30, 2024                                          | 7,623,137           | 6,381,363                        | 2,364,679                     | 16,369,179           |
| Additions                                                       | -                   | 232,184                          | 361,914                       | 594,098              |
| Balance, June 30, 2025                                          | 7,623,137           | 6,613,547                        | 2,726,593                     | 16,963,277           |
| <u>Accumulated depreciation</u>                                 |                     |                                  |                               |                      |
| Balance, June 30, 2023                                          |                     | 3,796,632                        | 1,255,570                     | 5,052,202            |
| Depreciation expense                                            |                     | 208,536                          | 263,807                       | 472,343              |
| Balance, June 30, 2024                                          |                     | 4,005,168                        | 1,519,377                     | 5,524,545            |
| Depreciation expense                                            |                     | 160,039                          | 279,427                       | 439,466              |
| Balance, June 30, 2025                                          |                     | 4,165,207                        | 1,798,804                     | 5,964,011            |
| Property, equipment,<br>and improvements,<br>net, June 30, 2025 | <u>\$ 7,623,137</u> | <u>\$ 2,448,340</u>              | <u>\$ 927,789</u>             | <u>\$ 10,999,266</u> |
| Property, equipment,<br>and improvements,<br>net, June 30, 2024 | <u>\$ 7,623,137</u> | <u>\$ 2,376,195</u>              | <u>\$ 845,302</u>             | <u>\$ 10,844,634</u> |

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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7    PROPERTY, EQUIPMENT, AND IMPROVEMENTS (Continued)**

During the year ended June 30, 2024, the Organization sold an unused parcel of land, with the gain on sale calculated as follows:

|                     |                             |
|---------------------|-----------------------------|
| Proceeds from sale  | \$     50,000               |
| Less: basis at sale | <u>(15,133)</u>             |
| Gain on sale        | <u><u>\$     34,867</u></u> |

The Organization 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, with major damage occurring at the organizations' Bouverie Preserve in Glen Ellen, Sonoma County. As of June 30, 2022, ACR has received insurance proceeds totaling \$5,861,952 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, 2024 and 2023, insurance transactions were as follows:

|                                                                             |                            |
|-----------------------------------------------------------------------------|----------------------------|
| Unspent insurance proceeds at June 30, 2022                                 | \$ 3,532,235               |
| Less: Property, equipment, and improvements<br>funded by insurance proceeds | <u>(94,923)</u>            |
| Operating costs funded by insurance proceeds                                | <u>(5,712)</u>             |
| Unspent insurance proceeds at June 30, 2023                                 | 3,431,600                  |
| Less: Property, equipment, and improvements<br>funded by insurance proceeds | <u>(11,800)</u>            |
| Operating costs funded by insurance proceeds                                | <u>(237,049)</u>           |
| Unspent insurance proceeds at June 30, 2024                                 | <u><u>\$ 3,182,751</u></u> |

During the year ended June 30, 2025, management completed the projects related to the fire damage. As a result, the balance of the insurance proceeds were recognized as income.



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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8    NET ASSETS WITH DONOR RESTRICTIONS**

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

|                                                                                          |                             |                             |
|------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Subject to expenditures for specified purposes:                                          | 2025                        | 2024                        |
| Stewardship                                                                              | \$ 249,707                  | \$ 862,419                  |
| Education                                                                                | 199,199                     | 181,285                     |
| Science                                                                                  | 4,924                       | 574                         |
| Promises to give, the proceeds from which<br>have been restricted by donors for programs | 694,458                     | 973,022                     |
| Subject to the passage of time:                                                          |                             |                             |
| Land and buildings, net of accumulated<br>depreciation, per donor restrictions           | 1,199,283                   | 1,204,939                   |
|                                                                                          | <u>2,347,571</u>            | <u>3,222,239</u>            |
| Endowment (Note 5):                                                                      |                             |                             |
| Subject to appropriation and expenditures<br>when a specified event occurs:              |                             |                             |
| With donor restrictions                                                                  | 59,230                      | 133,144                     |
| Available for general use                                                                | 3,942,105                   | 4,249,337                   |
|                                                                                          | <u>4,001,335</u>            | <u>4,382,481</u>            |
| Subject to the organization's endowment<br>spending policy and appropriation             | <u>14,639,565</u>           | <u>14,639,565</u>           |
| Total endowments                                                                         | <u>18,640,900</u>           | <u>19,022,046</u>           |
| Land held in perpetuity, per donor restrictions                                          | <u>4,110,345</u>            | <u>4,110,345</u>            |
| Total net assets with donor restrictions                                                 | <u><u>\$ 25,098,816</u></u> | <u><u>\$ 26,354,630</u></u> |

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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9 IN-KIND GOODS AND SERVICES**

The Organization 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, 2025 and 2024, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

| <u>Description</u>                  | Fair Value Measurements Using                                                        |                                                                      |                                                              | <u>Total</u>     |
|-------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------|------------------|
|                                     | <u>Quoted Price in<br/>Active Markets<br/>for Identical<br/>Assets<br/>(Level 1)</u> | <u>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</u> |                  |
| <u>2025:</u>                        |                                                                                      |                                                                      |                                                              |                  |
| Equipment and<br>products, utilized | \$ -                                                                                 | \$ 9,550                                                             | \$ -                                                         | \$ 9,550         |
| Labor, utilized                     | -                                                                                    | 61,393                                                               | -                                                            | 61,393           |
|                                     | <u>\$ -</u>                                                                          | <u>\$ 70,943</u>                                                     | <u>\$ -</u>                                                  | <u>\$ 70,943</u> |
| <u>2024:</u>                        |                                                                                      |                                                                      |                                                              |                  |
| Equipment and<br>products, utilized | \$ -                                                                                 | \$ 3,369                                                             | \$ -                                                         | \$ 3,369         |
| Labor, utilized                     | -                                                                                    | 30,375                                                               | -                                                            | 30,375           |
|                                     | <u>\$ -</u>                                                                          | <u>\$ 33,744</u>                                                     | <u>\$ -</u>                                                  | <u>\$ 33,744</u> |

The Organization 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 Organization estimates approximately 4,641 hours were provided to ACR during the year ended June 30, 2025, valued at an average rate of \$40.74 for a total estimated value of \$189,084. The Organization estimates approximately 5,016 hours were provided to ACR during the year ended June 30, 2024, valued at an average rate of \$39.85 for a total estimated value of \$199,845.

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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2025 and 2024**

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**NOTE 10 PENSION AND RETIREMENT PLAN**

The Organization 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 years of age or older and have completed one year of service. The annual employer contribution is discretionary up to 5% of gross eligible wages. The Organization made contributions to the plan totaling \$140,118 for the year ended June 30, 2025, and \$123,251 for the year ended June 30, 2024.

**NOTE 11 RISKS, UNCERTAINTIES AND CONCENTRATIONS**

- The Organization 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 Organization. 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 Organization's exposure to impact from these events.
- During the year ended June 30, 2024, the Organization received bequests, pledges and donations from four sources that represented 24% of total support. Two of those donors represents 71% of the pledges, grants and bequests receivable at June 30, 2024. One of the same donors represents 30% of the pledges, grants and bequests receivable at June 30, 2025.

**NOTE 12 EXCESS OF FDIC**

As of June 30, 2025, the Organization had exceeded the Federal Depository Insurance Corporation cash limit of \$250,000 on its depository accounts. At June 30, 2025, the Organization had approximately \$1,678,000 on deposit in excess of federally insured limits.

**NOTE 13 SUBSEQUENT EVENT**

Audubon Canyon Ranch is now doing business as All Hands Ecology. The Fictitious Business Statement was filed and accepted with the County of Marin on September 18, 2025.