WILDCARE

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of WildCare:

Report on the Financial Statements

We have audited the accompanying financial statements of WildCare (a non-profit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WildCare as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Pleasanton, California
February 14, 2017

WILDCARE
STATEMENT of FINANCIAL POSITION
At September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
ASSETS				
Cash	($154,798)	$2,089,322		$1,934,524
Program fees receivable	59,997			59,997
Donations, grants & awards receivable	116,779	115,000		231,779
Pledges receivable, current, net		214,275		214,275
Inventory	11,516			11,516
Prepaid expenses	27,454			27,454
TOTAL CURRENT ASSETS	60,948	2,418,597		2,479,545
Pledges receivable, long term, net		316,350		316,350
Deposits	27,047			27,047
Investments, Equities	5,168		$58,062	63,230
Investments, MCF Funds		7,147	36,800	43,947
Construction in progress	2,117,283			2,117,283
Property and equipment, net	66,093			66,093
TOTAL OTHER ASSETS	2,215,591	323,497	94,862	2,633,950
TOTAL ASSETS	$2,276,539	$2,742,094	$94,862	$5,113,495
LIABILITIES				
Accounts payable	$137,322			$137,322
Deferred revenue	42,339			42,339
Accrued compensation	94,529			94,529
TOTAL LIABILITIES	274,190			274,190
NET ASSETS				
Unrestricted	2,002,349			2,002,349
Temporarily restricted		$2,742,094		2,742,094
Permanently restricted			$94,862	94,862
TOTAL NET ASSETS	2,002,349	2,742,094	94,862	4,839,305
TOTAL LIABILITIES & NET ASSETS	$2,276,539	$2,742,094	$94,862	$5,113,495

See Independent Accountant's Audit Report and Notes to Financial Statements.

WILDCARE
STATEMENT of ACTIVITIES
For the Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
Support and revenue				
Support				
Grants & awards	$166,374	$260,690		$427,064
Donations	1,413,508	329,374		1,742,882
Bequests	431,954	1,000,000		1,431,954
In-kind donations	648,201			648,201
Special events	250,929			250,929
Revenue				
Program fees	348,479			348,479
Interest & investment income	1,093	259	$10,648	12,000
Other income	4,046			4,046
Merchandise sales	55,615			55,615
Net assets released from temporary restrictions				
Expiration of time & purpose restrictions	1,173,483	(1,173,483)		
Total revenue & other support	4,493,682	416,840	10,648	4,921,170
Expenses				
Program services				
Clinic	1,546,418			1,546,418
Education	891,746			891,746
Supporting services				
Management & general	190,199			190,199
Fund-raising	694,551			694,551
Total expenses	3,322,914			3,322,914
INCREASE (DECREASE) IN NET ASSETS	1,170,768	416,840	10,648	1,598,256
NET ASSETS AT BEGINNING OF YEAR				
As previously reported	1,066,202	2,318,599	88,156	3,472,957
Reclassification of restricted funds	(2,713)	6,655	(3,942)	
Overstated construction in progress	(231,908)			(231,908)
BEGINNING NET ASSETS, RESTATED	831,581	2,325,254	84,214	3,241,049
NET ASSETS AT END OF YEAR	$2,002,349	$2,742,094	$94,862	$4,839,305

See Independent Accountant's Audit Report and Notes to Financial Statements.

WILDCARE
STATEMENT of FUNCTIONAL EXPENSES
For the Year Ended September 30, 2016

	Program Services			Supporting Services			Total
	Clinic	Education	Total	Management & General	Fund Raising	Total	2016
Salaries & wages	$573,414	$425,362	$998,776	$104,000	$276,553	$380,553	$1,379,328
Payroll taxes	41,294	31,153	72,447	7,751	20,005	27,756	100,203
Employee benefits	57,970	61,970	119,940	10,771	28,243	39,014	158,954
Subtotal Compensation	672,677	518,485	1,191,162	122,522	324,801	447,323	1,638,486
Advertising & promotion	11,382	7,680	19,062	153	24,140	24,293	43,355
Animal care / food	54,857	5,363	60,220				60,220
Dues, fees, & other charges	10,710	2,568	13,278	4,276	5,827	10,104	23,382
Equipment lease / purchase	7,868	2,088	9,956	320	2,356	2,676	12,632
Hospital supplies / services	105,506	2,748	108,254				108,254
In-kind services	340,412	82,710	423,122				423,122
Insurance	9,979	4,540	14,518	3,008	276	3,284	17,803
Maintenance & repair	10,701	5,567	16,268	103	552	654	16,922
Meetings / conferences	3,868	1,381	5,249	23,500	21,495	44,995	50,244
Occupancy	99,332	49,852	149,184	1,441	2,972	4,413	153,597
Outside services	148,364	54,560	202,923	28,382	167,943	196,324	399,248
Postage & mail services	5,396	21,236	26,632	2,522	95,008	97,530	124,162
Printing & publications	5,312	2,326	7,638	129	36,888	37,018	44,656
Program materials		12,569	12,569				12,569
Scholarships, grants & awards		49,420	49,420	2,176	5,150	7,326	56,746
Supplies	4,671	4,663	9,334	445	2,727	3,172	12,507
Telephone & internet	6,906	4,384	11,289	86	171	256	11,546
Transportation & travel costs	1,599	20,987	22,586	51	816	866	23,453
Utilities	18,673	8,361	27,034	279	2,432	2,711	29,745
Volunteer expenses	13,349	6,258	19,608	103	671	774	20,382
Total before depreciation	1,531,562	867,745	2,399,307	189,495	694,226	883,720	3,283,028
Depreciation	14,856	24,001	38,857	704	325	1,029	39,887
Total Expenses	$1,546,418	$891,746	$2,438,165	$190,199	$694,551	$884,750	$3,322,914

See Independent Accountant's Audit Report and Notes to Financial Statements.

WILDCARE
STATEMENT of CASH FLOWS
For the Year Ended September 30, 2016

	Total 2016
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets:	$1,598,256
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	39,887
Prior period adjustment	(231,908)
Realized and unrealized changes in investments, equities	(10,648)
Realized and unrealized changes in investments, MCF funds	(795)
(Increase) decrease in operating assets	
Program fees receivable	(33,987)
Grants & awards receivable	987,756
Pledges receivable	(214,275)
Inventory	169
Prepaid expenses & deposits	(17,988)
Increase (decrease) in operating liabilities	
Accounts payable	513
Deferred revenue	5,976
Accrued compensation	22,457
Contributions received for long term use	(316,350)
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	1,829,062
CASH FLOWS FROM INVESTING ACTIVITIES	
Construction in progress additions	(550,901)
Capital asset addtions	(12,355)
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	(563,256)
CASH FLOWS FROM FINANCING ACTIVITIES	
Investment purchases, equities	(4,001)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(4,001)
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	1,261,806
BEGINNING CASH AND CASH EQUIVALENTS	672,718
ENDING CASH AND CASH EQUIVALENTS	$1,934,524

NOTE A – SUMMARY OF ACTIVITIES

WildCare (the Organization) is a public benefit, non-profit organization, incorporated in California in 1994, as a result of a merger of the California Center for Wildlife and the Terwilliger Nature Education Center. The predecessor organization was operating on the same site since 1954.

NOTE B – PROGRAM SERVICES

WildCare is a 501(c)(3) nonprofit wildlife hospital and environmental education center based in San Rafael, California. For over 60 years, WildCare has been a first responder to wildlife that share the same habitat as humans. Annually, its hospital provides emergency and ongoing medical care to more than 40,000 animals from more than 200 distinct species. Nearly 99% of the wild animals it helps have been injured in some way as a result of human interaction. In addition to giving sick and injured wild animals and birds a second chance at life, WildCare works to encourage humans to live well with wildlife. To that end, its environmental education programs reach approximately 52,000 schoolchildren and adults annually, a hotline responds to callers seeking information about local wildlife, and it operates a service that humanely removes unwanted wildlife from residential and commercial properties. Because of the large number of wild animals it treats and due to its large geographical reach in the San Francisco Bay Area, WildCare is in a special position to contribute to scientific exploration of linkages between wild animal diseases and environmental health.

In March 2013, WildCare entered into a long-term property lease, on a five-acre parcel with existing buildings, in need of extensive renovations located in San Rafael, California. WildCare has plans that include renovation of four existing buildings, to house its wildlife hospital and rehabilitation facilities, as well as a multi-use public space, a kitchen and an educational center. As of September 30, 2016 WildCare has raised $6,400,000 towards its goal of $12,000,000 for this project and borrow up to $2,000,000 from Marin Community Foundation.

NOTE C – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies that follow enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. In addition, the Organization is required to present a statement of cash flows. Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Temporarily restricted net assets include those subject to donor restrictions that are not met at the end of the current reporting period. Permanently restricted net assets include those subject to non-expiring donor restrictions, such as an endowment.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, require management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is not classified as a private foundation and is exempt from federal and state income taxes under section 501(c)3 of the Internal Revenue Code and Section 23701(d) of the California Code. The Organization is considered a publicly supported organization. The Financial Accounting Standards Board prescribes a recognition threshold and a measurement attribute for financial statement recognition of tax positions taken or expected to be taken on a tax return. Management has evaluated its uncertain tax positions and related income tax contingencies and does not believe any material uncertain tax positions exist. The Organization’s federal and state informational returns for the years ending September 30, 2012 through September 30, 2015 are subject to examination by regulatory agencies; generally for three years after they have been filed.

NOTE C – SIGNIFICANT ACCOUNTING POLICIES - continued

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date. Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, from those willing to trade in markets that are not active, or other inputs that are observable or that can be corroborated by market data for the term of the instrument. Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for an asset or a liability at the measurement date.

The Organization's assets measured and reported at fair value are as follows:

Year Ended 6/30/2016	Fair Value	Level 1	Level 3
Investments, Equities	$63,230	$63,230	
Investments, MCF Funds	$43,947		$43,947

Receivables and Allowance for Doubtful Accounts

Receivables are segregated between program receivables, grants and awards receivable and pledges receivable – which are further separated between current and long term.

The Organization does not maintain an allowance on donations or grants receivable, as reimbursements from these funding sources are likely to be received. Management maintains a four percent discount allowance on long term pledges receivable, which is based on the average US Treasury market rate, for the current year and adding one percent for credit risk and one percent for valuation risk.

Inventory

Inventory consists of logo merchandise and educational books, related to the Organization's mission, and is stated at cost which is averaged over the number of units purchased. Management uses the first in, first out method of accounting for inventory. Inventory at September 30, 2016 is $11,516.

Property, Equipment and Depreciation

Property and equipment is recorded at cost when purchased or, if contributed, at estimated fair market value when donated. It is the Organization's policy to capitalize items costing more than $1,000. Depreciation is computed using the straight-line method over the assets estimated useful life, which ranges from three to fifteen years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Contributions In-kind

Donated equipment and other donated goods are recorded at their estimated fair market value on the day of donation. Donated services are recognized as contributions if the services create or enhance a financial asset or require specialized skills which the donor has and would otherwise be purchased by the Organization.

Revenue Recognition

Cost reimbursable awards are recognized as revenue in the period in which the service is provided. Grants are recognized as revenue when unconditional and awarded in writing. The Organization's primary revenue sources are grants and awards from local governments and foundations, and donations from individuals and corporations.

NOTE C – SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash accounts, including undeposited funds, and highly liquid investment accounts, with a maturity of three months or less, to be cash equivalents.

Investments Equities

The Organization carries investments in equities that are held at a local financial institution with readily determinable fair values in the Statement of Financial Position. A majority of this investment is permanently restricted by the donor. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities and are also considered permanently restricted. Dividends and interest earning on these equities are considered unrestricted and are reported as an increase in unrestricted net assets.

Investments MCF (Marin Community Foundation) Funds

The Organization is the beneficiary of a testamentary endowment and has received permanently restricted gifts totaling $36,800 for which the investment earnings may be used, at the discretion of management, to further the Organizations exempt purpose. The Organization follows the accounting rules of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and provides Enhanced Disclosures for its endowment fund and the State of California enacted UPMIFA effective June 2008; State Prudent Management of Institutional Funds Act (SPMIFA).

Contributions

The Organization accounts for contributions received and contributions made in accordance with accounting standards for not-for-profit organizations. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Restricted contributions are reported as an increase in temporarily or permanently restricted net assets. When the restriction is met, the amount is shown as a reclassification from restricted net assets to unrestricted net assets.

Indirect Expense Allocations

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated to the various functional areas based on work assignments of personnel and square footage of facility usage, as estimated by management.

NOTE D – RECEIVABLES

At September 30, 2016 donations, grants, awards and program fees receivable are $231,779, net of $0 allowance for doubtful collection, all are due within one year. At September 30, 2016 pledges receivable are as follows:

Pledges Receivable	Gross	Discount	Net, FY16
Current	$214,275		$214,275
Long Term, 2 - 4 years	$330,000	($13,650)	$316,350
Total	$544,275	($13,650)	$530,625

NOTE E – INVESTMENTS IN MCF FUNDS, ENDOWMENT

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted SPMIFA as requiring the preservation of the fair value of the original gift absent any explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the gift is added to the fund.

NOTE E – INVESTMENTS IN MCF FUNDS, ENDOWMENT (continued)

Return Objective and Risk Parameters

The portion of the endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Organization management in a manner consistent with SPMIFA. The Organization has adopted an investment policy with the primary investment objective to maximize total return, while assuming an appropriate level of risk given the nature of the funds under management. The goal is to produce a growing level of income and principal to ensure funding for the activities supported by the endowment can be maintained in the face of inflation.

Strategies Employed for Achieving Objectives

Endowment assets are invested in a diversified asset mix, including equities and debt securities. Investment risk is measured in terms of the total endowment assets and the allocations between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Changes in investments, MCF Funds - endowment are as follows:

Beginning of the Year	$43,152
Interest Income	$531
Unrealized Gains	$3,097
Investment Fees	($2,176)
Distributions	($657)
End of the Year	$43,947

Spending Policy and How Objectives Relate to Spending Policy

The Organization follows Marin Community Foundation's policy of appropriating for distribution each year a flexible amount that ensures spending will continue without deterioration of endowment principal. For the year ending September 30, 2016 Marin Community Foundation approved a spending level of 5% of the fair market value of the invested endowment fund. Occasionally, the fair value of the assets associated with individual donor restricted endowment funds may fall below the level the donor requires to retain in perpetual duration. These deficiencies result from unfavorable market fluctuations during the year. In accordance with the generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. No such deficiencies occurred for year ended September 30, 2016.

NOTE F – INVESTMENTS EQUITIES

Investments consist of equity funds held at a local financial brokerage firm and are valued at $63,230 at September 30, 2016. Change in investment value consists of $4,001 contributions and $10,648 investment income; total change is $14,649 for the year ended September 30, 2016.

NOTE G – CONSTRUCTION IN PROGRESS

Management has secured five acres, located at 301 Smith Ranch Road in San Rafael, to expand programs. The new property features sustainable and re-use of existing on site building materials, native landscaping, pervious paving, energy efficient systems. The new site will provide important treatment and rehabilitation areas for wildlife patients and enough space to increase the number of animals served and improve the quality of care. The property includes a new Terwilliger Discovery Center which will teach visitors about wildlife and the environment with interactive displays and activities, benefiting educational programs. The property will host a new Ambassador courtyard with larger enclosures and nose to beak encounters. Management has raised over $6,400,000 as of September 30, 2016 and intends to raise $12,000,000 and borrow up to $2,000,000 from Marin Community Foundation at 4% per annum, to complete this project. Accumulated construction costs are $2,117,283 at September 30, 2016.

NOTE H – PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation is as follows:

Land	$15,000
Building & Improvements	$161,313
Furniture & Equipment	$563,405
Total Fixed Assets	$739,718
Accumulated Depreciation	($673,625)
Equipment, net book value	$66,093

Depreciation expense for the year ending September 30, 2016 is $39,887.

NOTE I – LEASE COMMITMENTS

The Organization leases land at Smith Ranch Road in San Rafael (see construction in progress footnote) under a non-cancellable, twenty year lease agreement, expiring in March 2023, with two, seven year extension renewals. Lease payments increase annually based on the consumer price index up to a 3% maximum. Rent expense for the year ending September 30, 2016 is $139,173. Future minimum payments due annually through 2022 are $141,972 and for the year ending 2023 the minimum payment due is $70,986.

In addition, the Organization leases a photocopier under a non-cancellable agreement expiring in November 2018. Future minimum payments under this agreement are: $1,779 for the years ending September 30, 2017 and September 30, 2018 and $296 for the year ending September 30, 2019.

NOTE J – CONSTRUCTION LOAN

On June 25, 2016 management received approval for a $2,000,000 construction loan from Marin Community Foundation for the construction of the new facility in San Rafael. The loan will be disbursed after certain funding levels have been raised and construction has started and will mature 5 years after completion of construction. The loan is secured by the accounts receivable of the Organization and bears interest at 4% per annum. At September 30, 2016 no amounts have been drawn down on this loan balance.

NOTE K – RETIREMENT PLAN

WildCare maintains a 401(k) safe harbor profit sharing pension plan covering all eligible employees who have attained twenty-one years of age and have completed twelve months of service. Employees are eligible to make elective contributions up to the maximum amount allowed by the Internal Revenue Code. WildCare makes matching contributions up to 6% of the employees' eligible compensation. WildCare contributed $35,291 for the year ended September 30, 2016.

NOTE L – CONTINGENCIES

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies' criteria under which expenditures may be charged against and are subject to audit under such criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with the established criteria governing them. In such cases, Organization management could be held responsible for repayments to the funding agency for disallowed costs or be subject to reductions of future funding. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

NOTE M – TEMPORARY RESTRICTIONS ON NET ASSETS

For the year ended September 30, 2016 the Organization's temporary restricted net asset activity is as follows:

Purpose	Beginning	Additions	Released	Ending
Facility Expansion	$2,279,591	$1,443,964	($998,118)	$2,725,437
Education Programs	$34,040	$70,440	($97,540)	$6,940
Hospital Programs	$2,559	$10,700	($10,689)	$2,570
Hungry Owl Project		$29,960	($29,960)	$0
Time Restricted		$35,000	($35,000)	$0
Investments, MCF Funds	$2,410	$6,913	($2,176)	$7,147
Total	$2,318,600	$1,596,977	($1,173,483)	$2,742,094

NOTE N – PERMANENT RESTRICTED NET ASSETS:

Permanently restricted net assets consist of the following:

Investments Equities	$58,062
Investments MCF Funds	$36,800
Total	$94,862

NOTE O – IN-KIND DONATIONS

For the year ending September 30, 2016, the Organization received and recognized the following in-kind donations:

Capital Campaign Services	$201,195
Advertising, Special Events	$11,950
Hospital Volunteers	$395,954
Camp & Education Services	$27,326
Hospital Supplies	$5,942
Office Supplies	$740
Other Supplies	$5,094
Total In-kind Donations	$648,201

NOTE P – SPECIAL EVENTS

For the year ending September 30, 2016, the Organization participated in the following special events:

	Gala	Dining for Wildlife	Other Events	Total
Auction Sales	$17,698		$1,155	$18,853
Ticket Sales	$33,800	$21,545	$4,685	$60,030
Donations	$193,218	$40,844	$4,027	$238,089
Gross Revenue	$244,716	$62,389	$9,867	$316,972
Direct Donor Benefits	($42,883)	($21,655)	($1,505)	($66,043)
Gross Proceeds	$201,833	$40,734	$8,362	$250,929

NOTE Q – MERCHANDISE SALES

For the year ending December 31, 2016 merchandise sales are reported net of cost of goods sold, as follows:

Gross Sales	$61,660
Less Cost of Goods Sold	($6,045)
Gross Proceeds	$55,615

NOTE R – FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and receivables.

The Organization maintains a majority of their cash in bank deposit accounts that, at times, may exceed federally insured limits of $250,000. The organization has not experienced any losses in such accounts. Management believes the organization is not exposed to any significant credit risk related to cash. At September 30, 2016, the Organization’s uninsured cash is $1,694,795.

For the year ending September 30, 2016 one pledge receivable comprises 57% of the total pledges receivable. The ability of pledges to continue to provide amounts comparable with prior years may be dependent upon current and future economic conditions and budget constraints. While the Board of Directors believes, the Organization has the resources to continue current and future programs, its ability to do so, and the extent to which it does, may be dependent on the above factors.

NOTE S – BENEFICIAL INTEREST IN PERPETUAL TRUST

The Organization is a designated beneficiary of a perpetual trust administered by Marin Community Foundation, who has been granted variance power. The terms of the trust mandate perpetual control of the corpus to the named trustee. The Organization is entitled to receive annually a portion of the fund’s investment earnings in accordance with Marin Community Foundation’s spending policy. Excess earnings are applied towards the principal balance for future distribution. For the year ending September 30, 2016 the Organization received a distribution of $13,748 and the value of this fund at September 30, 2016 is $277,754.

NOTE T – PRIOR PERIOD ADJUSTMENT

During the year ending September 30, 2016 management became aware of two adjustments that were necessary to restate beginning balances in order to present current year financial information accurately. The first adjustment restates beginning balances of investments in equities and investments in MCF funds to amounts confirmed with the donors of such funds. This resulted in increasing temporarily restricted net assets by $6,655, decreasing permanently restricted net assets by $3,942 and decreasing unrestricted net assets by $2,713. The second adjustment restates construction in progress to allow for the land lease to be expensed, as opposed to being capitalized. This resulted in decreasing construction in progress by $382,331, increasing facility lease deposits by $11,250, increasing lease expense by $139,173 and decreasing net assets by $231,908.

NOTE U – NONCOMPLIANCE WITH DONOR IMPOSED RESTRICTIONS

Management has received donor restricted contributions, primarily for construction of the new facility, which have been used to meet general operating expenses and at September 30, 2016 have caused the unrestricted cash balance to be reported negative, at $154,798. Management believes the negative unrestricted cash position reported at September 30, 2016 is temporary and will be eliminated in the subsequent fiscal year.

NOTE V – JOINT COST ALLOCATION

The Organization's newsletter contains several calls to action and as such the publication and distribution costs qualify for allocation to functional areas based on the content of the newsletter. For the year ending September 30, 2016 the allocation is as follows:

Program	$17,260
Management / General	$2,109
Fund – Raising	$3,280
Total	$22,649

NOTE W – SUBSEQUENT EVENTS

Management has reviewed the results of the Organization's operations for the period of time from its year end, September 30, 2016, through February 1, 2017, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure, except as follows: As of December 31, 2016 the unrestricted cash position is positive and all monies owed to restricted funds have been restored. All restricted and unrestricted funds are segregated going forward and can only be used for their designated purpose.