

FORT ROSS CONSERVANCY

DECEMBER 31, 2018

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

AND

FINANCIAL STATEMENTS

Fort Ross Conservancy

Independent Accountants' Review Report and Financial Statements

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A Century Strong

Independent Accountants' Review Report

THE BOARD OF DIRECTORS
FORT ROSS CONSERVANCY
Jenner, California

We have reviewed the accompanying financial statement of **FORT ROSS CONSERVANCY (FRC)** which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2017 Financial Statements

We have previously reviewed the FRC's December 31, 2017 financial statements in our report dated March 29, 2018, based on our procedures, we are not aware of any material modifications that should be made to the financial statement in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As described in Note 2, FRC adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. Our opinion is not modified with respect to that matter.

Hood & Strong LLP

San Francisco, California
April 5, 2019

Fort Ross Conservancy

Statement of Financial Position (See Independent Accountants' Review Report)

<i>December 31, 2018 (with comparative total for 2017)</i>	2018	2017
Assets		
Cash and cash equivalents	\$ 292,963	\$ 300,146
Inventory	70,596	53,698
Prepaid expenses and other assets	11,240	
Investments	274,997	291,200
Fixed assets, net	56,288	46,184
Collections	91,689	91,689
Total Assets	\$ 797,773	\$ 782,917
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 34,685	\$ 24,972
Deferred revenue	8,635	10,810
Total liabilities	43,320	35,782
Net Assets:		
Without donor restrictions:		
Undesignated	223,230	285,249
Board designated - operations	339,746	367,511
Total without donor restrictions	562,976	652,760
With donor restrictions	191,477	94,375
Total net assets	754,453	747,135
Total Liabilities and Net Assets	\$ 797,773	\$ 782,917

See accompanying notes to financial statements.

Fort Ross Conservancy

Statement of Activities and Changes in Net Assets (See Independent Accountants' Review Report)

Year Ended December 31, 2018 (with comparative totals for 2017)

	2018		Total	2017 Total
	Without Donor Restrictions	With Donor Restrictions		
Revenue and Support:				
Grants and contributions	\$ 18,300	\$ 246,774	\$ 265,074	\$ 119,977
Program income	107,268		107,268	105,963
Program events	155,373		155,373	193,741
Bookshop and firewood sales (net of direct expenses of \$96,464)	86,644		86,644	71,150
Investment income, net	(16,068)		(16,068)	31,421
In-kind donations	22,531		22,531	-
Other income				3,113
Net assets released from restrictions	172,372	(172,372)	-	-
Total revenue and support	546,420	74,402	620,822	525,365
Expenses:				
Program services:				
Education	112,557		112,557	132,320
Interpretation	209,805		209,805	224,283
Infrastructure maintenance and operations	150,263		150,263	59,094
Management and general	125,304		125,304	60,030
Fundraising	15,575		15,575	19,499
Total expenses	613,504	-	613,504	495,226
Change in Net Assets Before Reclassification	(67,084)	74,402	7,318	30,139
Reclassification of net assets (Note 7)	(22,700)	22,700	-	-
Change in Net Assets	(89,784)	97,102	7,318	30,139
Net Assets, beginning of year	652,760	94,375	747,135	716,996
Net Assets, end of year	\$ 562,976	\$ 191,477	\$ 754,453	\$ 747,135

See accompanying notes to financial statements.

Fort Ross Conservancy

Statement of Functional Expenses (See Independent Accountants' Review Report)

Year Ended December 31, 2018 (with comparative totals for 2017)

	Program Services			Total Program Services	Supporting Services		Total	2017 Total
	Education	Interpretation	Infrastructure Maintenance and Operations		Management and General	Fund- Raising		
Salaries and wages	\$ 67,807	\$ 62,053	\$ 67,163	\$ 197,023	\$ 52,833	\$ 10,138	\$ 259,994	\$ 255,936
Payroll tax expense	5,746	4,965	5,863	16,574	4,220	797	21,591	21,300
Employee benefits	5,825	5,306	5,772	16,903	4,556	870	22,329	19,618
Payroll service	474	430	470	1,374	369	70	1,813	1,424
Equipment	106	14,063	3,878	18,047	45		18,092	4,995
Insurance	423	384	420	1,227	859	63	2,149	4,260
Repairs and maintenance	131	71	5,598	5,800			5,800	27,577
Professional services	3,317	42,861	34,172	80,350	37,995	31	118,376	8,165
Membership dues	196	178	194	568	228	29	825	3,398
Program and office supplies	19,129	51,802	13,244	84,175	1,363	181	85,719	55,411
Printing and reproduction		2,966	709	3,675	63	1,596	5,334	8,569
Grants and subsidies				-			-	13,450
Travel, meeting and conferences	3,020	12,129	2,089	17,238	1,971	292	19,501	34,146
In-kind goods and services	500	4,492		4,992	17,539		22,531	
Depreciation and amortization	765	5,041	7,703	13,509	595.77	114	14,219	13,016
Other expenses	5,118	3,064	2,988	11,170	2,667	1,394	15,231	23,961
Total Expenses	\$ 112,557	\$ 209,805	\$ 150,263	\$ 472,625	\$ 125,304	\$ 15,575	\$ 613,504	\$ 495,226

See accompanying notes to financial statements.

Fort Ross Conservancy

Statement of Cash Flows (See Independent Accountants' Review Report)

<i>Year Ended December 31, 2018 (with comparative total for 2017)</i>	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ 7,318	\$ 30,139
Adjustments to reconcile change in net assets to net assets provided by operating activities:		
Net realized and unrealized loss (gain) on investments	16,203	(29,470)
Depreciation and amortization	14,219	13,016
Changes in assets and liabilities:		
Inventory	(16,898)	(626)
Prepaid expenses and other assets	(11,240)	
Accounts payable and accrued liabilities	9,713	1,696
Deferred revenue	(2,175)	10,810
Net cash provided by operating activities	17,140	25,565
Cash Flows from Investing Activities:		
Purchase of property and equipment	(24,323)	(11,421)
Proceeds from sale of investments		16,152
Net cash (used) provided by investing activities	(24,323)	4,731
Net (Decrease) Increase in Cash and Cash Equivalents	(7,183)	30,296
Cash and Cash Equivalents, beginning of year	300,146	269,850
Cash and Cash Equivalents, end of year	\$ 292,963	\$ 300,146

See accompanying notes to financial statements.

Fort Ross Conservancy

Notes to Financial Statements (See Independent Accountants' Review Report)

Note 1 - Nature of the Organization:

Fort Ross Conservancy (FRC) is a California State Park cooperating association whose goal is to connect people to the history and beauty of Fort Ross and Salt Point State Parks. FRC was established in 1976 as a non-profit public benefit corporation to promote interpretive and education activities of Fort Ross State Historic Park and Salt Point State Park in Western Sonoma County, California. FRC accomplishes its mission through its Education Program, its Interpretive Program, and its support of Infrastructure, Maintenance and Operations.

Education – FRC runs two programs for youth. FRC's Environmental Living Program, aligned with California curriculum standards, provides both day and overnight options where students experience 19th century life at Settlement Ross. FRC's Marine Ecology Program for middle, high school, and college students leverages FRC's physical location along the Pacific Ocean to teach marine ecology and ocean stewardship. FRC actively fundraises for the FRC Education Fund which reduces the financial barriers for attending its programs by offering fee waivers and transportation subsidies.

Interpretation – This program funds programming and large-scale events at Fort Ross and Salt Point parks. FRC's Interpretation program creates new content, outreach, and marketing which is made available through FRC's website and electronic newsletters. This program also develops and maintains a library (both physical and digital) of historic and regionally significant books, manuscripts, photos; preserves and archives historical material associated with Fort Ross and Salt Point State Parks; and sponsors, supports, and assists scientific research and investigations that reflect current research relating to Fort Ross and Salt Point State Parks. Through this program FRC promotes interest in Fort Ross at local, state, national, and international levels.

Infrastructure maintenance and operations – This program ensures that the facilities at Fort Ross and Salt Point parks are staffed and open to the public year-round, by fundraising and coordinating improvements to the physical plant. This program ensures FRC's two visitor centers are open and staffed and oversees FRC's two bookshops which make available for sale appropriate items to increase visitor understanding and appreciation of this area.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). FRC had no net assets with donor restrictions that are required to be maintained in perpetuity at December 31, 2018.

Fort Ross Conservancy

Notes to Financial Statements (See Independent Accountants' Review Report)

Net Assets Without Donor Restrictions

The portion of net assets that is not restricted by donor-imposed stipulations and available at the discretion of FRC. The Board designated funds of \$339,746 at December 31, 2018, based on a policy established by the Board for future program and operating expenses.

Net Assets With Donor Restrictions

The portion of net assets whose use by FRC is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of FRC.

b. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, FRC considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents except for cash equivalents included in and managed with FRC's investments.

c. Inventories

FRC runs a bookshop for the benefit of FRC's visitors. Retail sales are shown net of the related cost of merchandise sold. Bookshop inventory is valued at the lower of cost or market value, on a first-in, first-out (FIFO) basis.

d. Investments

Investments are reported at fair value. Funds held by the Community Foundation Sonoma County (the Foundation) for which FRC is the beneficiary are accounted for under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-605, *Transfer of Assets to a Not-for-Profit Organization* and are valued at the net asset value per share as reported by the Foundation. The net asset value per share is determined by the Foundation under the so-called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

Gains and losses are recognized in the Statement of Activities and Change in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned.

Fort Ross Conservancy

Notes to Financial Statements (See Independent Accountants' Review Report)

e. Fair Value Measurements

FRC carries certain assets and liabilities at fair value. 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. FRC classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Observable inputs other than quoted market prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

f. Fixed Assets

Fixed assets are recorded at cost, or if donated, at estimated fair value at the date of donation. Items exceeding \$1,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from five to ten years.

g. Collections

FRC's collections are made up of artifacts of historical significance that are held for library and Rotchev house furnishings. Each of the items is cataloged, preserved, and cared for in accordance with FRC's policies. Activities verifying their existence and assessing their condition are performed continuously. The collections are recorded at cost and are recognized as assets in the financial statements. Collections are not depreciated.

h. Revenue Recognition

Grant and contributions are recognized as revenue when they are received or unconditionally promised. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions, if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In-kind contributions of \$22,531 primarily consisted of legal services and goods.

Fort Ross Conservancy

Notes to Financial Statements (See Independent Accountants' Review Report)

Retail sales include products and firewood sold in the bookshop and at an offsite venue. The revenue for sales is recognized at the point of sale. Program income includes tour fees, and school participation fees. School participation fees received in advanced are deferred until the date the school attends FRC.

Approximately 6,000 hours of volunteers' time have been contributed to FRC's programs for the year ended December 31, 2018. Volunteers participate in special events, act as campground hosts, provide interpretation to visitors, and work on natural and cultural projects. The value of these contributed services is not reflected in the financial statements since the recognition criteria under the revenue recognition Topic 985-605 of FASB Accounting Standards Codification (ASC) has not been met.

i. Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Costs that cannot be readily attributed to a single program or supporting activity are recorded as shared costs and allocated among the programs and supporting services benefited, based on the relative amount of staff time used by these functions. Shared costs include the following: Payroll processing fees, worker's compensation insurance, professional services, subscriptions, postage, supplies, telephone, advertising, membership dues, food and beverage, depreciation, travel, conferences, and insurance.

j. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

k. Income Taxes

FRC is a tax-exempt organization under the Internal Revenue Code Section 501(c)(3) and related California code sections. Accordingly, no provision for income taxes on related income has been reflected in these financial statements

FRC follows the guidance of Accounting for Uncertainty in Income Taxes issued by the FASB. As of December 31, 2018, management evaluated FRC's tax positions and concluded that FRC had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

Fort Ross Conservancy

Notes to Financial Statements (See Independent Accountants' Review Report)

1. Prior Year Financial Information and Reclassifications

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include the sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with FRC's financial statements for the year ended June 30, 2017 from which the summarized information was derived.

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation. The reclassifications had no impact on net assets or the change in net assets.

m. Recent Accounting Pronouncements

Adopted:

In August 2016, the FASB issued Accounting Standard Update (ASU) No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The amendments make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. This guidance is effective for fiscal years beginning after December 15, 2017. Early application of the amendments in the ASU is permitted and applied retrospectively.

The adoption of this accounting standard changed the terminology used in describing net assets and added a new disclosure (Note 3) that discusses FRC's availability of financial assets and liquidity. In addition, ASU 2016-14 no longer requires investment management and advisory fees to be presented separately from net investment income, therefore investment fees for 2017 and 2018 were reclassified to investment income, net.

Pronouncements Effective in the Future:

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU does not apply to transfers of assets from governments to businesses. The amendments in the update are effective for FRC for its fiscal year ending December 31, 2019. FRC is currently evaluating the impact of this pronouncement on its financial statements.

Fort Ross Conservancy

Notes to Financial Statements (See Independent Accountants' Review Report)

n. Subsequent Events

FRC has evaluated subsequent events with respect to the financial statements for the year ended December 31, 2018 through April 5, 2019, the date these financial statements were available to be issued and has 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.

Note 3 - **Availability of Financial Assets and Liquidity:**

FRC's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ 292,963
Investments	274,997
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Total financial assets	567,960
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Less amounts not available to be used within one year:	
Net assets with donor restrictions	(191,477)
Add: Net assets with purpose restrictions to be met in less than a year	97,361
Net assets designated by the board	(339,746)
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	(433,863)
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Financial assets available to meet general expenditures over the next twelve months	\$ 134,097
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FRC's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$150,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of financial statements. The Board can un-designate the Board designated funds and make available for general operations.

FRC manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. Actual performance is reported and monitored quarterly in comparison to budgets. Adjustments are made to plan as needed to ensure adequate liquidity.

Fort Ross Conservancy

Notes to Financial Statements (See Independent Accountants' Review Report)

Note 4 - Investments and Fair Value Measurement:

At December 31, 2018, investments consist of the following:

Investment held by the Community	
Foundation Sonoma County:	
FRC Call House Fund	\$ 208,749
FRC Operating Reserve Fund	48,057
FRC Visitor Center and Operating Fund	18,191
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Total	\$ 274,997

Investment income, net is comprised of the following:

Interest and dividends	\$ 7,455
Realized and unrealized loss	(18,173)
Investment fees	(5,350)
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Total	\$ (16,068)

In accordance with Subtopic 820-10, the investments held by Community Foundation Sonoma County are valued using the net asset value per share (or its equivalent) practical expedient and therefore have not been classified in the fair value hierarchy. FRC has no other investments required to be classified in the fair value hierarchy.

Net Asset Value Disclosure:

FRC uses the Net Asset Value (NAV) as a practical expedient to determine the fair value of all the underlying investments which do not have readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. FRC invests in the following investments pools:

The Long-Term Investment pool focuses on a strategy designed to protect assets against inflation over time, while providing for a steady stream of gains. The target asset allocation, which is designed to provide diversification and reduce volatility, is 85% in a core portfolio, which includes five categories of stocks (55%) and three categories of bonds (30%), and 15% in a satellite portfolio. Overall, the pool is allocated 65% to stocks and 35% to bonds.

Fort Ross Conservancy

Notes to Financial Statements (See Independent Accountants' Review Report)

The Socially Responsible Long-Term Investment Pool is for long-term funds whose investees prefer socially responsible investments. It is comprised of two separately managed accounts, one for equities and one for bonds, that meet a variety of social screens, both positive and exclusionary. This pool employs a strategic asset allocation of 65% stocks and 35% fixed income and cash.

The Intermediate Term Investment Pool is intended for funds with an expected duration of 2 to 5 years and is available only for expendable funds. The pool is constructed to have less volatility than the long-term pool, but with higher returns than the short-term pool. The target asset allocation is 85% in a core portfolio which includes stocks (21%), bonds (64%), and 15% in satellite portfolio. Overall, the pool was allocated 25% to stocks and 75% to bonds and cash.

The FRC Call House Fund is allocated 20% to the long-term investment pool, 39% to the socially responsible long-term investment pool, and 41% to the intermediate term investment pool. FRC Operating Server Fund and Visitor Center and Operating Fund are allocated 100% to the socially responsible long-term investment pool. All investment pools are redeemable with no term restrictions.

Note 5 - Inventory:

Inventory at December 31, 2018 is comprised of the following:

Products	\$ 39,814
Books and other printed items	20,730
Clothing	8,424
Food	1,628
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	\$ 70,596

Note 6 - Fixed Assets:

Fixed Assets as of December 31, 2018 are as follows:

Furniture and fixtures	\$ 29,687
Machinery and equipment	67,362
Programmatic costumes	43,467
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	140,516
Less: accumulated depreciation	(84,228)
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Total fixed assets	\$ 56,288

Depreciation expense for the year ended December 31, 2018 was \$14,219.

Fort Ross Conservancy

Notes to Financial Statements (See Independent Accountants' Review Report)

Note 7 - Net Assets with Donor Restrictions:

Net assets with donor restrictions at December 31, 2018 consist of the following:

Costume maintenance	\$	13,362
Orchard restoration		13,831
Windmill maintenance		7,073
Visitor center		40,056
Education program		77,155
Coastal Prairie Restoration		40,000
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Total	\$	191,477

Net assets were released during 2018 in accordance with the donors' intent or release of time restrictions as follows:

Purpose:

Call house and visitor center	\$	11,710
Education program		42,288
Coastal Prairie Restoration		40,000
Other programs		78,374
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Total restrictions released	\$	172,372

During the fiscal year, \$22,700 of the Youth Education Fund was reclassified from net assets without donor restrictions to net assets with donor restrictions after the review of additional information it was determined these contributions were donor restricted contributions.

Note 8 - Concentrations of Credit Risk:

FRC has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of cash and cash equivalents and investments.

FRC invests its excess cash and investments with various financial institutions. These deposits include amounts over the federally insured limits.

Approximately 30% of contributed income for the year ended December 31, 2018 was attributable to one donor.