

RANCHO CIELO, INC.
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rancho Cielo, Inc.
Salinas, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Rancho Cielo, Inc. (a California nonprofit benefit corporation), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 Rancho Cielo, Inc. as of September 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rancho Cielo, 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 the 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 Rancho Cielo, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 Rancho Cielo, 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 Rancho Cielo, 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 audit.

Board of Directors
Rancho Cielo, Inc.

Report on Summarized Comparative Information

We have previously audited Rancho Cielo's 2022 financial statements, and we expressed an unmodified audit opinion on these audited financial statements in our report dated May 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Salinas, California
April 5, 2024

RANCHO CIELO, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023
(WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2022)

ASSETS	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 965,231	\$ 1,432,328
Accounts Receivable:		
Trade	180,972	153,158
Grants Receivable	479,781	226,084
Pledges Receivable, Net	138,462	186,214
Employee Retention Credit	10,944	-
Promise to Give - Land Lease, Net, Current Portion	95,426	99,732
Prepaid Expenses	647	18,852
Inventory	7,998	12,146
Total Current Assets	1,879,461	2,128,514
NONCURRENT ASSETS		
Pledges Receivable, Net	11,658	-
Promise to Give - Land Lease, Net	1,552,003	1,647,429
Investments	2,827,408	2,512,457
Investments held at Community Foundations	1,387,706	1,125,669
Property and Equipment, Net	12,847,996	11,927,472
Total Noncurrent Assets	18,626,771	17,213,027
 Total Assets	 \$ 20,506,232	 \$ 19,341,541
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 459,496	\$ 162,423
Accrued Wages and Related Liabilities	224,336	151,887
Security Deposit and Incentive Fund Payable	24,371	29,282
Total Current Liabilities	708,203	343,592
ACCRUED SCHOLARSHIPS		
	47,823	48,770
Total Liabilities	756,026	392,362
NET ASSETS		
Without Donor Restrictions	16,560,384	16,088,986
With Donor Restrictions	3,189,822	2,860,193
Total Net Assets	19,750,206	18,949,179
 Total Liabilities and Net Assets	 \$ 20,506,232	 \$ 19,341,541

See accompanying Notes to Financial Statements.

RANCHO CIELO, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2023
(WITH SUMMARIZED TOTALS FOR YEAR ENDED SEPTEMBER 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
REVENUES AND SUPPORT				
Grants	\$ 230,543	\$ 1,407,631	\$ 1,638,174	\$ 1,342,911
Contributions	1,191,242	740,628	1,931,870	1,917,491
Facility Rental Income	508,430	-	508,430	352,428
Donated Rent, Services, and Materials	27,810	36,108	63,918	66,950
Program Revenues	296,751	-	296,751	259,052
Special Events	1,227,280	-	1,227,280	1,015,230
Employee Retention Credit	597,251	-	597,251	-
Bingo	-	-	-	90,852
Net Assets Released from Restrictions	1,920,434	(1,920,434)	-	-
Total Revenues and Support	5,999,741	263,933	6,263,674	5,044,914
OTHER INCOME (EXPENSE)				
Miscellaneous Income	99,044	-	99,044	61,043
Investment Return, Net	134,169	-	134,169	20,675
Community Foundation Income (Loss)	44,975	65,696	110,671	(228,961)
Gain (Loss) on Sale of Equipment	-	-	-	(12,673)
Total Other Income (Expense)	278,188	65,696	343,884	(159,916)
EXPENSES				
Program	4,227,590	-	4,227,590	3,248,719
General and Administrative	858,349	-	858,349	636,964
Fundraising	720,592	-	720,592	596,397
Total Expenses	5,806,531	-	5,806,531	4,482,080
CHANGE IN NET ASSETS	471,398	329,629	801,027	402,918
Net Assets - Beginning of Year	16,088,986	2,860,193	18,949,179	18,546,261
NET ASSETS - END OF YEAR	\$ 16,560,384	\$ 3,189,822	\$ 19,750,206	\$ 18,949,179

See accompanying Notes to Financial Statements.

RANCHO CIELO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2023
(WITH SUMMARIZED TOTALS FOR YEAR ENDED SEPTEMBER 30, 2022)

	Program Services	General and Administrative	Fundraising	Totals	
				2023	2022
EXPENSES					
Salaries and Related Costs	\$ 1,924,779	\$ 493,864	\$ 305,221	\$ 2,723,864	\$ 2,023,781
Payroll Taxes	172,645	31,165	26,647	230,457	171,789
Employee Benefits	234,785	60,314	44,621	339,720	141,978
Total Salaries and Related Expenses	2,332,209	585,343	376,489	3,294,041	2,337,548
Depreciation	510,829	19,798	672	531,299	492,584
Rent	154,679	16,050	3,712	174,441	146,060
Utilities	159,520	11,460	6,697	177,677	163,272
Professional Consultants	235,815	110,273	114,459	460,547	195,012
Insurance	87,113	26,840	2,442	116,395	154,467
Program Costs	308,473	1,447	3,955	313,875	250,272
Supplies	112,513	9,144	1,270	122,927	175,639
Repairs and Maintenance	92,157	1,933	5,449	99,539	71,185
Security	32,085	633	1,419	34,137	16,177
Special Events	-	-	107,752	107,752	54,730
Bingo	-	-	-	-	131,430
Vehicle Expense	77,471	25	-	77,496	69,434
Travel	11,651	91	462	12,204	2,135
Office and Postage	43,341	37,982	16,375	97,698	65,872
Printing and Reproduction	2,452	7,100	41,345	50,897	36,245
Bank Charges	5,408	2,497	8,302	16,207	29,856
Public Relations	41,934	18,134	22,032	82,100	51,334
Scholarships	1,250	-	-	1,250	27,100
Taxes and Licenses	4,067	5,417	4,074	13,558	6,111
Dues and Subscriptions	455	4,007	722	5,184	2,420
Training	14,168	175	2,964	17,307	3,197
 Total Expenses by Function	 \$ 4,227,590	 \$ 858,349	 \$ 720,592	 \$ 5,806,531	 \$ 4,482,080

See accompanying Notes to Financial Statements.

RANCHO CIELO, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2023
(WITH SUMMARIZED TOTALS FOR YEAR ENDED SEPTEMBER 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 801,027	\$ 402,918
Adjustments to Reconcile Change in Net Assets to Net Cash		
Contributions Restricted for Construction	(80,500)	(120,300)
Contributions Restricted for Endowment	(301,364)	(274,120)
Depreciation	531,299	492,584
Change in Discount on Pledges and Grants Receivable	(4,573)	12,673
Change in Allowance for Uncollectible Receivable	(21,091)	104,233
Unrealized and Realized (Gain) Loss on Investments	117,847	-
Unrealized and Realized (Gain) Loss on Community Foundation Investments	(81,964)	270,704
Amortization of Discount - Promise to Give, Land Lease	99,732	-
(Gain) Loss on Sale of Property and Equipment	-	-
In-Kind Contribution of Property and Equipment	(14,995)	(15,008)
Change in Operating Assets and Liabilities:		
Trade Accounts Receivable	(27,814)	8,110
Grants Receivable	(253,697)	(135,023)
Pledges Receivable, Net	61,758	95,008
Employee Retention Credit Receivable	(10,944)	-
Inventory	4,148	10,276
Prepaid Expenses	18,205	(17,619)
Accounts Payable	297,073	16,382
Refundable Advance	-	(323,533)
Accrued Wages and Related Liabilities	72,449	46,246
Security Deposit and Incentive Fund Payable	(4,911)	3,544
Accrued Scholarships	(947)	21,370
Net Cash Provided by Operating Activities	1,200,738	598,445
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(2,156,798)	(874,141)
Purchases of Property and Equipment	(1,436,828)	(547,712)
Proceeds From Sale of Property and Equipment	-	500
Proceeds From Sale of Investments	1,724,000	-
Reinvestment of Investment Income	(28,709)	(41,744)
Net Cash Used by Investing Activities	(1,898,335)	(1,463,097)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Construction	80,500	120,300
Contributions Restricted for Endowment	150,000	274,120
Net Cash Provided by Financing Activities	230,500	394,420
NET CHANGE IN CASH AND RESTRICTED CASH	(467,097)	(470,232)
Cash and Restricted Cash - Beginning of Year	1,432,328	1,902,560
CASH AND RESTRICTED CASH - END OF YEAR	\$ 965,231	\$ 1,432,328

See accompanying Notes to Financial Statements.

RANCHO CIELO, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2023
(WITH SUMMARIZED TOTALS FOR YEAR ENDED SEPTEMBER 30, 2022)

	2023	2022
SUPPLEMENTAL DISCLOSURES OF CASH AND RESTRICTED CASH		
Cash	\$ 965,231	\$ 1,432,328
Restricted Cash	-	-
Total	\$ 965,231	\$ 1,432,328
 SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and Equipment Acquired	\$ 1,451,823	\$ 562,720
In-Kind Contribution of Property and Equipment	(14,995)	(15,008)
Cash Paid to Acquire Property and Equipment	\$ 1,436,828	\$ 547,712

See accompanying Notes to Financial Statements.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Rancho Cielo, Inc. (the Organization) is a California nonprofit public benefit corporation founded in 2000 for the purpose of establishing and maintaining a comprehensive system of prevention and intervention services for juvenile offenders in Monterey County to ensure public safety and allow successful reintegration into the community.

The Organization is governed by a board of directors and receives contributions from individuals, corporations, and local foundations as well as fees for services.

The Organization provides educational programs for students who could not achieve their academic goals in a traditional school setting. The Organization also provides support services, vocational training, and job placement services to at-risk youth. The grounds of the Organization also provide opportunities for recreation and outdoor activities for youth. The Organization offers disconnected and underserved youth aged 16-24 opportunities for vocational training, high school diplomas, mental health counseling, life skills and job readiness, and enrichment activities in order for them to lead healthy, happy, and self-sufficient futures.

Ag Technology and Mechatronics

The Ag Technology and Mechatronics program is a unique experience, giving students hands-on training, as well as academic instruction in the classroom, leading to the completion of a high school diploma in partnership with John Muir Charter School. Students who participate in the program will learn the mechanics, food safety, electrical aspects of the salad factory line, commonly referred to as "Value Added." Students have the opportunity to maintain and repair machinery and equipment that is essential to the agriculture industry as well as learn from industry professionals.

Auto and Diesel Repair Program

Students in this program develop automotive knowledge and receive basic level training in servicing and maintenance of gas and diesel engine vehicles. Vocational training includes a combination of hands-on and textbook teaching related to topics including safety, tool identification and usage, inspection processes, engine basics, power train/transmissions, suspensions/brakes, exhaust/emissions and electrical.

Drummond Culinary Academy

The Culinary Academy is dedicated to providing underserved youth with an opportunity to gain classroom training, work experience, and transferrable skills that help them become employable in the culinary and hospitality industry. The Executive Chef takes the students through a nationally recognized culinary arts curriculum, including Safe Food Handler's Certification. The 10-month program, split between the kitchen and the high school academic classroom, results in a culinary certificate and a high school diploma. Students complete a 200-hour externship program working with local restaurants to gain additional employment experience. The program offers job readiness training, as well as placement and referral services for graduates.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Activities (Continued)

Construction Academy

The Construction Academy is a unique experience, where students are engaged in our classroom, vocational activities, and workshops through the Organization's partnership with John Muir Charter School. Job readiness, referral, and placement are also part of the program.

Youth Corps Program

Youth Corps is an on-the-job training program, serving young people 18-24, to be prepared for regular full-time employment. Crews learn through their involvement in a variety of landscaping and maintenance projects and are employed by the Organization during their tenure in the program. This program is critical to the cultural change the Organization is trying to affect, providing youth with positive opportunities to learn new skills and self-sufficiency.

Silver Star Youth Program

The Organization's flagship program offers intensive educational instruction to students between the ages of 15 1/2 and 18. All students are screened prior to acceptance and must have a desire to make positive changes in their lives. Most students are on probation when referred to the Organization but may come recommended from the juvenile court, schools, or parents. Graduates receive a high school diploma. The program is operated in partnership with the Monterey County Probation Department, which provides supervision, case management for students involved in the juvenile court, meals, and transportation. The Monterey County Office of Education provides teachers and classroom aides for the Organization's Community School. Students benefit from a small classroom size and a curriculum tailored to meet their needs. They are taught a California State standards-based core curriculum in English, math, social studies, science, physical education, and fine arts.

Welding & Fabrication Program

In Rancho Cielo's Welding & Fabrication program, students attain mastery in a variety of welding methods, preparing them for entry-level occupations in the welding industry — which can open doors in a variety of related industries and careers. Students also gain key knowledge of OSHA safety protocols, tool identification (plasma cutters and cutting torches), blueprint reading specific to welding and forklift operation, and proper use procedures of welding machines (TIG, MIG, Stick, and Flux Core).

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The net assets, revenues, gains and losses, other support and expenses and other changes in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of the Organization and changes therein are classified as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. This includes certain amounts designated by the board for various purposes.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time, or net assets that are perpetual in nature and subject to donor-imposed restrictions that they be maintained in perpetuity by the Organization. Generally, the donors of assets to be held in perpetuity permit the Organization to use all or a part of the income earned on related investments for general or specified purposes.

Revenue Recognition

The Organization recognizes revenue from programs, facility rentals, as well as special events. Program revenue consists of Drummond Culinary Academy catering services and related facility rentals as well as Youth Corps job readiness and placement program services. Facility rental income is recognized in the period in which agreed-upon access to the Organization's facilities and grounds is provided. Special event revenue is comprised of sales of veggie bags and barbeque meals as well as bingo admissions. Program and special event revenue is recognized in the period in which the service is provided, or sale occurs. In the event there is a pre-payment, the Organization recognizes a liability until the related revenue is recognized.

Contributions, including unconditional promises to give and donations, have no exchange component, though many have restrictions as to purpose. Contributions are considered to be without donor restrictions unless specifically restricted by the donor or grantor. Grants received that are unconditional in nature with no barriers to overcome prior to recognition or exchange components are considered contributions. Contributions are recognized as revenues in the period received or promised. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received that are designed for future periods or restricted by the donor or grantor for specific purpose are reported as with donor restriction support that increases the related net asset class with donor restriction.

Gains and losses on investments and other assets and liability are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Financial instruments included in the Organization's statement of financial position include accounts receivable, pledges receivable, accounts payable and accrued liabilities. They are carried at cost which approximates their fair value due to the short-term maturity of these instruments.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents include all highly liquid debt instruments purchased with an original maturity of three months or less, except for money market funds held in investment brokerage accounts, which are classified as investments.

Certificates of Deposit

Certificates of deposit are classified as current if they have a maturity date within one year and as noncurrent if they mature in greater than one year.

Accounts Receivable

Accounts receivable are composed of rental fees, service fees, and miscellaneous receivables. Receivables are recorded using the allowance method and are presented net of the allowance for uncollectible accounts. The allowance is based on prior years' experience and management analysis of receivable balances. Management believes that all accounts receivable are fully collectible; therefore, no allowance for doubtful accounts has been recorded at September 30, 2023 and 2022, respectively.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Pledges receivable during the year ended September 30, 2023 and 2022 were discounted using interest rates of 9.23% and 7.85%, respectively. Amortization of these discounts is included in contribution revenue in the accompanying statement of activities and changes in net assets. Pledges receivable are stated at the amount expected to be collected on the outstanding balances and are presented net of an allowance for uncollectability. The allowance is based on an assessment of pledges receivable collectability by management. At September 30, 2023 and 2022, the allowance was \$14,482 and \$35,573, respectively.

Prepaid Expenses

Prepaid amounts represent advance payments for goods or services that will be expensed in the periods in which they benefit.

Inventory

Inventory consists of food and supplies for the Organization's culinary program. The Organization records inventory at its fair value when received based on lower of cost or net realizable value.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Organization considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1 – Valuation is based on observable inputs using quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 – Valuation is based on inputs from sources other than quoted prices in active markets that are either directly or indirectly observable as of the reporting date. This may include quoted prices for similar assets in an active market, quoted prices for similar assets in a market that is not active or valuation methods using models, interest rates and yield curves as observable inputs.

Level 3 – Valuation is based on unobservable inputs for the assets, reflecting the Organization’s consideration about the assumptions that a market participant would use in pricing the asset or liability, to the extent that observable inputs (Levels 1 and 2) are not available. Level 3 assets and liabilities include situations where there is little or no market activity for the asset or liabilities, and significant management judgment or estimates are required.

The following tables present fair values on the accompanying statement of financial position by fair value hierarchy:

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Investments	\$ 2,479,846	\$ -	\$ 347,562	\$ 2,827,408
Funds Held at Community Foundations	-	1,387,706	-	1,387,706
Total	<u>\$ 2,479,846</u>	<u>\$ 1,387,706</u>	<u>\$ 347,562</u>	<u>\$ 4,215,114</u>
	September 30, 2022			
	Level 1	Level 2	Level 3	Total
Investments	\$ 2,382,258	\$ -	\$ 130,199	\$ 2,512,457
Funds Held at Community Foundations	-	1,125,669	-	1,125,669
Total	<u>\$ 2,382,258</u>	<u>\$ 1,125,669</u>	<u>\$ 130,199</u>	<u>\$ 3,638,126</u>

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

A portion of the Organization's certificates of deposit (CDs) are classified as noncurrent in investments as they have a maturity date greater than one year from September 30, 2023. The CDs are classified as Level 1 as valuation is based on observable inputs using quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

The Community Foundation of Monterey County (CFMC) Stewardship and Endowment funds are classified as Level 2, because they are valued using published market quotes reported by a third-party trustee. The Organization records the values based on the statements received from CFMC as of September 30 (See Notes 5 and 9).

The Albany Road investment is classified as Level 3 since observable inputs are minimal (See Note 5). The promise to give – land lease is also classified as Level 3 because it is measured at fair value using significant unobservable inputs to determine rent and cost of living adjustments (See Note 4).

While the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such assets and liabilities existed, or had such assets and liabilities been liquidated, and these differences could be material to the financial statements.

Leases

Revenue from lease payments is recognized under the accrual method. Lease payments are included in income as rents become due. Lease payments received in advance are deferred until earned. At the commencement of an operating lease, no revenue is recognized; subsequently, lease payments received are recognized in revenue on the straight-line basis.

Property and Equipment

All acquisitions and major improvements of property and equipment in excess of \$2,500 are capitalized. Maintenance and repairs which do not extend the useful life of the respective assets are expensed as incurred. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions otherwise, the contributions are recorded as net assets without donor restrictions. Depreciation is computed using the straight-line method over the following estimated useful lives:

Building and Building Improvement	39 Years
Land Improvements	15 to 50 Years
Equipment	5 to 7 Years
Vehicles	3 Years
Technology Equipment	3 Years

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Vacation

Employees in “regular” and “interim” positions who are regularly paid at least 30 hours per week are eligible for vacation. Upon initial eligibility, employees earn 80 hours (10 days) per year with maximum earned 160 hours (20 days). After completing five years employees earn 120 hours (15 days) per year with maximum earned 240 hours (30 days). After completing 15 years, employees earn 160 hours (20 days) per year with maximum earned hours of 320 hours (40 days).

Donated Services and Materials

The Organization records various types of in-kind contributions. Contributed services are recognized at their fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of donated noncash assets are recorded at their fair values in the period received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

A number of volunteers have made significant contributions of their time and talent to promote the Organization’s programs and activities. No amounts have been recognized in the statement of activities for this time and talent because the recognition criteria have not been satisfied.

Advertising Costs

The Organization expenses the production costs of advertising the first time the advertising takes place. Advertising expenses totaled \$8,440 and \$8,426 for the years ending September 30, 2023 and 2022, respectively.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits are allocated on the basis of estimates of time and effort. Other allocated expenses, such as depreciation, internet, insurance, utilities and rent are allocated based on actual or estimated use using various allocated basis including square footage.

Income Taxes

As a tax-exempt nonprofit organization, the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and from state franchise tax under California Revenue and Taxation Code Section 23701(d) but is subject to taxes on unrelated business income when earned.

Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization’s returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 amounts of assets and liabilities, the disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Totals

The financial statements include certain summarized comparative information for the prior year. The information is not presented by net asset class and does not include sufficient detail to be in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2022, from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year financial statement's presentation.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations related to leasing activities. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Implementation of the new standard did not result in material changes to amounts reported in the financial statements but did require enhanced disclosures about the entity's leasing activities.

The Company adopted the requirements of the guidance effective October 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, with certain practical expedients available. Lease disclosures for the year ended September 30, 2022 are made under prior lease guidance in FASB *Accounting Standards Codification* (ASC) 840.

Subsequent Events

Subsequent events have been evaluated through April 5, 2024, which is the date the financial statements were available to be issued.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and Cash equivalents consist of the following as of September 30:

	<u>2023</u>	<u>2022</u>
Cash in Bank	\$ 826,046	\$ 1,113,929
Money Market Accounts	138,685	317,899
Petty Cash	500	500
Total Cash and Cash Equivalents	<u>\$ 965,231</u>	<u>\$ 1,432,328</u>

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable consist of the following as of September 30:

	<u>2023</u>	<u>2022</u>
Pledges Receivable	\$ 176,462	\$ 238,220
Allowance for Uncollectible Receivables	(14,482)	(35,573)
Discount to Present Value	(11,860)	(16,433)
Total Pledges Receivable, Net	<u>\$ 150,120</u>	<u>\$ 186,214</u>

Pledges receivable are due as follows:

	<u>2023</u>	<u>2022</u>
Pledges Receivable		
Less than One Year	\$ 138,462	\$ 186,214
Within One to Five Years	11,658	-
Total Pledges Receivable, Net	<u>\$ 150,120</u>	<u>\$ 186,214</u>

NOTE 4 PROMISE TO GIVE – LAND LEASE

The Organization entered into a land-lease agreement with the County of Monterey in 2006. The term of the lease is 49 years, with two 25-year options to renew. The annual lease payment is \$1. An unconditional promise to give has been recorded to reflect the fair value of the use of the land based upon the fair value of the donated rent. Prior to the year ended September 30, 2016, this had been determined to be \$60,000 per year with a 4.5% cost of living increase at 10-year intervals. During the year ended September 30, 2016, the land was appraised, and the value of the donated rent was determined to be \$135,840 per year. The future value of the donated rent has been discounted to its present value using a rate of 4.51% for the years ending September 30, 2023 and 2022. The amount of amortization recorded as support for the years ended September 30, 2023 and 2022, was \$36,108 and \$31,606, respectively.

For the years ended September 30, 2023 and 2022, the Organization recorded donated lease expense of \$135,840, which is included in occupancy expenses in the accompanying statement of functional expenses.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 4 PROMISES TO GIVE – LAND LEASE (CONTINUED)

Promise to give – land lease at September 30, is as follows:

	<u>2023</u>	<u>2022</u>
Within One Year	\$ 135,840	\$ 135,840
In One to Five Years	679,200	679,200
Over Five Years	<u>3,396,000</u>	<u>3,531,840</u>
Total Promises to Give	4,211,040	4,346,880
Less: Discounts to Net Present Value	<u>2,563,611</u>	<u>2,599,719</u>
Promise to Give - Land Lease, Net	1,647,429	1,747,161
Less: Current Portion	<u>95,426</u>	<u>99,732</u>
Total Noncurrent Portion	<u><u>\$ 1,552,003</u></u>	<u><u>\$ 1,647,429</u></u>

NOTE 5 INVESTMENTS

Investments held at September 30 are as follows:

	<u>2023</u>	<u>2022</u>
Cash/Money Market	\$ 359,701	\$ 418,649
Fixed Income	1,889,432	-
CD's	230,713	1,963,609
Alternative Investments	<u>347,562</u>	<u>130,199</u>
Total	<u><u>\$ 2,827,408</u></u>	<u><u>\$ 2,512,457</u></u>

The Organization invested in Albany Road Real Estate Partners Fund III, LLC (the LLC), which is stated at fair value as estimated in an unquoted market. The fair value of the Organization's interest in the LLC is determined based upon the most recent net asset value information provided by the LLC. The LLC invests in real estate assets. The fair value of the marketable securities held by the LLC are valued at their last sale price on such date or, if no sale occurred on any such date, the mean between the closing "bid" and "asked" prices on such date. The LLC values the derivatives at fair value based on quotations obtained from valuation agents or swap counterparties based on recent market transactions.

The Organization invested in EyeWatch LIVE (The Company). The fair value of the Organization's interest in the Company is determined based on value contributed as the Company is still in early stages of operations. The Company was formed to offer virtual nurse-supervised monitoring services for segments of the healthcare industry such as nursing homes and other senior living communities. There is no present trading market for the shares and there is not expectation that such as market will develop.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 5 INVESTMENTS (CONTINUED)

The related gain/loss is included in realized gain (loss) on investments-net in the statement of activities and changes in net assets. The LLC values alternative investments in the underlying funds utilizing the net asset valuations provided by the underlying private investment companies, without adjustment, when the net asset valuations of the investments are determined using a measurement basis consistent with U.S. GAAP for investment companies. The underlying fund's management may determine fair value using methodologies that consider a range of factors, including but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, current and projected performance and expected cash flows. The Fund manager has designed ongoing due diligence processes with respect to its underlying fund and their investment managers, which assist the manager in assessing the quality of the information provided and determining whether further investigation is necessary.

The Fund manager has established a valuation committee to oversee the valuation process. The valuation committee is responsible for developing the master funds' written valuation processes and procedures, conducting periodic reviews of the valuation policies, and evaluating the overall fairness and consistent application of the valuation policies. Withdrawals are subject to certain requirements.

NOTE 6 INVESTMENTS HELD AT COMMUNITY FOUNDATIONS

The Organization has established a Stewardship Fund (the Fund) with CFMC for the benefit of the Organization, and it can either take the annual payout as determined by the CFMC board of directors or the annual payout amount can be reinvested until the Organization requests it. The Organization has the option of withdrawing a portion or all of the Fund's principal at any time upon written request by the board of the Organization. CFMC is acting as an investment agent, investing assets that continue to belong to the Organization. The balance for the fund for the years ended September 30, 2023 and 2022 was \$376,196 and \$340,030, respectively.

The Organization's endowment consists of funds held at Community Foundation for Monterey County (CFMC). The Organization has granted variance power to CFMC. In the event of the dissolution of the Organization or, in the event it shall no longer be an organization described in Section 170(c) of the IRC of 1954, as amended, CFMC shall continue to hold the funds and shall distribute the income therefrom to such organizations as in their opinion most nearly serve the purposes and objectives of the Organization. All funds held are subject to the power of CFMC to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations if in their sole judgment such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by them. The earnings payout of the fund is evaluated at least annually by CFMC. Considering the total return from investments, fees, expenses, and the effects of inflation, the annual payout is typically between 5% and 7% of the fair market value of the fund at December 31 of the preceding calendar year. The balance in the funds for the years ended September 30, 2023 and 2022 was \$1,011,509 and \$785,639, respectively.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment, net, consists of the following as of September 30:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 12,644,728	\$ 12,323,678
Land Improvements	1,624,450	1,577,523
Furniture and Equipment	655,847	619,723
Autos and Trucks	191,919	96,904
Technology	174,992	150,937
Total	<u>15,291,936</u>	<u>14,768,765</u>
Less: Accumulated Depreciation	<u>(3,406,167)</u>	<u>(2,874,867)</u>
Total Depreciable Property and Equipment, Net	11,885,769	11,893,898
 Construction in Progress		
Recreation Fields	1,729	1,729
Culinary Academy	47,573	18,895
Modulars	8,774	950
Donated Vehicles	-	7,000
Tiny Home	451,080	5,000
Software	6,080	-
Solar Project	428,420	-
Equestrian Center	18,571	-
Total Construction in Progress	<u>962,227</u>	<u>33,574</u>
 Property and Equipment, Net	<u>\$ 12,847,996</u>	<u>\$ 11,927,472</u>

For the years ended September 30, 2023 and 2022, depreciation expense was \$531,299 and \$492,584, respectively.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of September 30:

	<u>2023</u>	<u>2022</u>
Subject to the Passage of Time		
Promise to Give - Land Lease, Net	\$ 1,647,428	\$ 1,747,160
Other Pledges, Net	120,119	145,315
Subject to Expenditure for Specified Purpose		
Youth Program	151,207	141,465
Scholarship	84,383	66,596
Program Logic Model	8,598	14,200
Technology	5,570	-
Capital Campaign	110,000	-
Donor Endowment Corpus Net Assets		
General Endowment	1,062,517	745,457
Total	<u>\$ 3,189,822</u>	<u>\$ 2,860,193</u>

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During the course of the year, net assets that were subject to donor-imposed restrictions were fulfilled by actions of the Organization pursuant to those restrictions. These net assets are shown in the statement of activities as "net assets released from restrictions." The detail of the net assets released from restrictions at September 30 is as follows:

	<u>2023</u>	<u>2022</u>
Promise to Give - Land Lease, Net	\$ 135,840	\$ 135,840
Other Pledges - Time Restriction	183,470	195,617
Capital Campaign	33,000	411,405
Youth Programs	1,528,268	951,424
Endowment Earnings	-	14,420
Scholarship	16,175	15,375
Program Logic Model	5,603	5,400
Technology Grant	18,078	-
CEO Search	-	50,000
Total	<u>\$ 1,920,434</u>	<u>\$ 1,779,481</u>

NOTE 9 ENDOWMENT

The Organization's endowment was established for on-going operating support. The endowment include both donor-restricted endowment funds and fund designated by the board of directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 9 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law

The Organization's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of 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. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity under net assets with donor restrictions is classified as net assets with donor restrictions that are restricted by purpose until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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 purposes 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

Spending Policy

The Organization has a policy of appropriating for distribution all investment earnings from the endowments as designated by its donors.

From time to time, certain endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At September 30, 2023, funds with original gift values of \$1,232,189, fair values of \$1,210,409, and deficiencies of \$21,780 were reported in net assets with donor restrictions. During the year, the Organization received distributions in the amount of \$16,347 from underwater endowments. Management expects these amounts to be fully recovered during 2024 due to favorable market fluctuations.

All other policies are governed by the Organization's agreement with Community Foundation which has been granted variance power.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 9 ENDOWMENT (CONTINUED)

Spending Policy (Continued)

The activity in the CFMC Endowment Fund for the years ended September 30 is as follows:

Endowment Net Asset Composition

	September 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowments	\$ -	\$ 1,062,517	\$ 1,062,517
Board-Designated Endowments (Program Endowment)	147,892	-	147,892
Total	<u>\$ 147,892</u>	<u>\$ 1,062,517</u>	<u>\$ 1,210,409</u>
	September 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowments	\$ -	\$ 745,457	\$ 745,457
Board-Designated Endowments (Program Endowment)	89,082	-	89,082
Total	<u>\$ 89,082</u>	<u>\$ 745,457</u>	<u>\$ 834,539</u>

Changes in Endowment Net Assets

	September 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance at Beginning of Year	\$ 89,082	\$ 745,457	\$ 834,539
Investment Return			
Investment Income			-
Realized/Unrealized Gain (Loss)	8,810	65,696	74,506
Investment Fees			-
Total Investment Return	8,810	65,696	74,506
Contributions	50,000	251,364	301,364
Distributions	-	-	-
Balance at End of Year	<u>\$ 147,892</u>	<u>\$ 1,062,517</u>	<u>\$ 1,210,409</u>
	September 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance at Beginning of Year	\$ -	\$ 742,407	\$ 742,407
Investment Return			
Investment Income	2,748	24,905	27,653
Realized/Unrealized Gain (Loss)	(13,058)	(173,482)	(186,540)
Investment Fees	(608)	(8,073)	(8,681)
Total Investment Return	(10,918)	(156,650)	(167,568)
Contributions	100,000	174,120	274,120
Distributions	-	(14,420)	(14,420)
Balance at End of Year	<u>\$ 89,082</u>	<u>\$ 745,457</u>	<u>\$ 834,539</u>

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 10 DONATED SERVICES AND MATERIALS

The following is a summary of donated rent, services, and materials during the years ended September 30:

	September 30, 2023			
	General Operations	Youth Programs	Capital Improvements	Total
Fixed Assets	\$ -	\$ 14,995	\$ -	\$ 14,995
Land Lease	1,686	34,422	-	36,108
Supplies	1,018	6,098	-	7,116
Discounts/Services	-	5,699	-	5,699
Vehicles	-	-	-	-
Total Before Special Events	2,704	61,214	-	63,918
Special Events	5,625	-	-	5,625
Total	\$ 8,329	\$ 61,214	\$ -	\$ 69,543

	September 30, 2022			
	General Operations	Youth Programs	Capital Improvements	Total
Fixed Assets	\$ -	\$ -	\$ 15,008	\$ 15,008
Land Lease	1,476	30,131	-	31,607
Supplies	1,584	7,897	-	9,481
Discounts/Services	4,558	4,496	-	9,054
Vehicles	-	1,800	-	1,800
Total Before Special Events	7,618	44,324	15,008	66,950
Special Events	26,018	-	-	26,018
Total	\$ 33,636	\$ 44,324	\$ 15,008	\$ 92,968

Contributed assets and supplies received by the Organization are recorded as in-kind contribution revenue with a corresponding increase to fixed assets or program supply expense. The Organization values these items based on stated price as generally supported by an invoice.

The Organization entered into a long-term land lease agreement with the County of Monterey which covers the area that Rancho Cielo occupies. The rental payments stated in the agreement are stated at \$1 per year. The Organization conducted an appraisal to determine value of annual rent. The amount of contributed rent over the remaining lease term is reported as a promise to give in the accompanying statements of financial position, and the related rent expense is recorded straight line over the life of the lease in the accompanying statements of activities. See Note 4 for additional details.

The Organization receive items to be used or sold at their special events. These contributed items are valued at the stated value as noted from the donor. The selling price of these items are recorded at the gross selling price. Donors contributing items have not restricted the proceeds from the sale.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 10 DONATED SERVICIES AND MATERIALS (CONTINUED)

The Organization also receives a significant amount of donated services from unpaid volunteers who assist in projects around the campus and at events. No amounts have been recognized in the statements of activities for these fundraising and special projects services because the criteria for recognition have not been satisfied.

NOTE 11 LEASES

The Organization leases a portion of its facilities in Salinas, California to several tenants under noncancellable operating lease agreements, on multiyear and month-to-month arrangements expiring through September 2023. Rental income for the years ended September 30, 2023 and 2022 totaled \$508,430 and \$352,428, respectively.

Maturity Analysis

Following is a maturity analysis of annual undiscounted cash flows to be received from operating leases as of the end of September 30, 2023:

<u>Year Ending September 30.</u>	<u>Amount</u>
2024	\$ 239,120
2025	251,860
Total	<u>\$ 490,980</u>

NOTE 12 RELATED PARTY TRANSACTIONS

Several members on the board of directors own companies which provide construction, materials, and other related services to the Organization.

During the years ended September 30, 2023 and 2022, the Organization's revenue consisted of \$563,615 and \$330,196, respectively, from related parties. Amounts due from these related parties, as of September 30, 2023 and 2022, were \$51,330 and \$106,933, respectively. During the years ended September 30, 2023 and 2022, the Organization paid \$166,733 and \$410,933, respectively, to related parties. Amounts due to these related parties, as of September 30, 2023 and 2022, were \$10,347 and \$2,804, respectively.

Approximately \$-0- and \$1,365 in services and materials were donated by related parties during the years ended September 30, 2023 and 2022, respectively.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 13 RETIREMENT PLAN

During the year the Organization closed out its Simple Individual Retirement Plan and adopted a new Plan allowing both traditional 401(k) and Roth contributions for all employees aged 18 or older with at least 90 days of service. This new plan became effective January 1, 2023. The Organization has elected to make discretionary contributions in any given plan year. For the 2023 year the Organization has elected a 4% contribution. The Organization made contributions of \$42,824 for the year ended September 30, 2023.

NOTE 14 CONCENTRATION OF CREDIT RISK

Cash and cash equivalents and investments at September 30, 2022, include accounts insured by the Federal Depository Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). As of September 30, 2023 and 2022, balances exceeded FDIC limits by \$469,368 and \$2,246,740, respectively. As of September 30, 2023 and 2022, balances exceeded SIPC limits by \$1,620,145 and \$1,456,495, respectively. The Organization has not experienced any losses in such accounts and believes it was not exposed to any significant risk at September 30, 2023.

NOTE 15 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Sources of liquidity include cash and cash equivalents, accounts receivable, and current pledges receivable.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets and
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The Organization considers support and investment income without donor restrictions as well as distributions from the CFMC endowment fund to be available to meet liquidity needs for general expenditures. General expenditures include administrative and general expenses, program expenses, and fundraising expenses to be paid within one year of the statement of position date.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 15 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

The following table reflects the Organization’s financial assets available for general expenditure, that is, without donor or other contractual restrictions limiting their use, within one year of the statement of position. Amounts unavailable for general expenditures within one year include net assets with donor restrictions.

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 946,331	\$ 1,432,328
Accounts Receivable	671,697	379,242
Pledges Receivable, Current Portion	108,462	900
Investments	<u>3,051,497</u>	<u>3,411,551</u>
Financial Assets Available for General Expenditure Within One Year	<u>\$ 4,777,987</u>	<u>\$ 5,224,021</u>

NOTE 16 EMPLOYEE RETENTION CREDIT

The Organization was following International Accounting Standard 20, Accounting for Government Grants and Disclosure of Government Assistance, for Employee Retention Credit (ERC) proceeds. Grants from the government are recognized when all conditions of such grants are fulfilled or there is a reasonable assurance that they will be fulfilled. In 2023, the Organization complied with conditions of ERC funding from the Coronavirus Aid, Relief, and Economic Security Act and American Rescue Plan Act of 2021 in the amount of \$597,251 in compliance with the program.

Grants related to this program were recorded as Employee Retention Credit Proceeds in revenue and Employee Retention Credit Receivable in current assets. The Organization recognized \$597,251 of Employee Retention Credit Proceeds and Employee Retention Credit Receivable related to performance requirements being met and costs being incurred in compliance with the program during the year ended September 30, 2023.

Eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors are subject to review. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization’s financial position.



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