

RANCHO CIELO, INC.
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024



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**RANCHO CIELO, INC.
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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, 2024, 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, 2024, 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.

Report on Summarized Comparative Information

We have previously audited Rancho Cielo's 2023 financial statements, and we expressed an unmodified audit opinion on these audited financial statements in our report dated April 5, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Salinas, California
April 2, 2025

RANCHO CIELO, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2024
(WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2023)

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 712,886	\$ 965,231
Accounts Receivable:		
Trade	137,529	180,972
Grants Receivable	382,163	479,781
Pledges Receivable, Net	48,696	138,462
Employee Retention Credit	-	10,944
Promise to Give - Land Lease, Net, Current Portion	91,305	95,426
Prepaid Expenses	93,012	647
Inventory	<u>7,782</u>	<u>7,998</u>
Total Current Assets	1,473,373	1,879,461
NONCURRENT ASSETS		
Pledges Receivable, Net	18,450	11,658
Promise to Give - Land Lease, Net	1,460,698	1,552,003
Investments	2,496,112	2,827,408
Investments Held at Community Foundations	1,387,068	1,387,706
Property and Equipment, Net	<u>13,029,903</u>	<u>12,847,996</u>
Total Noncurrent Assets	<u>18,392,231</u>	<u>18,626,771</u>
 Total Assets	 <u><u>\$ 19,865,604</u></u>	 <u><u>\$ 20,506,232</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 116,826	\$ 459,496
Accrued Wages and Related Liabilities	244,238	224,336
Security Deposit and Incentive Fund Payable	27,982	24,371
Deferred Revenue	<u>69,297</u>	<u>-</u>
Total Current Liabilities	458,343	708,203
ACCRUED SCHOLARSHIPS		
	<u>65,073</u>	<u>47,823</u>
 Total Liabilities	 523,416	 756,026
NET ASSETS		
Without Donor Restrictions:		
Undesignated	15,559,225	16,412,492
Board-Designated	166,807	147,892
With Donor Restrictions:		
Purpose/Time Restricted	2,532,966	2,127,305
Donor Endowments	<u>1,083,190</u>	<u>1,062,517</u>
Total Net Assets	<u>19,342,188</u>	<u>19,750,206</u>
 Total Liabilities and Net Assets	 <u><u>\$ 19,865,604</u></u>	 <u><u>\$ 20,506,232</u></u>

See accompanying Notes to Financial Statements.

RANCHO CIELO, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2024
(WITH SUMMARIZED TOTALS FOR YEAR ENDED SEPTEMBER 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2024	2023
REVENUES AND SUPPORT				
Grants	\$ 300,729	\$ 1,177,958	\$ 1,478,687	\$ 1,638,174
Contributions	1,322,172	1,169,341	2,491,513	1,931,870
Facility Rental Income	520,654	-	520,654	508,430
Donated Rent, Services, and Materials	158,211	40,414	198,625	63,918
Program Revenues	357,276	-	357,276	296,751
Special Events	1,164,676	-	1,164,676	1,227,280
Employee Retention Credit	-	-	-	597,251
Net Assets Released from Restrictions	2,145,870	(2,145,870)	-	-
Total Revenues and Support	5,969,588	241,843	6,211,431	6,263,674
EXPENSES				
Program	4,975,649	-	4,975,649	4,227,590
General and Administrative	1,170,493	-	1,170,493	858,349
Fundraising	874,827	-	874,827	720,592
Total Expenses	7,020,969	-	7,020,969	5,806,531
INCOME (LOSS) FROM OPERATIONS	(1,051,381)	241,843	(809,538)	457,143
OTHER INCOME (EXPENSE)				
Miscellaneous Income	5,597	-	5,597	99,044
Investment Return, Net	155,337	887	156,224	134,169
Community Foundation Income (Loss)	61,151	183,604	244,755	110,671
Loss on Sale of Equipment	(994)	-	(994)	-
Legal settlement expense	(103,500)	-	(103,500)	-
Insurance proceeds	99,438	-	99,438	-
Total Other Income (Expense)	217,029	184,491	401,520	343,884
CHANGE IN NET ASSETS	(834,352)	426,334	(408,018)	801,027
Net Assets - Beginning of Year	16,560,384	3,189,822	19,750,206	18,949,179
NET ASSETS - END OF YEAR	<u>\$ 15,726,032</u>	<u>\$ 3,616,156</u>	<u>\$ 19,342,188</u>	<u>\$ 19,750,206</u>

See accompanying Notes to Financial Statements.

RANCHO CIELO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2024
(WITH SUMMARIZED TOTALS FOR YEAR ENDED SEPTEMBER 30, 2023)

	Program Services	General and Administrative	Fundraising	Totals	
				2024	2023
EXPENSES					
Salaries and Related Costs	\$ 2,278,723	\$ 588,188	\$ 441,943	\$ 3,308,854	\$ 2,723,864
Payroll Taxes	186,171	47,009	33,920	267,100	230,457
Employee Benefits	356,745	107,598	57,706	522,049	339,720
Total Salaries and Related Expenses	2,821,639	742,795	533,569	4,098,003	3,294,041
Depreciation	569,759	20,336	3,414	593,509	531,299
Rent	177,751	16,345	11,662	205,758	174,441
Utilities	143,729	8,925	6,321	158,975	177,677
Professional Consultants	327,005	244,180	100,793	671,978	460,547
Insurance	138,082	33,706	4,399	176,187	116,395
Program Costs	260,193	-	4,510	264,703	313,875
Supplies	99,985	10,478	5,612	116,075	122,927
Repairs and Maintenance	161,132	1,377	605	163,114	99,539
Security	31,359	779	558	32,696	34,137
Special Events	-	-	58,066	58,066	107,752
Vehicle Expense	102,710	1,637	564	104,911	77,496
Travel	9,640	6,149	308	16,097	12,204
Office and Postage	52,863	52,143	29,223	134,229	97,698
Printing and Reproduction	1,574	649	58,740	60,963	50,897
Bank Charges	4,496	5,937	10,420	20,853	16,207
Public Relations	28,383	22,037	39,621	90,041	82,100
Scholarships	19,250	-	-	19,250	1,250
Taxes and Licenses	4,591	431	3,647	8,669	13,558
Dues and Subscriptions	1,165	2,119	2,500	5,784	5,184
Training	20,343	470	295	21,108	17,307
Total Expenses by Function	<u>\$ 4,975,649</u>	<u>\$ 1,170,493</u>	<u>\$ 874,827</u>	<u>\$ 7,020,969</u>	<u>\$ 5,806,531</u>

See accompanying Notes to Financial Statements.

RANCHO CIELO, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2024
(WITH SUMMARIZED TOTALS FOR YEAR ENDED SEPTEMBER 30, 2023)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (408,018)	\$ 801,027
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Contributions Restricted for Construction	(255,000)	(80,500)
Contributions Restricted for Endowment	-	(301,364)
Depreciation	593,509	531,299
Change in Discount on Pledges and Grants Receivable	10,265	(4,573)
Change in Allowance for Uncollectible Receivable	3,792	(21,091)
Unrealized and Realized (Gain) Loss on Investments	(98,592)	117,847
Unrealized and Realized (Gain) Loss on Community Foundation		
Investments	(216,560)	(81,964)
Amortization of Discount - Promise to Give, Land Lease	95,426	99,732
(Gain) Loss on Sale of Property and Equipment	994	-
In-Kind Contribution of Property and Equipment	(143,283)	(14,995)
Change in Operating Assets and Liabilities:		
Trade Accounts Receivable	43,443	(27,814)
Grants Receivable	97,618	(253,697)
Pledges Receivable, Net	68,917	61,758
Employee Retention Credit Receivable	10,944	(10,944)
Inventory	216	4,148
Prepaid Expenses	(92,365)	18,205
Accounts Payable	(342,670)	297,073
Accrued Wages and Related Liabilities	19,902	72,449
Deferred Revenue	69,297	-
Security Deposit and Incentive Fund Payable	3,611	(4,911)
Accrued Scholarships	17,250	(947)
Net Cash Provided (Used) by Operating Activities	(521,304)	1,200,738
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(2,423,696)	(2,156,798)
Purchases of Property and Equipment	(636,730)	(1,436,828)
Proceeds from Sale of Property and Equipment	3,603	-
Proceeds from Sale of Investments	4,150,392	1,724,000
Reinvestment of Investment Income	(1,080,610)	(28,709)
Net Cash Provided (Used) by Investing Activities	12,959	(1,898,335)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Construction	255,000	80,500
Contributions Restricted for Endowment	1,000	150,000
Net Cash Provided by Financing Activities	256,000	230,500
NET CHANGE IN CASH AND RESTRICTED CASH	(252,345)	(467,097)
Cash and Restricted Cash - Beginning of Year	965,231	1,432,328
CASH AND RESTRICTED CASH - END OF YEAR	<u>\$ 712,886</u>	<u>\$ 965,231</u>

See accompanying Notes to Financial Statements.

RANCHO CIELO, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2024
(WITH SUMMARIZED TOTALS FOR YEAR ENDED SEPTEMBER 30, 2023)

	<u>2024</u>	<u>2023</u>
SUPPLEMENTAL DISCLOSURES OF CASH AND RESTRICTED CASH		
Cash	\$ 712,886	\$ 965,231
Restricted Cash	-	-
Total	<u>\$ 712,886</u>	<u>\$ 965,231</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and Equipment Acquired	\$ 780,013	\$ 1,451,823
In-Kind Contribution of Property and Equipment	<u>(143,283)</u>	<u>(14,995)</u>
Cash Paid to Acquire Property and Equipment	<u>\$ 636,730</u>	<u>\$ 1,436,828</u>

See accompanying Notes to Financial Statements.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(WITH SUMMARIZED TOTAL FOR SEPTEMBER 30, 2023)

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, 2024
(WITH SUMMARIZED TOTAL FOR SEPTEMBER 30, 2023)

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 and 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).

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.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(WITH SUMMARIZED TOTAL FOR SEPTEMBER 30, 2023)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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 boxes, barbeque meals, ticket sales and sponsorships. 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, 2024
(WITH SUMMARIZED TOTAL FOR SEPTEMBER 30, 2023)

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 and Allowance for Credit Losses

Accounts receivable are composed of rental fees, service fees, and miscellaneous receivables. Accounts receivable balances, net of allowance for credit losses, were \$137,529, \$180,972, and \$153,158 at September 30, 2024, 2023 and 2022, respectively. The Organization uses a combination of historical loss experience, current economic conditions, and forward-looking information to estimate credit losses for financial assets. The Organization considers various factors such as borrower creditworthiness, probability of default, and recovery rates to estimate credit losses. Management believes the composition of receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. Management determined that the allowance for credit losses were insignificant as of September 30, 2024 and 2023, and there was no material activity related to the allowance for credit losses for the year ended September 30, 2024.

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, 2024 and 2023 were discounted using interest rates of 7.74% and 9.23%, 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, 2024 and 2023, the allowance was \$18,274 and \$14,482, respectively.

Prepaid Expenses

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

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(WITH SUMMARIZED TOTAL FOR SEPTEMBER 30, 2023)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2024			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash/Money Market	\$ 1,413,308	\$ -	\$ -	\$ 1,413,308
Fixed Income	735,242	-	-	735,242
Alternative Investments	-	-	-	247,562
Funds Held at Community Foundations	-	1,387,068	-	1,387,068
Total	<u>\$ 2,148,550</u>	<u>\$ 1,387,068</u>	<u>\$ -</u>	<u>\$ 3,783,180</u>

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(WITH SUMMARIZED TOTAL FOR SEPTEMBER 30, 2023)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

	Level 1	Level 2	Level 3	Total
Investments:				
Cash/Money Market	\$ 359,701	\$ -	\$ -	\$ 359,701
Fixed Income	1,889,432	-	-	1,889,432
CD's	230,713	-	-	230,713
Alternative Investments	-	-	-	247,562
Funds Held at Community Foundations	-	1,387,706	-	1,387,706
Total	<u>\$ 2,479,846</u>	<u>\$ 1,387,706</u>	<u>\$ -</u>	<u>\$ 4,115,114</u>

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, 2024. 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 6 and 10).

The alternative investments include the Albany Road investment valued using NAV per share as a practical expedient. (See Note 5).

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.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(WITH SUMMARIZED TOTAL FOR SEPTEMBER 30, 2023)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

All acquisitions and major improvements of property and equipment in excess of \$5,000 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

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).

Deferred Revenue

Special event tickets sold prior to the performance are reported as deferred revenue. At September 30, 2024 and 2023, deferred revenues were \$69,297 and \$0, respectively.

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 \$4,534 and \$8,440 for the years ended September 30, 2024 and 2023, respectively.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(WITH SUMMARIZED TOTAL FOR SEPTEMBER 30, 2023)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP 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, 2023, 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.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
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NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard

In June 2016, the FASB issued Accounting Standards Update (ASU 2016-13), *Measurement of Credit Losses on Financial Instruments*, with subsequently issued improvements, which requires that credit losses on most financial assets measured at amortized cost and certain other instruments be measured using an expected credit loss model. The FASB ASU also replaces the current accounting model for purchased credit-impaired loans and debt securities. Further, FASB ASU 2016-13 makes certain targeted amendments to the existing impairment model for available-for-sale debt securities. The adoption of this standard did not have a material impact on the Organization's financial statements.

Subsequent Events

Subsequent events have been evaluated through April 2, 2025, which is the date the financial statements were available to be issued.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(WITH SUMMARIZED TOTAL FOR SEPTEMBER 30, 2023)

NOTE 2 CASH AND CASH EQUIVALENTS

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

	2024	2023
Cash in Bank	\$ 449,072	\$ 826,046
Money Market Accounts	263,314	138,685
Petty Cash	500	500
Total Cash and Cash Equivalents	<u>\$ 712,886</u>	<u>\$ 965,231</u>

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable consist of the following as of September 30:

	2024	2023
Pledges Receivable	\$ 107,545	\$ 176,462
Allowance for Uncollectible Receivables	(18,274)	(14,482)
Discount to Present Value	(22,125)	(11,860)
Total Pledges Receivable, Net	<u>\$ 67,146</u>	<u>\$ 150,120</u>

Pledges receivable are due as follows:

	2024	2023
Pledges Receivable		
Less than One Year	\$ 48,696	\$ 138,462
Within One to Five Years	18,450	11,658
Total Pledges Receivable, Net	<u>\$ 67,146</u>	<u>\$ 150,120</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, 2024 and 2023. The amount of amortization recorded as support for the years ended September 30, 2024 and 2023, was \$40,414 and \$36,108, respectively.

For the years ended September 30, 2024 and 2023, 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, 2024
(WITH SUMMARIZED TOTAL FOR SEPTEMBER 30, 2023)

NOTE 4 PROMISE TO GIVE – LAND LEASE (CONTINUED)

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

	2024	2023
Within One Year	\$ 135,840	\$ 135,840
In One to Five Years	679,200	679,200
Over Five Years	3,260,160	3,396,000
Total Promises to Give	4,075,200	4,211,040
Less: Discounts to Net Present Value	2,523,197	2,563,611
Promise to Give - Land Lease, Net	1,552,003	1,647,429
Less: Current Portion	91,305	95,426
Total Noncurrent Portion	<u>\$ 1,460,698</u>	<u>\$ 1,552,003</u>

NOTE 5 INVESTMENTS

Investments held at September 30 are as follows:

	2024	2023
Cash/Money Market	\$ 1,413,308	\$ 359,701
Fixed Income	735,242	1,889,432
CD's	-	230,713
Alternative Investments:		
Albany Road	247,562	247,562
EyeWatch LIVE	100,000	100,000
Total	<u>\$ 2,496,112</u>	<u>\$ 2,827,408</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 fair value as of September 30, 2024 and 2023 was \$247,562.

The Organization invested \$100,000 in EyeWatch LIVE (The Company). The 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 no expectation that such a market will develop, therefore the investment is recorded at cost and evaluated annually for observable inputs.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
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(WITH SUMMARIZED TOTAL FOR SEPTEMBER 30, 2023)

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, 2024 and 2023 was \$204,454 and \$376,197, 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, 2024 and 2023 was \$1,182,614 and \$1,011,509, respectively.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(WITH SUMMARIZED TOTAL FOR SEPTEMBER 30, 2023)

NOTE 7 PROPERTY AND EQUIPMENT

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

	2024	2023
Buildings	\$ 13,788,301	\$ 12,644,728
Land Improvements	1,637,832	1,624,450
Furniture and Equipment	795,825	655,847
Autos and Trucks	197,419	191,919
Technology	185,294	174,992
Total	16,604,671	15,291,936
Less: Accumulated Depreciation	(3,973,949)	(3,406,167)
Total Depreciable Property and Equipment, Net	12,630,722	11,885,769
Construction in Progress		
Recreation Fields	-	1,729
Culinary Academy	-	47,573
Modulars	-	8,774
Pastry Kitchen	14,175	-
Tiny Home	5,643	451,080
Software	35,925	6,080
Solar Project	237,463	428,420
Equestrian Center	-	18,571
BBQ Pavilion	105,975	-
Total Construction in Progress	399,181	962,227
Property and Equipment, Net	<u>\$ 13,029,903</u>	<u>\$ 12,847,996</u>

For the years ended September 30, 2024 and 2023, depreciation expense was \$593,509 and \$531,299, respectively.

NOTE 8 BOARD-DESIGNATED NET ASSETS

Board-designated net assets consist of the following as of September 30:

	2024	2023
Board-Designated Endowment Corpus Net Assets	\$ 150,000	\$ 147,892
Endowment Earnings	16,807	-

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Subject to the Passage of Time		
Promise to Give - Land Lease, Net	\$ 1,552,002	\$ 1,647,428
Other Pledges, Net	2,147	120,119
Subject to Expenditure for Specified Purpose		
Youth Program	307,225	151,207
Endowment Earnings	164,819	-
Scholarship	48,068	84,383
Program Logic Model	2,523	8,598
Technology	14,037	5,570
Capital Campaign	442,145	110,000
Donor Endowment Corpus Net Assets		
General Endowment	1,083,190	1,062,517
Total	<u>\$ 3,616,156</u>	<u>\$ 3,189,822</u>

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>2024</u>	<u>2023</u>
Promise to Give - Land Lease, Net	\$ 135,840	\$ 135,840
Other Pledges - Time Restriction	235,111	183,470
Capital Campaign	12,855	33,000
Youth Programs	1,667,765	1,528,268
Scholarship	56,691	16,175
Program Logic Model	6,075	5,603
Technology	31,533	18,078
Total	<u>\$ 2,145,870</u>	<u>\$ 1,920,434</u>

NOTE 10 ENDOWMENT

The Organization's endowment was established for on-going operating support. The endowment include both donor-restricted endowment funds and funds 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
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NOTE 10 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, 2024, the endowment had an original gift values of \$1,233,189 and fair values of \$1,386,159, with no deficiencies reported. At September 30, 2023, funds were 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.

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
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NOTE 10 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, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowments	\$ -	\$ 1,248,008	\$ 1,248,008
Board-Designated Endowments (Program Endowment)	166,807	-	166,807
Total	<u>\$ 166,807</u>	<u>\$ 1,248,008</u>	<u>\$ 1,414,815</u>

	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>

Changes in Endowment Net Assets

	September 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance at Beginning of Year	\$ 147,892	\$ 1,062,517	\$ 1,210,409
Investment Return			
Investment Income	4,025	33,503	37,528
Realized/Unrealized Gain	16,079	161,992	178,071
Investment Fees	(1,189)	(11,004)	(12,193)
Total Investment Return	18,915	184,491	203,406
Contributions	-	1,000	1,000
Balance at End of Year	<u>\$ 166,807</u>	<u>\$ 1,248,008</u>	<u>\$ 1,414,815</u>

	September 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance at Beginning of Year	\$ 89,082	\$ 745,457	\$ 834,539
Investment Return			
Realized/Unrealized Gain	8,810	65,696	74,506
Investment Fees	-	-	-
Total Investment Return	8,810	65,696	74,506
Contributions	50,000	251,364	301,364
Balance at End of Year	<u>\$ 147,892</u>	<u>\$ 1,062,517</u>	<u>\$ 1,210,409</u>

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 DONATED SERVICES AND MATERIALS

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

September 30, 2024				
	General Operations	Youth Programs	Capital Improvements	Total
Fixed Assets	\$ -	\$ -	\$ 143,283	\$ 143,283
Land Lease	1,887	38,527	-	40,414
Supplies	-	9,948	-	9,948
Discounts/Services	-	4,980	-	4,980
Total Before Special Events	1,887	53,455	143,283	198,625
Special Events	279	-	-	279
Total	<u>\$ 2,166</u>	<u>\$ 53,455</u>	<u>\$ 143,283</u>	<u>\$ 198,904</u>

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
Total Before Special Events	2,704	61,214	-	63,918
Special Events	5,625	-	-	5,625
Total	<u>\$ 8,329</u>	<u>\$ 61,214</u>	<u>\$ -</u>	<u>\$ 69,543</u>

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.

The Organization also receives a significant amount of donated services from unpaid volunteers who assist in 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.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 12 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 June 2026. Rental income for the years ended September 30, 2024 and 2023 totaled \$520,654 and \$508,430, 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, 2024:

<u>Year Ending September 30,</u>	<u>Amount</u>
2025	\$ 269,860
2026	18,000
Total	<u>\$ 287,860</u>

NOTE 13 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, 2024 and 2023, the Organization's revenue consisted of \$201,719 and \$563,615, respectively, from related parties. Amounts due from these related parties, as of September 30, 2024 and 2023, were \$30,950 and \$51,330, respectively. During the years ended September 30, 2024 and 2023, the Organization paid \$331,870 and \$166,733, respectively, to related parties. Amounts due to these related parties, as of September 30, 2024 and 2023, were \$-0- and \$10,347, respectively.

Approximately \$38,190 and \$-0- in services and materials were donated by related parties during the years ended September 30, 2024 and 2023, respectively.

NOTE 14 RETIREMENT PLAN

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 2024 and 2023 years the Organization has elected a 4% contribution. The Organization made contributions of \$70,182 and \$42,824 for the years ended September 30, 2024 and 2023, respectively.

NOTE 15 CONCENTRATION OF CREDIT RISK

The Organization maintains Cash and cash equivalents in financial institutions that may, at times, exceed federal depository insurance limits. The Organization has not experienced any losses in such accounts and believes it was not exposed to any significant risk.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 16 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.

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.

	2024	2023
Cash and Cash Equivalents	\$ 272,886	\$ 946,331
Accounts Receivable	519,692	671,697
Pledges Receivable, Current Portion	-	108,462
Prepaid Expenses	93,012	-
Investments	2,114,367	3,051,497
Financial Assets Available for General Expenditure Within One Year	<u>\$ 2,999,957</u>	<u>\$ 4,777,987</u>

NOTE 17 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.

RANCHO CIELO, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 17 EMPLOYEE RETENTION CREDIT (CONTINUED)

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.

NOTE 18 REIMBURSEMENTS

On August 15, 2024, the Organization entered into an agreement with John Muir Charter Schools. This agreement remains in effect with no fixed expiration date until it is renewed, amended, or terminated. John Muir Charter Schools (JMCS) reimburses Rancho Cielo for expenses incurred related classroom and staff space costs such as utilities, use of telephones, copiers, other equipment, classroom furniture, and other activities that directly support the education of JMCS students. For the year-end September 30, 2024, the Organization received \$310,168 in reimbursement from JMCS, which is reflected as a reduction in expenses with the financial statements.



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