



Point Reyes National Seashore Association

Financial Statements

Year ended September 30, 2015

with

Report of Independent Auditors

Report of Independent Auditors

To the Board of Directors of the **Point Reyes National Seashore Association**

We have audited the accompanying financial statements of Point Reyes National Seashore Association (PRNSA) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Responsibility of Management for the Financial Statements

The management of PRNSA 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 (US-GAAP); this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of Auditor

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PRNSA as of September 30, 2015, and the changes in its net assets and cash flows for the year then ended in accordance with US-GAAP.

Report on Summarized Comparative Information

We have previously audited the financial statements of PRNSA as of and for the year ended September 30, 2014, and, in our report dated January 7, 2015; we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which the management of PRNSA derived it.

Wilson Markle Stuckey Hardesty & Bott, LLP

Larkspur, California

December 18, 2015

Point Reyes National Seashore Association
 Statements of Financial Position
 September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 119,595	\$ 206,555
Investments	402,456	455,750
Grants receivable	142,393	142,155
Contributions receivable	90,337	55,877
Other receivables	12,423	12,910
Inventory	101,505	80,565
Prepaid expenses	22,954	25,556
Property and equipment, net	59,264	46,577
Land held for the National Park Service	<u>1,654,900</u>	<u>1,654,900</u>
 Total assets	 <u><u>\$2,605,827</u></u>	 <u><u>\$2,680,845</u></u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 105,254	\$ 60,444
Accrued expenses	85,224	93,374
Grant payable	16,300	16,300
Deferred revenue	<u>72,377</u>	<u>76,010</u>
 Total liabilities	 279,155	 246,128
 Net Assets		
Unrestricted	769,011	878,518
Temporarily restricted	1,552,661	1,551,199
Permanently restricted	<u>5,000</u>	<u>5,000</u>
 Total net assets	 <u><u>2,326,672</u></u>	 <u><u>2,434,717</u></u>
 Total liabilities and net assets	 <u><u>\$2,605,827</u></u>	 <u><u>\$2,680,845</u></u>

See accompanying notes.

Point Reyes National Seashore Association
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2015 with
Comparative Totals Only for the Year Ended September 30, 2014

	Unrestricted	Temporarily restricted	Permanently restricted	2015 Totals	2014 Totals only
Support and revenue					
Contributions and grants	\$ 196,813	\$ 572,123	\$ —	\$ 768,936	\$ 702,246
Special events, net	49,847	73,322	—	123,169	117,493
Membership	173,953	—	—	173,953	155,266
School Program	75,366	—	—	75,366	64,709
Field Institute	231,326	—	—	231,326	159,260
Summer Camp	247,257	—	—	247,257	215,542
Bookstore sales, net	216,164	—	—	216,164	201,709
Investment income, net	(6,622)	(3,444)	—	(10,066)	24,122
Satisfaction of restrictions	640,539	(640,539)	—	—	—
Total support and revenue	1,824,643	1,462	—	1,826,105	1,640,347
Expenses					
Program services					
School Program	109,997	—	—	109,997	110,375
Field Institute	305,459	—	—	305,459	255,689
Summer Camp	291,857	—	—	291,857	269,314
Bookstores	169,088	—	—	169,088	128,844
National Park Service	487,635	—	—	487,635	465,447
Total program services	1,364,036	—	—	1,364,036	1,229,669
Support services					
Management and general	178,972	—	—	178,972	148,888
Membership	146,481	—	—	146,481	144,556
Fundraising	244,661	—	—	244,661	232,625
Total support services	570,114	—	—	570,114	526,069
Total expenses	1,934,150	—	—	1,934,150	1,755,738
Change in net assets	(109,507)	1,462	—	(108,045)	(115,391)
Net assets, beginning of year	878,518	1,551,199	5,000	2,434,717	2,550,108
Net assets, end of year	\$ 769,011	\$1,552,661	\$5,000	\$2,326,672	\$2,434,717

See accompanying notes.

Point Reyes National Seashore Association
Statement of Functional Expenses
For the Year Ended September 30, 2015 with Comparative Totals Only for the Year Ended September 30, 2014

	Program services					Support services								
	Field	Summer		National	Total	Manage-	Member-	Fund-	Allocated	Total	2015	2014 Totals		
Expenses	Institute	Camp	Book-stores	Park	program	ment and	ship	raising	indirect	support	Totals	only		
	Program			Service	services	general				services				
Clem Miller														
Environ-														
mental														
Education														
School														
Program														
Salaries and wages	\$ 59,324	\$104,465	\$167,119	\$111,714	\$259,375	\$ 701,997	\$ 87,485	\$ 65,637	\$141,457	\$ –	\$294,579	\$ 996,576	\$ 919,989	
Employee benefits	6,622	26,110	8,808	6,563	–	48,103	17,138	7,169	12,800	–	37,107	85,210	72,473	
Payroll taxes	4,686	9,862	16,329	10,302	27,376	68,555	7,070	8,164	7,707	–	22,941	91,496	85,012	
Advertising	–	835	111	865	555	2,366	106	610	545	–	1,261	3,627	1,696	
Bank and investment fees	–	125	20	76	–	221	1,935	12	1,802	626	4,375	4,596	7,949	
Contract services	1,750	8,547	10,164	1,837	124,021	146,319	18,345	9,319	23,182	20,524	71,370	217,689	152,948	
Dues	38	–	38	–	–	76	1,500	–	100	–	1,600	1,676	2,650	
Events	–	–	–	–	–	–	–	180	634	–	814	814	–	
Instructor fees	1,000	72,490	–	–	–	73,490	–	–	–	–	–	73,490	62,953	
Insurance	3,753	2,492	9,476	2,319	–	18,040	3,588	–	895	2,615	7,098	25,138	25,911	
Mail house	–	4,999	352	–	350	5,701	–	7,994	780	–	8,774	14,475	9,641	
Merchant service charges	–	8,556	10,527	5,635	–	24,718	827	1,743	2,657	157	5,384	30,102	23,328	
National Park Services	–	–	–	–	–	–	–	–	–	–	–	–	155	
Postage	233	5,286	656	26	–	6,201	798	4,010	2,454	4,124	11,386	17,587	19,240	
Printing	32	12,500	1,966	–	–	14,498	–	20,394	11,091	6,362	37,847	52,345	47,318	
Professional fees	–	–	–	–	–	–	17,000	–	–	–	17,000	17,000	16,000	
Property maintenance	–	–	73	–	5,486	5,559	–	–	–	17,656	17,656	23,215	22,811	
Supplies and service	1,240	35,004	31,712	4,786	45,897	118,639	8,352	7,230	9,337	6,874	31,793	150,432	193,926	
Taxes and permits	–	186	1,171	–	9,482	10,839	150	–	–	–	150	10,989	9,466	
Training	189	–	207	534	–	930	–	–	1,800	–	1,800	2,730	465	
Travel	6,714	2,551	14,911	3,537	10,169	37,882	6,874	1,292	10,318	442	18,926	56,808	34,750	
Utilities	–	–	–	8,521	4,924	13,445	2,285	–	–	20,798	23,083	36,528	36,500	
Depreciation	907	901	645	6,817	–	9,270	300	5,916	6,141	–	12,357	21,627	10,557	
Allocated indirect	23,509	10,550	17,572	5,556	–	57,187	5,219	6,811	10,961	(80,178)	(57,187)	–	–	
Total expenses	\$109,997	\$305,459	\$291,857	\$169,088	\$487,635	\$1,364,036	\$178,972	\$146,481	\$244,661	\$ –	\$570,114	\$1,934,150	\$1,755,738	

See accompanying notes.

Point Reyes National Seashore Association
 Statements of Cash Flows
 For the Years Ended September 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	(\$ 108,045)	(\$ 115,391)
Adjustments to reconcile change in net assets to cash used by operating activities		
Net loss (gain) on sale of and depreciation (appreciation) from holding investments	10,510	(16,797)
Contributions of investments	(45,817)	(21,752)
Depreciation	21,627	10,557
Changes to current assets and liabilities		
Grants receivable	(238)	62,539
Contributions receivable	(34,460)	(55,877)
Other receivables	487	48,055
Inventory	(20,940)	4,353
Prepaid expenses	2,602	37,148
Accounts payable	44,810	(64,811)
Accrued expenses	(8,150)	41,054
Deferred revenue	(3,633)	30,873
	(141,247)	(40,049)
Cash flows from investing activities		
Purchases of investments	-	(27,504)
Proceeds from sale of investments	88,601	25,108
Purchases of property and equipment	(34,314)	(30,040)
	54,287	(32,436)
Cash provided (used) by investing activities		
Net change in cash and cash equivalents	(86,960)	(72,485)
Cash and cash equivalents, beginning of year	206,555	279,040
Cash and cash equivalents, end of year	\$119,595	\$206,555

See accompanying notes.

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2015

Note 1 – Basis of presentation

Point Reyes National Seashore Association (PRNSA) is a nonprofit, public benefit corporation, incorporated in California on July 17, 1964, to help the National Park Service (NPS) enhance the extraordinary natural, cultural and recreational resources of the Point Reyes National Seashore (Park). PRNSA operates as a cooperating association of the NPS under a Cooperating Association Agreement (CAA), making PRNSA the primary nonprofit partner of the park. PRNSA works in partnership with the Park and the public to preserve, restore and maintain wildlife habitat, trails and historic sites to enrich a beautiful, coastal Park.

PRNSA's year-round environmental education programs assist children and adults to deepen their understanding of nature and inspire the next generation of Park stewards.

PRNSA accomplishes its mission through its programs by:

- Improving Park trails and open space
- Supporting environmental education programs for nearly 5,000 youth and adults annually
- Bringing more than 1,000 underserved youth to the Park annually through the Young Stewards Scholarship Fund and free programs and events
- Promoting scientific research
- Restoring native habitats and protecting threatened and endangered species
- Acquiring new parcels of land for the Park.

PRNSA raises funds to support critical resource preservation projects and offer year-round environmental education programs that engage the public in accessing, enjoying and understanding the Park. Since its founding, PRNSA has raised millions of dollars to support Park projects and environmental education programs that enhance visitor experience, protect Park resources, improve wildlife habitat and make a profound difference in the lives of children and adults.

PRNSA operates the Clem Miller Environmental Education Center, Point Reyes Summer Camp and the Point Reyes Field Institute, as well as three bookstores at Park Visitor Centers. PRNSA also raises and manages extensive grant funding for Park environmental and research projects. During the year ended September 30, 2015, PRNSA raised almost \$1,000,000 to fund Park projects, including watershed monitoring in the Giacomini Wetlands, Coho salmon and steelhead trout monitoring, ocean education and outreach, and resource management internships. PRNSA has over 3,000 active members, whose contributions enable PRNSA to support critical Park projects, including endangered species recovery, wildlife protection, habitat and wetlands restoration, and preservation of cultural and historic legacies. During the year ended September 30, 2015, support from members and grants also enabled PRNSA to award scholarships to 777 low-

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2015

Note 1 – Basis of presentation (continued)

er-income young people to attend overnight programs at the Clem Miller Environmental Education Center and Point Reyes Summer Camp.

Programs

Clem Miller Environmental Education School Program

The Clem Miller Environmental Education Center (CMEEC) is an 80-bed residential facility designed as a model of ecological sustainability and located within the Park. The NPS established the CMEEC with the following goals: promote the Park as a living classroom by providing a residential teaching center, facilitate field-based environmental and natural history education experiences that encourage participants to develop a sense of ecological stewardship and conservation, provide teachers and group leaders with the knowledge and background necessary to facilitate their own programs thereby insuring that they integrate environmental concepts, principles and practices into their classrooms and programs, and provide an affordable residential environmental education experience to schools, especially those from the densely-populated urban centers of the greater San Francisco Bay Area.

During the year ended September 30, 2015, the CMEEC School Program hosted 32 residential educational programs, three to five days in length, for 1,698 participants, most of whom were elementary and middle school students from the greater San Francisco Bay Area. Fifteen participating classes received scholarship assistance that supported the attendance of 708 students from underrepresented groups and eight received financial aid to help cover the cost of bus transportation to and from the Park. In preparation for bringing their class or group to the Center, 18 teachers and group leaders attended a two-day, overnight environmental education and natural history intensive course.

Science at the Seashore Program

In collaboration with the NPS, PRNSA staff designed and implemented Science at the Seashore, a program that provides daylong science-based field experiences for schools and youth groups. During the year ended September 30, 2015, Science at the Seashore provided 26 daylong field programs for 880 students, teachers and chaperones on environmental science topics including habitat restoration, marine debris, and ecological and water quality monitoring of wetlands, watershed creeks and beaches.

Point Reyes Summer Camp

Point Reyes Summer Camp (Summer Camp) provides two residential camp experiences four to six days in length: Nature Science Camp, with separate sessions for ages 7-9, 9-11 and 10-12 and Adventure Camp, with separate sessions for ages 12-14 and 14-16. Trained counselors and professional naturalists lead excursions in and around the Park, emphasizing marine

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2015

Note 1 – Basis of presentation (continued)

and coastal field ecology, leave-no-trace wilderness backpacking and traditional summer camp activities. Summer Camp maintains a 3-to-1 camper to staff ratio and more than 60% of participants return for multiple summers. During the summer of 2015, 416 children attended Summer Camp programs, including 69 scholarship awardees, all of whom came from families living at or below the very low-income level identified by the U.S. Department of Housing and Urban Development for the San Francisco Bay Area.

Point Reyes Field Institute

Point Reyes Field Institute (Institute) offers a wide variety of field classes in areas such as birding, natural history, arts, crafts, photography, kayaking, boating and family programs that focus on the natural world in and around the Park and beyond. Led by experts in their fields, Institute classes provide an opportunity for participants to connect with the Park and other natural lands, strengthen their understanding of the natural environment, develop their artistic and outdoor skills and enjoy the benefits of healthy outdoor recreation.

During the year ended September 30, 2015, Institute offered 135 classes to 1,922 participants in the areas of natural history, birding, photography, the arts outdoor skills, kayaking, boating and family adventures.

Additionally, through the Field Institute, we organized five beach and trail cleanup and improvement days and organized the Christmas Bird Count for Kids, a citizen science field day for 150 children and parents.

Bookstores

PRNSA operates three bookstores located at various visitor centers around the Park. The Bookstores provide materials that will enhance exploration of the spectacular beaches, woodlands and coastline of the Park. In addition, the Bookstores offer a wide range of natural and cultural histories, children's books, maps, field guides and other educational materials that encourage the preservation and protection of natural resources. Especially useful are materials that enhance bird watching, hiking, whale watching and enjoying abundant wildflowers.

During the year ended September 30, 2015, the Bookstores helped raise funds for critical Park initiatives such as endangered species recovery, wildlife protection, habitat restoration and preservation of cultural and historic legacies.

National Park Service (NPS)

PRNSA, in conjunction with the NPS, coordinates grants, activities and environmental restoration projects at the Park. Current projects include watershed monitoring in the Giaco-

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2015

Note 1 – Basis of presentation (continued)

mini Wetlands, Coho salmon and steelhead trout monitoring, snowy plover monitoring, purchases of parcels of land for inclusion in the Park, trail maintenance and an ocean-education outreach campaign.

Note 2 – Summary of significant accounting policies

Basis of accounting

PRNSA prepares its financial statements using accounting principles generally accepted in the United States of America (US-GAAP). PRNSA records revenues when earned and expenses when incurring the related obligations.

Fair value

PRNSA uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets or liabilities. Level 3 inputs consist of unobservable inputs that reflect internal judgments and have the lowest priority. PRNSA uses appropriate valuation techniques based on the available inputs to measure fair value. When available, PRNSA measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. PRNSA only uses Level 3 inputs when Level 1 or Level 2 inputs are not available.

PRNSA values all contributions at fair value when promised. PRNSA only revalues debt securities and marketable equity securities at least as often as it presents financial statements. For contributions valued initially at fair value but not revalued, PRNSA treats the initial fair value as cost in subsequent financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of amounts on hand and on deposit with commercial banks, available within 90 days of demand.

Investments

Investments (Note 3) consist principally of a money market fund held by a registered investment company, units of pooled investment funds (PIFs) held by a community foundation and a certificate of deposit (CD) held by a commercial bank. PRNSA records the PIFs and the CD at their contract value. Contract value represents the amount PRNSA would realize upon sale, transfer, exchange or liquidation of the investment when transacted with the custodian. Contract value of the units of the PIFs are the PRNSA share of the fair value of the underlying investments, de-

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2015

Note 2 – Summary of significant accounting policies (continued)

terminated by the community foundation, net of certain custodial and administrative fees. Contract value of the CD is cost plus accrued interest not yet withdrawn or paid. PRNSA only recognizes the loss of accrued interest not yet withdrawn or paid upon the premature sale, transfer, exchange or liquidation of the CD when incurred because it is the intent of PRNSA to hold the CD until maturity.

PRNSA reports interest, dividends, gains, losses and changes in contract value (unrealized appreciation and depreciation) as net investment income. PRNSA invested its permanently restricted net assets in the CD.

The PIFs of the community foundation are subject to variance power under agreements dated May 8, 2000 and October 25, 2012. The board of trustees of the community foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization, if, in the sole judgment of the board of trustees, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the needs of the community served by the community foundation.

Grants, contributions and other receivables

Grants receivable (Note 4) consist principally of amounts expended by PRNSA under government grants and contracts but not reimbursed by the government grantor or contractor. Contributions receivable consist principally of unconditional promises to give related to the Dinner on the Pacific Plate (Note 9). Other receivables consist principally of program fees for use of the Clem Miller Environmental Education Center.

PRNSA initially values contributions at fair value. The initial fair value of grants and contributions receivable is the estimated present value of expected future cash flows, taking into consideration the risk-free interest rate and expected collection timing and risk. These are Level 2 (income) and Level 3 (market) inputs, respectively. PRNSA records a discount representing the difference between the future cash flows promised by the donor and the estimated present value of the expected future cash flows. PRNSA accretes the discount, using the interest method and based on actual collections, to contribution support. As of September 30, 2015 and 2014, PRNSA considered the discount of grants and other receivables as immaterial.

All receivables are due during the year ending September 30, 2016.

Allowance for uncollectible receivables

PRNSA uses the allowance method to account for uncollectible receivables. Under this method, PRNSA reviews all receivables for any problems with collectability, based on experience. If PRNSA feels that there may be a problem with collection, it provides for an allowance. When at-

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2015

Note 2 – Summary of significant accounting policies (continued)

tempts to collect a specific receivable are unsuccessful, PRNSA considers the account uncollectible and writes it off against the allowance. As of September 30, 2015 and 2014, PRNSA considered the allowance for doubtful accounts as immaterial.

Inventory

Inventory consists principally of books and other items available for sale at Bookstores. PRNSA states its inventory at the lower of cost or market, using the first in, first out method.

Property and equipment

Property and equipment consist of furniture, computer software and kitchen, office and computer equipment. PRNSA records property and equipment at cost or initially at fair value for contributed items. PRNSA bases the initial fair value of contributed property and equipment on comparable sales of identical or similar items in markets available to PRNSA, which is a Level 2 (market) input. PRNSA expenses property and equipment with a cost or fair value under \$5,000 and the costs of maintenance and repairs that do not improve or extend the lives of the property and equipment. PRNSA computes depreciation using the straight-line method over the estimated useful lives of the property and equipment.

Under the CAA with the NPS, PRNSA may occupy and use certain buildings within the Park. However, NPS and not PRNSA, owns the buildings.

In addition, certain government grants and contracts require PRNSA to purchase property and equipment, ownership of which reverts to the grantor or contractor, either immediately or upon completion of the grant or contract. Accordingly, PRNSA expenses such property and equipment.

Land held for the National Park Service

Periodically, PRNSA purchases or receives contributions of land, usually contiguous with the Park. Donors generally restrict such contributions as additions to the Park. PRNSA records purchases of land at cost and contributions of land at fair value, generally determined using an independent appraisal, a Level 2 (market) input. PRNSA expenses subsequent costs required to maintain the land. Due to various requirements and conditions that the NPS puts on contributions of land, there can be a significant lag between the time PRNSA purchases or receives a contribution of land and the subsequent transfer of that land to the NPS. Accordingly, land held for the National Park Service consists of land purchased or received by PRNSA but not transferred to the NPS.

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2015

Note 2 – Summary of significant accounting policies (continued)

Grant payable

Various donors contributed funds, through PRNSA, to a commercial entity to produce a video about the Park. PRNSA administers the funds, retains a fee and pays the balance of the funds to the commercial entity as the commercial entity completes work on the video. Grant payable consists of funds received by PRNSA, not yet paid to the commercial entity or retained for administrative fees.

Deferred revenue

Deferred revenue consists of fees received in advance of various school programs and Institute classes. PRNSA recognizes revenue from these activities when they occur.

Contributions and net assets

PRNSA recognizes contributions when a donor makes an unconditional promise to provide support. Net assets include cumulative unrestricted, temporarily restricted and permanently restricted net assets, net of cumulative expenses. Unrestricted net assets consist of support and revenue not restricted to a particular purpose or time by the donor, net of expenses. Temporarily restricted net assets consist of support restricted by the donor to a particular purpose or time. Temporarily restricted net assets become unrestricted net assets when PRNSA meets the donor purpose or time restrictions. Permanently restricted net assets consist of support restricted by the donor for PRNSA to hold permanently, allowing only for use of the revenue generated by investing the support.

Contributed services

Under the CAA with the NPS, PRNSA may occupy and use certain buildings within the Park rent-free. PRNSA has not estimated the fair value of such rent-free occupancy or recognized that amount. In addition, the NPS charges PRNSA certain maintenance costs, which PRNSA expenses.

Volunteers contribute their time assisting PRNSA in carrying out its activities. Although the value of volunteer contributions is substantial to the activities of PRNSA, PRNSA does not recognize their value because they do not meet the criteria for recognition in accordance with US-GAAP.

Revenues

PRNSA recognizes revenue from its School Program when a school visits or cancels without sufficient notice. PRNSA recognizes revenue from its Institute when it holds each class. PRNSA recognizes revenue from its Summer Camp when each weekly camp occurs or when a camper cancels without sufficient notice. PRNSA recognizes revenue from its Bookstores (Note 10)

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2015

Note 2 – Summary of significant accounting policies (continued)

when it sells books or other merchandise. Estimated returns are not significant in relation to Bookstore sales.

Income taxes

In letters to PRNSA, the Internal Revenue Service and California Franchise Tax Board stated that PRNSA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and from California bank and corporation taxes under Section 23701(d) of the California Revenue and Taxation Code, respectively. In addition, PRNSA qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as a publicly supported organization as described in IRC Section 509(a)(1). Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by law.

The management of PRNSA believes that no activities of PRNSA jeopardized its exemption from income taxes or its classification as a “public charity.” In addition, the management of PRNSA believes that no activities of PRNSA are subject to unrelated business income taxes. Accordingly, PRNSA did not provide for income taxes.

The management of PRNSA considers certain tax positions taken by PRNSA. A tax position is a position taken in a previously filed tax return or a position the management of PRNSA expects to take in a future tax return that figures in measuring current or deferred income tax assets and liabilities for interim or annual periods. A tax position can result in a permanent reduction in income taxes payable, a deferral of income taxes otherwise currently payable to future years or a change in the expected realizability of deferred tax assets. A tax position also encompasses, but is not limited to a decision to classify a transaction, entity or other position in a tax return as tax exempt or the status of an entity, including its status as a pass-through or tax-exempt entity.

PRNSA files tax returns with the IRS and California. As of September 30, 2015, open tax periods subject to future examination by taxing authorities cover periods from October 1, 2011 through September 30, 2015.

Allocation of functional expenses

PRNSA summarizes the costs of providing its programs and other activities on a functional basis. Accordingly, PRNSA allocated certain indirect costs between program and support services based on estimates of time and usage. PRNSA bases indirect expense allocations on the employee time expended on an activity.

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2015

Note 2 – Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with US-GAAP requires the management of PRNSA to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimated.

Concentrations, credit and market risk

Cash and cash equivalents held by the commercial banks exceeded federal deposit insurance limits at various times during the years ended September 30, 2015 and 2014.

Investments are subject to credit and market risks. Credit risk is the probability that parties holding or supporting an investment will default or otherwise fail to perform. Market risk is the inherent change in the value of an investment due to changes in conditions.

During the years ended September 30, 2015 and 2014, support received from various agencies of the U.S. Department of the Interior, totaled approximately 14% and 15%, respectively, of total support and revenue.

Reduction of the support source indicated above, if it were to occur, could have an adverse impact on the activities of PRNSA.

Subsequent events

PRNSA evaluated subsequent events for recognition and disclosure through December 18, 2015, the date the financial statements were available for issuance by PRNSA.

Comparative totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US-GAAP. Accordingly, read such information in conjunction with the financial statements of PRNSA as of and for the year ended September 30, 2014, from which PRNSA derived the summarized information. PRNSA reclassified certain prior year amounts to conform to the current year presentation.

Point Reyes National Seashore Association
Notes to Financial Statements
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Note 3 – Investments

As of September 30, 2015 and 2014, investments totaled as follows:

	<u>2015</u>	<u>2014</u>
Fair value – Level 1		
Money market fund	\$ 52,023	\$ 92,179
Common stock	–	1,155
Contract value		
PIFs	345,433	357,416
CD 0.40% Matures 04-20-2018	<u>5,000</u>	<u>5,000</u>
Total investments	<u>\$402,456</u>	<u>\$455,750</u>

The management of PRNSA estimates that the difference between the fair value of investments reported at contract value and the respective reported contract values is not material.

During the years ended September 30, 2015 and 2014, net investment income totaled as follows:

	<u>2015</u>	<u>2014</u>
Dividends and interest	\$ 444	\$ 7,325
Realized loss on sale of		
Investments carried at fair value	(1,951)	(643)
Unrealized (depreciation) appreciation on		
Investments carried at other than fair value	<u>(8,559)</u>	<u>17,440</u>
Net investment income	<u>(\$10,066)</u>	<u>\$24,122</u>

Note 4 – Grants receivable

As of September 30, 2015 and 2014, grants receivable totaled as follows:

	<u>2015</u>	<u>2014</u>
State of California		
Department of Fish and Wildlife	\$ 25,771	\$ 65,160
Other	505	505
U.S. Department of the Interior		
National Park Service	<u>116,117</u>	<u>76,490</u>
Total grants receivable	<u>\$142,393</u>	<u>\$142,155</u>

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Note 5 – Unrestricted net assets – Board-designated

As of September 30, 2015 and 2014, the Board of Directors of PRNSA designated certain unrestricted net assets for specific purposes, totaling as follows:

	<u>2015</u>	<u>2014</u>
Programs	\$ 25,364	\$ 25,364
Emergency reserve	100,000	100,000
Endowment (Note 8)	<u>239,993</u>	<u>247,045</u>
Total designated unrestricted net assets	365,357	372,409
Total undesignated unrestricted net assets	<u>403,654</u>	<u>506,109</u>
Total unrestricted net assets	<u>\$769,011</u>	<u>\$878,518</u>

Note 6 – Temporarily restricted net assets

During the year ended September 30, 2015, temporarily restricted net assets reconciled as follows:

<u>Activity</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
School Program and Summer Camp	\$ 175,626	\$112,638	\$117,473	\$ 170,791
Field Institute	515	–	–	515
National Park Service	1,328,069	460,091	471,547	1,316,613
Special event	–	42,272	42,272	–
Management and general	<u>46,989</u>	<u>27,000</u>	<u>9,247</u>	<u>64,742</u>
Totals	<u>\$1,551,199</u>	<u>\$642,001</u>	<u>\$640,539</u>	<u>\$1,552,661</u>

During the year ended September 30, 2014, temporarily restricted net assets reconciled as follows:

<u>Activity</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
School Program and Summer Camp	\$ 156,051	\$112,212	\$ 92,637	\$ 175,626
Field Institute	515	–	–	515
National Park Service	1,383,243	422,448	477,622	1,328,069
Special event	–	38,704	38,704	–
Management and general	<u>46,989</u>	<u>–</u>	<u>–</u>	<u>46,989</u>
Totals	<u>\$1,586,798</u>	<u>\$573,364</u>	<u>\$608,963</u>	<u>\$1,551,199</u>

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2015

Note 7 – Permanently restricted net assets

As of September 30, 2015 and 2014, permanently restricted net assets totaled \$5,000. In addition, the donor restricted the revenue generated by the permanently restricted net assets to support scholarships for the School Program.

Note 8 – Endowment funds

Endowment funds subject to both Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds” and the California version of UPMIFA (CA-UPMIFA) include the temporarily restricted net assets of the Neubacher Fund (PIF) and all permanently restricted net assets (Note 7). Endowment funds subject to only FASB ASC 958-205 include the board-designated net assets (Note 5).

PRNSA has interpreted the CA-UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. Under this interpretation, PRNSA classifies as permanently restricted net assets the original fair value of gifts to permanently restricted endowment funds, the original fair value of subsequent gifts and accumulations made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation. The remaining portions of donor-restricted endowment funds that PRNSA has not classified as permanently restricted net assets, PRNSA classifies as temporarily restricted net assets until PRNSA appropriates those amounts for expenditure in a manner consistent with the standards of prudence prescribed by the CA-UPMIFA. In accordance with the CA-UPMIFA, PRNSA considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds and within the limitation under California state law of appropriations to seven percent of the fair value of the endowment funds. In addition, the endowment assets held by the community foundation (Note 2) are subject to the “Spending Rule” of the community foundation.

As of September 30, 2015, endowment funds totaled as follows:

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Totals</u>
Donor restricted	\$ —	\$109,863	\$5,000	\$114,863
Board-designated	<u>239,993</u>	<u>—</u>	<u>—</u>	<u>239,993</u>
Totals	<u>\$239,993</u>	<u>\$109,863</u>	<u>\$5,000</u>	<u>\$354,856</u>

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Note 8 – Endowment funds (continued)

During the year ended September 30, 2015, endowment funds reconciled as follows:

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Totals</u>
Beginning of year	\$247,045	\$114,778	\$5,000	\$366,823
Dividends and interest	3,046	1,255	–	4,301
Unrealized depreciation	(8,531)	(3,924)	–	(12,455)
Investment management fees	(1,567)	(776)	–	(2,343)
Board designations	–	–	–	–
Appropriated for expenditure	–	(1,470)	–	(1,470)
End of year	<u>\$239,993</u>	<u>\$109,863</u>	<u>\$5,000</u>	<u>\$354,856</u>

As of September 30, 2014, endowment funds totaled as follows:

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Totals</u>
Donor restricted	\$ –	\$114,778	\$5,000	\$119,778
Board-designated	<u>247,045</u>	–	–	<u>247,045</u>
Totals	<u>\$247,045</u>	<u>\$114,778</u>	<u>\$5,000</u>	<u>\$366,823</u>

During the year ended September 30, 2014, endowment funds reconciled as follows:

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Totals</u>
Beginning of year	\$230,055	\$106,771	\$5,000	\$341,826
Dividends and interest	2,475	1,192	–	3,667
Unrealized appreciation	12,858	7,840	–	20,698
Investment management fees	(1,502)	(865)	–	(2,367)
Board designations	3,159	–	–	3,159
Appropriated for expenditure	–	(160)	–	(160)
End of year	<u>\$247,045</u>	<u>\$114,778</u>	<u>\$5,000</u>	<u>\$366,823</u>

As of September 30, 2014, the contract value of investment assets related to donor restricted endowment funds was not less than the amount required to be permanently restricted by the donor or in accordance with CA-UPMIFA, absent donor restrictions.

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Note 8 – Endowment funds (continued)

PRNSA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that PRNSA must hold in perpetuity or for a donor-specified period and board-designated funds. Under this policy, the primary investment objective for permanently restricted funds shall be protection of principal, not maximization of return. Maintaining liquidity sufficient to meet projected expenditures shall be a priority. PRNSA should invest permanently restricted funds in low-risk investments such as money market funds, short-term deposits and Treasury securities.

The primary investment objective for board-designated and temporarily restricted funds shall be the maintenance of inflation-adjusted principal and to earn income from interest, dividends and capital appreciation equal to or exceeding accepted market indices, e.g., the Dow Jones Industrial Average and the S&P 500. Liquidity is not a priority since PRNSA does not expect to expend board-designated or temporarily restricted funds on short notice. PRNSA may invest these board-designated and temporarily restricted funds in low-risk securities, such as diversified stock and bond portfolios, but not in in options, futures or through short selling or trading on the margin.

If there are donor-specific investment guidelines, those guidelines supersede the investment policy of PRNSA and PRNSA shall adhere to those guidelines.

In addition, the endowment assets held by the community foundation (Note 1) are subject to the “Investment Policy” of the community foundation.

Under this policy, actual returns in any given year may vary from expectations. Unrestricted (board-designated) net assets are subject to redesignation at any time, including redesignation as other than endowment funds.

Note 9 – Special events

During the year ended September 30, 2015, the special event reconciled as follows:

<u>Event</u>	<u>Gross support and revenue</u>	<u>Direct donor benefit costs</u>	<u>Net</u>
Dinner on the Pacific Plate	<u>\$219,515</u>	<u>\$96,346</u>	<u>\$123,169</u>

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Note 9 – Special events (continued)

During the year ended September 30, 2014, the special event reconciled as follows:

<u>Event</u>	<u>Gross support and revenue</u>	<u>Direct donor benefit costs</u>	<u>Net</u>
Dinner on the Pacific Plate	<u>\$206,542</u>	<u>\$89,049</u>	<u>\$117,493</u>

During the years ended September 30, 2015 and 2014, in-kind contributions of auction goods sold and goods and services used at the events (principally food and beverages) totaled \$42,272 and \$38,704, respectively. The management of PRNSA estimated the fair value of the in-kind contributions based on comparative purchase costs, donor estimates and internal evaluations, Level 2 (cost) and Level 3 (cost and market) inputs, respectively.

Note 10 – Bookstore sales, net

During the years ended September 30, 2015 and 2014, net bookstore sales reconciled as follows:

	<u>2015</u>	<u>2014</u>
Bookstore sales, net of returns and allowances	\$423,383	\$340,212
Cost of bookstore goods sold	<u>(207,219)</u>	<u>(138,503)</u>
Bookstore sales, net	<u>\$216,164</u>	<u>\$201,709</u>

In addition, during the years ended September 30, 2015 and 2014, other operating expenses of the bookstores, included as program services, totaled \$167,963 and \$128,844, respectively.

Note 11 – Retirement plan

PRNSA sponsors a defined contribution salary deferral plan under IRC section 403(b) for its eligible employees. Eligible employees may contribute up to 100% of their eligible salary to the plan, subject to limits imposed under the IRC. During the years ended September 30, 2015 and 2014, PRNSA matched 100% of employee contributions, up to 2% of the eligible compensation of each contributing employee, totaling \$10,872 and \$8,475, respectively.

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Note 12 – Commitments and contingencies

Under the CAA, PRNSA administration and operations occupy various buildings located within the Park and owned by the NPS. The last CAA became effective December 20, 2010, for five years, with one, optional, five-year renewal period, which NPS and PRNSA agreed to on October 26, 2015. Accordingly, the current CAA expires on December 19, 2020. In addition, the NPS reserves the right to terminate the CAA at any time.

PRNSA leases office equipment under a non-cancelable lease agreement. During the years ending September 30, minimum lease payments total as follows:

2016	\$5,189
2017	5,189
2018	2,162

On September 5, 2014, PRNSA signed a merchant card processing agreement with a new vendor. The agreement required a personal guarantee for payment of card processing fees, which the Executive Director provided.

Note 13 – Related party

During the year ended September 30, 2015 and 2014, PRNSA paid one of its directors \$8,201 and \$6,590, respectively, to conduct certain Institute classes.