



Point Reyes National Seashore Association

Financial Statements

Year ended September 30, 2016

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, 2016, 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, 2016, 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, 2015, and, in our report dated December 18, 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, 2015, 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

March 2, 2017

Point Reyes National Seashore Association
 Statements of Financial Position
 September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 81,644	\$ 119,595
Investments	372,544	402,456
Grants receivable	153,474	142,393
Contributions receivable – Current	274,079	90,337
Other receivables	17,435	12,423
Inventory	99,400	101,505
Prepaid expenses	15,703	22,954
Contributions receivable – Long-term	30,000	–
Property and equipment, net	37,067	59,264
Land held for the National Park Service	<u>1,654,900</u>	<u>1,654,900</u>
 Total assets	 <u><u>\$2,736,246</u></u>	 <u><u>\$2,605,827</u></u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 214,893	\$ 105,254
Accrued expenses	82,605	85,224
Grant payable	16,300	16,300
Deferred revenue	<u>18,662</u>	<u>72,377</u>
 Total liabilities	 332,460	 279,155
 Net Assets		
Unrestricted	750,162	769,011
Temporarily restricted	1,648,624	1,552,661
Permanently restricted	<u>5,000</u>	<u>5,000</u>
 Total net assets	 <u><u>2,403,786</u></u>	 <u><u>2,326,672</u></u>
 Total liabilities and net assets	 <u><u>\$2,736,246</u></u>	 <u><u>\$2,605,827</u></u>

See accompanying notes.

Point Reyes National Seashore Association
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2016 with
Comparative Totals Only for the Year Ended September 30, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	2016 Totals	2015 Totals only
Support and revenue					
Contributions and grants	\$ 189,835	\$ 913,559	\$ –	\$1,103,394	\$ 768,936
Special events, net	45,914	81,213	–	127,127	123,169
Membership	156,778	–	–	156,778	173,953
School Program	43,102	–	–	43,102	75,366
Field Institute	209,048	–	–	209,048	231,326
Summer Camp	249,748	–	–	249,748	247,257
Bookstore sales, net	289,066	–	–	289,066	216,164
Investment income (loss), net	16,683	7,993	–	24,676	(10,066)
Satisfaction of restrictions	906,802	(906,802)	–	–	–
Total support and revenue	2,106,976	95,963	–	2,202,939	1,826,105
Expenses					
Program services					
Bookstores	184,646	–	–	184,646	169,088
Field Institute	304,941	–	–	304,941	305,459
National Park Service	560,555	–	–	560,555	487,635
Pilot Programs	117,669	–	–	117,669	–
School Program	88,933	–	–	88,933	109,997
Summer Camp	347,790	–	–	347,790	291,857
Total program services	1,604,534	–	–	1,604,534	1,364,036
Support services					
Management and general	191,777	–	–	191,777	178,972
Membership	136,803	–	–	136,803	146,481
Fundraising	192,711	–	–	192,711	244,661
Total support services	521,291	–	–	521,291	570,114
Total expenses	2,125,825	–	–	2,125,825	1,934,150
Change in net assets	(18,849)	95,963	–	77,114	(108,045)
Net assets, beginning of year	769,011	1,552,661	5,000	2,326,672	2,434,717
Net assets, end of year	<u>\$ 750,162</u>	<u>\$1,648,624</u>	<u>\$5,000</u>	<u>\$2,403,786</u>	<u>\$2,326,672</u>

See accompanying notes.

Point Reyes National Seashore Association

Statement of Functional Expenses

For the Year Ended September 30, 2016 with Comparative Totals Only for the Year Ended September 30, 2015

	Program services						Support services						2016 Totals	2015 Totals only
	Book-stores	Field Institute	National Park Service	Pilot Programs	Clem Miller Environmental Education School Program	Summer Camp	Total program services	Management and general	Membership	Fund-raising	Allocated indirect	Total support services		
Expenses														
Salaries and wages	\$116,673	\$ 96,014	\$347,638	\$ 81,692	\$41,834	\$190,097	\$ 873,948	\$113,040	\$ 74,111	\$ 65,208	\$ 90	\$252,449	\$1,126,397	\$ 996,576
Employee benefits	4,114	9,957	—	3	2,635	3,985	20,694	2,267	4,422	14,984	—	21,673	42,367	85,210
Payroll taxes	9,729	8,999	33,269	440	3,290	21,049	76,776	9,370	8,422	8,756	—	26,548	103,324	91,496
Advertising	—	6,330	120	—	90	230	6,770	320	75	840	—	1,235	8,005	3,627
Bank and investment fees	739	47	—	—	—	48	834	6,252	—	—	195	6,447	7,281	4,596
Contract services	5,263	23,689	106,846	14,649	5,065	18,460	173,972	11,914	11,557	19,986	17,480	60,937	234,909	217,689
Dues	—	—	—	—	—	—	—	1,850	—	—	640	2,490	2,490	1,676
Events	155	—	3,207	—	—	—	3,362	—	290	1,347	—	1,637	4,999	814
Instructor fees	—	73,185	—	—	—	—	73,185	—	—	—	—	—	73,185	73,490
Insurance	2,027	3,116	—	500	3,206	11,860	20,709	4,230	531	531	—	5,292	26,001	25,138
Mail house	—	2,726	276	—	415	415	3,832	—	5,539	743	—	6,282	10,114	14,475
Merchant service charges	9,358	2,212	—	176	—	12,989	24,735	500	787	772	—	2,059	26,794	30,102
Postage	57	4,190	181	—	73	186	4,687	434	2,132	1,252	3,044	6,862	11,549	17,587
Printing	—	9,522	554	—	1,551	4,054	15,681	312	12,685	2,598	5,835	21,430	37,111	52,345
Professional fees	—	—	—	—	—	—	—	17,000	—	—	—	17,000	17,000	17,000
Property maintenance	—	—	5,000	—	—	263	5,263	—	—	—	16,358	16,358	21,621	23,215
Supplies and service	9,066	39,723	39,938	9,463	4,291	48,377	150,858	11,228	2,594	57,856	11,611	83,289	234,147	150,432
Taxes and permits	480	—	9,827	—	—	368	10,675	1,239	—	—	—	1,239	11,914	10,989
Training	—	—	4,234	50	—	188	4,472	200	—	—	—	200	4,672	2,730
Travel	2,921	10,042	2,124	4,394	3,357	14,468	37,306	3,222	846	6,186	1,003	11,257	48,563	56,808
Utilities	10,724	1,292	7,341	232	484	158	20,231	1,882	83	33	28,956	30,954	51,185	36,528
Depreciation	7,065	1,802	—	451	1,027	1,027	11,372	599	5,113	5,113	—	10,825	22,197	21,627
Allocated indirect	6,275	12,095	—	5,619	21,615	19,568	65,172	5,918	7,616	6,506	(85,212)	(65,172)	—	—
Total expenses	\$184,646	\$304,941	\$560,555	\$117,669	\$88,933	\$347,790	\$1,604,534	\$191,777	\$136,803	\$192,711	\$ —	\$521,291	\$2,125,825	\$1,934,150

See accompanying notes.

Point Reyes National Seashore Association
 Statements of Cash Flows
 For the Years Ended September 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 77,114	(\$ 108,045)
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	(23,770)	10,510
Contributions of investments	(40,335)	(45,817)
Depreciation	22,197	21,627
Changes to assets and liabilities		
Grants receivable	(11,081)	(238)
Contributions receivable	(213,742)	(34,460)
Other receivables	(5,012)	487
Inventory	2,105	(20,940)
Prepaid expenses	7,251	2,602
Accounts payable	109,639	44,810
Accrued expenses	(2,619)	(8,150)
Deferred revenue	(53,715)	(3,633)
	(131,968)	(141,247)
Cash used by operating activities		
Cash flows from investing activities		
Purchases of investments	(25,087)	-
Proceeds from sale of investments	119,104	88,601
Purchases of property and equipment	-	(34,314)
	94,017	54,287
Cash provided by investing activities		
Net change in cash and cash equivalents	(37,951)	(86,960)
Cash and cash equivalents, beginning of year	119,595	206,555
Cash and cash equivalents, end of year	\$ 81,644	\$119,595

See accompanying notes.

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2016

Note 1 – Basis of Presentation

Point Reyes National Seashore Association (PRNSA) is a nonprofit, public benefit corporation founded 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). As the primary nonprofit partner of the Park, PRNSA works to preserve, restore and maintain wildlife habitat, trails and historic sites in the Park. Through year-round environmental education programs, PRNSA helps children and adults to deepen their understanding of nature and inspire the next generation of park stewards.

In 2016, PRNSA joined the collective family of people who cherish the nation's national parks to celebrate the Centennial of the NPS. Throughout the year, PRNSA worked to share the wonders of nature, national parks and the incredibly special Point Reyes National Seashore with more than 6,000 children and adults.

Inspiring the Next Generation of Park Stewards

Through the year-round environmental education programs for young people, PRNSA works with NPS and communities from around the San Francisco Bay Area to cultivate the next generation of land stewards. The first step in teaching young people to care for a park is allowing them to fall in love with it. This is exactly what PRNSA does through summer camps, school groups, interns and family programs.

In 2016, PRNSA introduced 3,290 children and family members to the Park. Thanks to the support of individuals and foundation grants, PRNSA was able to offer scholarships, including transportation assistance, to children attending overnight summer camp and school camp programs. Through the Every Kid in a Park program, PRNSA hosted nearly 400 children and families at free natural history and stewardship programs. Overall, PRNSA provided free or reduced cost programming to 1,238 underserved children.

The Centennial Dinner on the Pacific Plate fundraiser and celebration raised a record-breaking \$320,000, including a Fund-a-Need appeal that will help PRNSA launch an expanded program to better serve the 32 groups that annually participate in our School at the Seashore program.

Recreation and Life-long Learning

PRNSA helps visitors who want to deepen their experience in the Park by connecting them with a community of naturalists, artists, historians and Park staff with expertise in the different facets of Point Reyes National Seashore. Through the 138 Field Institute classes, 1,685 fans of the Park studied birds and botany, hiked new trails and were inspired to stretch their painting skills. In 2016, PRNSA hosted four art shows at the Red Barn in Bear Valley, highlighting the history and beauty of the Park. A Darby Hayes photography exhibit highlighted the wildlife and the drama of wild spaces found in western national parks.

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2016

Note 1 – Basis of Presentation (continued)

In a continuing partnership with the University of California, PRNSA hosted a seven-day immersive natural history training program using the Park as an outdoor classroom. The 43 new California Naturalists graduates will leverage their deeper understanding of the Park and California's natural resources as volunteer citizen scientists in their communities.

As part of the Centennial Celebrations, PRNSA launched "Locals and Friends Nights," a new program to offer fun ways to connect with the mission of the Park. The first two events were a screening of the film, "Pelican Dreams" and an author reading, talk and sea shanty sing-along to highlight the publication of *The Sea Forager's Guide to the Northern California Coast*.

Conservation through Science and the Arts

PRNSA works in partnership with NPS to promote scientific inquiry and research that informs Park management policies and practices. PRNSA supports this effort by financing projects and collaborating on educational experiences that inspire students to pursue careers in science and conservation.

With the help of supporters, PRNSA funded research programs to study and monitor endangered and other key species found in the Park, including the western snowy plover, northern spotted owl, Coho salmon, northern elephant seal and Sonoma spineflower. Much of this work was possible thanks to the support of 19 high school and college-level interns who worked side by side with Park staff on projects focused on dune restoration, archeology, range management, invasive plant control and wildlife monitoring. Through the Marine Research Fund, PRNSA was able to award two post-graduate research fellows funding to support their work in the areas tracking eelgrass restoration in Drakes Estero and local adaptation for sea kelp at the Seashore.

The Science at the Seashore program brought 1,000 school-age young people to the Park for daylong field trips where they practiced hands-on science while learning about ecology, restoration and healthy oceans.

Thanks to a grant from the National Endowment for the Arts (NEA), PRNSA collaborated with the Mesa Refuge, a writer's retreat located in Point Reyes Station, to host six visual artists and writers to pilot the first-ever artist in residence program in the Park. PRNSA requested that the selected artists consider the topic through their own artistic lens and prepare for a public presentation in 2017.

In 2016, PRNSA and the Park completed the restoration of the Estero Trail. As one of the Park's most visited trails, PRNSA contributed to a re-routing and restoration of the trail that improved the experience for hikers while better protecting both wildlife habitat and pastoral zone rangeland.

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2016

Note 1 – Basis of Presentation (continued)

Volunteering and Stewardship: Helping us do more!

In 2016, PRNSA and the Park collaborated to further strengthen combined volunteer programs. Together, PRNSA and NPS expanded the outreach, yielding increased numbers of volunteers, volunteer hours and bottom line aid to the Park. Combined, 1,290 volunteers worked with PRNSA and the Park to help protect, preserve and share the wonders of Point Reyes National Shore. Highlights of this partnership include the recently restored Native Plant Nursery volunteer effort, coordination of volunteer support for the cleanup of Drakes Estero and the new Palomarin Trail Steward program, which was created to help manage the surge in visitors at the south end of the Park.

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 contributions when promised, 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 and a registered investment company, available within 90 days of demand.

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

Investments

Investments (Note 3) consist principally of 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, determined 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), net of investment and administrative expenses, 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) and foundation grants. 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, 2016 and 2015, PRNSA considered the discount of grants and other receivables as immaterial.

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2016

Note 2 – Summary of Significant Accounting Policies (continued)

All receivables are due during the year ending September 30, 2017, except \$30,000 from one foundation due during the year ending September 30, 2018.

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 attempts to collect a specific receivable are unsuccessful, PRNSA considers the account uncollectible and writes it off against the allowance. As of September 30, 2016 and 2015, 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 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.

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, 2016

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. 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.

Revenue

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, 2016

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, 2016, open tax periods subject to future examination by taxing authorities cover periods from October 1, 2012 through September 30, 2016.

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, 2016

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, 2016 and 2015.

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.

As of September 30, 2016, contributions receivable due from one foundation totaled approximately 20% of total contributions receivable.

During the years ended September 30, 2016 and 2015, support received from various agencies of the U.S. Department of the Interior, totaled approximately 17% and 14%, 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.

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, 2015, from which PRNSA derived the summarized information. PRNSA reclassified certain prior year amounts to conform to the current year presentation.

Subsequent events

PRNSA evaluated subsequent events for recognition and disclosure through March 2, 2017, the date the financial statements were available for issuance by PRNSA.

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2016

Note 3 – Investments

As of September 30, 2016 and 2015, investments totaled as follows:

	<u>2016</u>	<u>2015</u>
Fair value – Level 1		
Money market fund	\$ –	\$ 52,023
Contract value		
PIFs	367,544	345,433
CD 0.40% Matures 04-20-2018	<u>5,000</u>	<u>5,000</u>
Total investments	<u>\$372,544</u>	<u>\$402,456</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, 2016 and 2015, net investment income totaled as follows:

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 906	\$ 444
Realized loss on sale of		
investments carried at fair value	(1,318)	(1,951)
Unrealized appreciation (depreciation) on		
investments carried at other than fair value	28,148	(8,559)
Investment and administrative fees	<u>(3,060)</u>	<u>—</u>
Net investment income (loss)	<u>\$24,676</u>	<u>(\$10,066)</u>

Note 4 – Grants Receivable

As of September 30, 2016 and 2015, grants receivable totaled as follows:

	<u>2016</u>	<u>2015</u>
State of California		
Department of Fish and Wildlife	\$ 37,908	\$ 25,771
Other	505	505
U.S. Department of the Interior		
National Park Service	<u>115,061</u>	<u>116,117</u>
Total grants receivable	<u>\$153,474</u>	<u>\$142,393</u>

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2016

Note 5 – Unrestricted Net Assets – Board-designated

As of September 30, 2016 and 2015, the Board of Directors of PRNSA designated certain unrestricted net assets for specific purposes, totaling as follows:

	<u>2016</u>	<u>2015</u>
Programs	\$ 25,364	\$ 25,364
Emergency reserve	100,000	100,000
Endowment (Note 8)	<u>257,116</u>	<u>239,993</u>
Total designated unrestricted net assets	382,480	365,357
Total undesignated unrestricted net assets	<u>367,682</u>	<u>403,654</u>
Total unrestricted net assets	<u>\$750,162</u>	<u>\$769,011</u>

Note 6 – Temporarily Restricted Net Assets

During the year ended September 30, 2016, temporarily restricted net assets reconcile as follows:

<u>Activity</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
School Program and Summer Camp	\$ 170,791	\$223,732	\$ 175,621	\$ 218,902
Field Institute	515	–	–	515
National Park Service	1,316,613	695,320	607,344	1,404,589
Special event	–	81,213	81,213	–
Management and general	<u>64,742</u>	<u>2,500</u>	<u>42,624</u>	<u>24,618</u>
Totals	<u>\$1,552,661</u>	<u>\$1,002,765</u>	<u>\$906,802</u>	<u>\$1,648,624</u>

During the year ended September 30, 2015, temporarily restricted net assets reconcile 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>

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2016

Note 7 – Permanently Restricted Net Assets

As of September 30, 2016 and 2015, 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, including the annual appropriation limit of 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, 2016, endowment funds totaled as follows:

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Totals</u>
Donor restricted	\$ —	\$114,880	\$5,000	\$119,880
Board-designated	<u>257,116</u>	<u>—</u>	<u>—</u>	<u>257,116</u>
Totals	<u>\$257,116</u>	<u>\$114,880</u>	<u>\$5,000</u>	<u>\$376,996</u>

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2016

Note 8 – Endowment Funds (continued)

During the year ended September 30, 2016, endowment funds reconciled as follows:

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Totals</u>
Beginning of year	\$239,993	\$109,863	\$5,000	\$354,856
Dividends and interest	–	28	–	28
Unrealized depreciation	19,233	8,915	–	28,148
Investment management fees	(2,110)	(950)	–	(3,060)
Board designations	–	–	–	–
Appropriated for expenditure	<u>–</u>	<u>(2,976)</u>	<u>–</u>	<u>(2,976)</u>
End of year	<u>\$257,116</u>	<u>\$114,880</u>	<u>\$5,000</u>	<u>\$376,996</u>

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>

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	<u>–</u>	<u>(1,470)</u>	<u>–</u>	<u>(1,470)</u>
End of year	<u>\$239,993</u>	<u>\$109,863</u>	<u>\$5,000</u>	<u>\$354,856</u>

As of September 30, 2016, 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.

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2016

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 years ended September 30, 2016 and 2015, the Dinner on the Pacific Plate special event reconciled as follows:

	<u>2016</u>	<u>2015</u>
Gross support and revenue	\$262,928	\$219,515
Less direct donor benefit costs	<u>135,801</u>	<u>96,346</u>
Net	<u>\$127,127</u>	<u>\$123,169</u>

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2016

Note 9 – Special Events (continued)

During the years ended September 30, 2016 and 2015, in-kind contributions of auction goods sold and goods and services used at the events (principally food and beverages) totaled \$81,213 and \$42,272, 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, 2016 and 2015, net bookstore sales reconciled as follows:

	<u>2016</u>	<u>2015</u>
Bookstore sales, net of returns and allowances	\$476,678	\$423,383
Less cost of bookstore goods sold	<u>187,612</u>	<u>207,219</u>
Bookstore sales, net	<u>\$289,066</u>	<u>\$216,164</u>

In addition, during the years ended September 30, 2016 and 2015, other operating expenses of the bookstores, included as program services, totaled \$184,646 and \$169,088, 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, 2016 and 2015, PRNSA matched 100% of employee contributions, up to 2% of the eligible compensation of each contributing employee, totaling \$3,903 and \$10,872, respectively.

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.

Point Reyes National Seashore Association
Notes to Financial Statements
September 30, 2016

Note 12 – Commitments and Contingencies (continued)

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

2017	\$5,189
2018	2,162

Note 13 – Related Party

During the years ended September 30, 2016 and 2015, PRNSA paid one of its directors \$8,699 and \$8,201, respectively, to conduct certain Institute classes.