



Point Reyes National Seashore Association

Financial Statements

for the year ended

March 31, 2018

with the

Report of the Independent Auditor



Report of the Independent Auditor

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

I have audited the accompanying financial statements of Point Reyes National Seashore Association (a nonprofit organization), which comprise the statement of financial position as of March 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Auditor

My responsibility is to express an opinion on the financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 I select depend on my 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, I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Point Reyes National Seashore Association as of March 31, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Michael Smith, CPA

Petaluma, California

December 12, 2018

Point Reyes National Seashore Association
 Statements of Financial Position
 March 31, 2018

Assets	
Cash and cash equivalents	\$ 232,424
Investments	417,190
Grants receivable	95,091
Contributions receivable	17,500
Other receivables	37,542
Inventory	96,002
Prepaid expenses	86,511
Property and equipment, net of accumulated depreciation of \$107,654	51,635
Land held for the National Park Service	<u>1,654,900</u>
Total assets	<u><u>\$2,688,795</u></u>
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 55,229
Accrued liabilities	114,377
Grant payable	16,300
Deferred revenue	<u>241,037</u>
Total liabilities	426,943
Net Assets	
Unrestricted	711,108
Temporarily restricted	1,545,744
Permanently restricted	<u>5,000</u>
Total net assets	<u>2,261,852</u>
Total liabilities and net assets	<u><u>\$2,688,795</u></u>

See accompanying notes.

Point Reyes National Seashore Association
Statement of Activities and Changes in Net Assets
For the Year Ended March 31, 2018

	Unrestricted	Temporarily restricted	Permanently restricted	Totals
Support and revenue				
Contributions and grants	\$ 664,555	\$ 119,614	\$ –	\$ 784,169
Special events, net	103,118	144,629	–	247,747
Membership	149,745	–	–	149,745
School Program	71,438	–	–	71,438
Field Institute	135,900	–	–	135,900
Summer Camp	312,483	–	–	312,483
Bookstore sales, net	281,957	–	–	281,957
Investment income, net	26,082	10,990	–	37,072
Satisfaction of restrictions	395,473	(395,473)	–	–
Total support and revenue	2,140,751	(120,240)	–	2,020,511
Expenses				
Program services				
Bookstores	268,260	–	–	268,260
Field Institute	246,264	–	–	246,264
National Park Service	503,932	–	–	503,932
School Program	294,110	–	–	294,110
Summer Camp	292,371	–	–	292,371
Total program services	1,604,937	–	–	1,604,937
Support services				
Management and general	272,371	–	–	272,371
Membership	115,896	–	–	115,896
Fundraising	298,285	–	–	298,285
Total support services	686,552	–	–	686,552
Total expenses	2,291,489	–	–	2,291,489
Change in net assets	(150,738)	(120,240)	–	(270,978)
Net assets, beginning of year	861,846	1,665,984	5,000	2,532,830
Net assets, end of year	\$ 711,108	\$1,545,744	\$5,000	\$2,261,852

See accompanying notes.

Point Reyes National Seashore Association
Statement of Functional Expenses
For the Year Ended March 31, 2018

	Program services					Support services						Totals
	Bookstores	Field Institute	National Park Service	Clem Miller Environmental Education School Program	Summer Camp	Total program services	Management and general	Membership	Fundraising	Allocated indirect	Total support services	
Expenses												
Salaries and wages	\$195,527	\$ 98,562	\$303,562	\$190,271	\$200,632	\$ 988,554	\$ 46,283	\$ 59,063	\$157,081	\$ 197	\$262,624	\$1,251,178
Employee benefits	4,238	6,872	7,545	18,671	5,447	42,773	18,714	3,227	18,962	17	40,920	83,693
Payroll taxes	13,216	7,564	29,379	14,202	18,581	82,942	2,764	7,055	13,948	24	23,791	106,733
Advertising	291	1,428	—	—	150	1,869	—	—	—	20	20	1,889
Bank fees	380	—	—	—	10	390	5,719	73	608	—	6,400	6,790
Contract services	3,213	16,122	100,745	11,059	4,417	135,556	86,138	6,988	33,226	15,328	141,680	277,236
Dues	550	—	—	42	63	655	6,057	—	—	1,520	7,577	8,232
Events	100	111	2,672	—	—	2,883	100	150	2,074	—	2,324	5,207
Instructor fees	—	48,012	910	2,090	—	51,012	—	—	—	—	—	51,012
Insurance	2,920	4,122	—	4,122	15,801	26,965	4,444	687	1,374	—	6,505	33,470
Mail house	—	6,671	—	—	—	6,671	492	11,104	1,486	104	13,186	19,857
Merchant service charges	8,695	2,912	—	62	11,834	23,503	1,456	1,671	6,418	10	9,555	33,058
Postage	67	139	—	—	—	206	30	464	1,108	2,822	4,424	4,630
Printing	—	14,828	—	1,514	1,472	17,814	52	4,214	9,828	4,745	18,839	36,653
Professional fees	—	900	—	—	—	900	24,662	—	—	—	24,662	25,562
Property maintenance	—	—	—	525	—	525	—	—	—	1,253	1,253	1,778
Supplies and service	17,178	19,303	41,379	24,413	3,418	105,691	20,863	9,936	35,966	14,709	81,474	187,165
Taxes and permits	—	—	10,417	853	12,688	23,958	325	—	—	—	325	24,283
Training	—	—	1,175	800	1,805	3,780	300	550	—	820	1,670	5,450
Travel	5,477	727	1,394	6,414	7,788	21,800	7,816	2,866	3,270	148	14,100	35,900
Utilities	9,778	5,252	4,754	7,931	102	27,817	5,162	664	447	22,184	28,457	56,274
Depreciation	—	—	—	—	—	—	27,169	—	—	789	27,958	27,958
Bad debts	—	—	—	—	—	—	7,481	—	—	—	7,481	7,481
Allocated indirect	6,630	12,739	—	11,141	8,163	38,673	6,344	7,184	12,489	(64,690)	(38,673)	—
Total expenses	\$268,260	\$246,264	\$503,932	\$294,110	\$292,371	\$1,604,937	\$272,371	\$115,896	\$298,285	\$ —	\$686,552	\$2,291,489

See accompanying notes.

Point Reyes National Seashore Association
 Statements of Cash Flows
 For the Year Ended March 31, 2018

Cash flows from operating activities	
Change in net assets	(\$270,978)
Adjustments to reconcile change in net assets to cash used by operating activities	
Net loss on sale of and depreciation from holding investments	612
Contributions of investments	(40,803)
Bad debts	7,481
Depreciation	27,958
Changes to assets and liabilities	
Grants receivable	564
Contributions receivable	39,500
Other receivables	(9,025)
Inventory	(42,048)
Prepaid expenses	(63,106)
Accounts payable	1,293
Accrued expenses	19,126
Deferred revenue	<u>30,899</u>
 Cash used by operating activities	 (298,527)
 Cash flows from investing activities	
Purchases of investments	(33,542)
Proceeds from sale of investments	75,471
Purchases of property and equipment	<u>(42,526)</u>
 Cash used by investing activities	 <u>(597)</u>
 Net change in cash and cash equivalents	 (299,124)
 Cash and cash equivalents, beginning of year	 <u>531,548</u>
 Cash and cash equivalents, end of year	 <u><u>\$232,424</u></u>

See accompanying notes.

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2018

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. 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.

Point Reyes National Seashore is a place for everyone... whether scientist or student, sunbather or hiker, ranger or retiree, we are all drawn to the confluence of natural beauty that it offers. Each of us sees our beloved park through our own eyes and experience, but we all share a love for, and sometimes a fierce protectiveness of, the incomparable Point Reyes peninsula. Looking back over the last year reminds us here at PRNSA of our dual role as the park's official nonprofit partner: to provide an entry point for visitors of all backgrounds to gain a deeper understanding of the park and to bolster the team effort required to care for this incredible place.

Inspiring the Next Generation of Park Stewards

At the core of PRNSA's work is the belief that we all must share in the stewardship of our public lands. With places to explore, relax, learn and inspire, the park offers a wealth of experiences to the upcoming generation. This relationship with the park is symbiotic; each child who falls in love with Point Reyes National Seashore has the potential to be the next leader or innovator that unites and inspires us all to make choices that protect not only this special park, but the larger natural world.

In 2017, PRNSA was proud to welcome 3,423 youth and family members to the Seashore through a combination of summer camp sessions, overnight environmental education programs for school groups and families, day-long science field trips, public stewardship projects and nature exploration programs. Thanks to the support of our incredibly generous community of individual donors and foundation supporters, 70% participated with the support of a scholarship or through a free program.

We work hard to develop partnerships that allow us to bring children of all backgrounds to Point Reyes. In the past year, we worked with children living in shelters, children of incarcerated parents, cultural exchange family groups from China and the Philippines and families who benefited from a camp conducted in Spanish. By learning from everyone's unique perspectives, we are able to improve and adjust our programming to make visiting our national parks and the natural world more welcoming for all.

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2018

Note 1 – Basis of Presentation (continued)

Recreation and Life-long Learning

Our Field Institute classes and special programs offer people of different vocations the chance to come together as park fans to explore the natural world and the arts. Our hands-on classes are led by expert instructors - scientists, naturalists, historians, artists and park rangers - who take participants out of everyday life and into the natural world. In 2017, we hosted 127 classes and guided programs, giving 1,258 people the opportunity to learn, explore and connect with the vibrant communities of the Point Reyes National Seashore.

Thanks to the support of over 1,000 volunteers annually, we increase our ability to protect, preserve and share the wonders of the park. Volunteers help restore habitat, gather data on plant and animal species and deepen the experience of visitors as interpretive docents by sharing the stories of the park's snowy plovers, whales, elephant seals and tule elk.

Conservation through Science

PRNSA works in partnership with the NPS to promote scientific research for the better understanding of the natural and cultural assets of the park. Our cadre of 18 interns work side-by-side with NPS staff on historic preservation, archeology, dune habitat restoration, invasive plant control, wildlife monitoring and community outreach programs. In addition to funding integral staff throughout the park, this year PRNSA supported the continuing restoration of the park's dunes with a \$99,000 grant from the National Fish and Wildlife Foundation. The project's mission is to restore coastal dune habitat that is critical for the survival of special status species, including the western snowy plover and Tideström's lupine.

Through our Marine Research Fund, PRNSA is proud to support the work of three projects. We funded post-graduate fellows from the University of Virginia and UC Santa Barbara to use aerial imagery and in-water surveys to assist the park in assessing eelgrass regrowth after the Drakes Estero Restoration Project. In addition to informing NPS, the Coastal Commission and the National Marine Fisheries Service on post-restoration progress, the project is establishing new methods for monitoring and assessing eelgrass that can be used in other restoration areas.

We also supported the River Otter Ecology Project's research on the diet of this rebounding mid-level predator. Prior to their recent resurgence, the otters had been mostly absent from West Marin for many decades. Their presence marks a more balanced ecosystem, and a more complete understanding of their diet will help predict how these otters fit into the coastal food web of West Marin.

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2018

Note 1 – Basis of Presentation (continued)

With PRNSA’s help, the White Shark research group from Monterey Bay University Aquarium, University of Montana and Stanford University continued their research into shark diet, survival and movements off our coast. Insights into the lives of these apex predators help scientists understand marine health and how we can best protect our oceans.

With the help of our 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, archeology, invasive plant control and wildlife monitoring.

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

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. The hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The hierarchy consists of three broad levels:

Level 1 inputs consist of unadjusted quoted prices for identical assets or liabilities in active markets that PRNSA has the ability to access.

Level 2 inputs consist of quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Level 3 inputs consist of unobservable inputs that are significant to the fair value measurement.

The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

PRNSA values all contributions at fair value when promised. PRNSA estimates the fair value of contributions based on the present value of expected future cash flows, taking into consideration the risk-free interest rate and expected collection timing and risk. 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 March 31, 2018, PRNSA considered the discount as immaterial.

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 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

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

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 due from a foundation and an individual. Other receivables consist principally of program fees for use of the Clem Miller Environmental Education Center, store credit card sales and an overpayment of payroll taxes due from the Internal Revenue Service.

All receivables are due during the year ending March 31, 2019.

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 March 31, 2018, PRNSA considered the allowance for doubtful accounts as immaterial.

Inventory

Inventory consists principally of books and other merchandise 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. 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.

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

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. 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.

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 Summer Camp. PRNSA recognizes revenue from Summer Camp as the weekly camps occur.

Net assets

Unrestricted net assets are not subject to donor-imposed restrictions, but may be designated for specific purposes by action of the Board of Directors (Note 5), or otherwise limited by contractual arrangements with outside parties.

Temporarily restricted net assets (Note 6) are subject to donor-imposed restrictions. PRNSA reclassifies temporarily restricted net assets to unrestricted net assets when it fulfills donor-imposed restrictions through actions PRNSA takes or the passage of time.

Permanently restricted net assets (Note 7) are subject to donor-imposed restrictions that PRNSA cannot fulfill through actions it takes or the passage of time. Generally, income from permanently restricted net assets is either unrestricted or temporarily restricted, depending on any donor-imposed restrictions.

Contributions and grants

PRNSA recognizes contributions when a donor makes an unconditional promise to provide support. Grants support consists principally of conditional cost-reimbursement government

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

grants. PRNSA does not recognize support from these grants until it fulfills the condition; generally, by expending costs and performing services to accomplish the requirements of the grants.

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

Advertising

PRNSA expenses the costs of advertising when incurred.

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.

Management believes that none of the activities of PRNSA jeopardized its exemption from income taxes or its classification as a “public charity.” In addition, management believes that no activities of PRNSA are subject to unrelated business income taxes. Accordingly, PRNSA did not provide for income taxes.

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Management considers certain tax positions taken by PRNSA. A tax position is a position taken in a previously filed tax return or a position management expects to take in a future tax return. Tax positions include decisions 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 Internal Revenue Service and state of California. Tax returns from open tax periods are subject to future examination by taxing authorities.

Allocation of indirect expenses

PRNSA summarizes the costs of providing its programs and supporting services on a functional basis. PRNSA allocates direct costs to the activity benefitted. PRNSA estimates the allocation of indirect costs to its various program and supporting services based on personnel time expended or space used by each activity.

Use of estimates

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

Concentrations and risks

Cash and cash equivalents held by the commercial banks exceeded federal deposit insurance limits at various times during the year ended March 31, 2018.

Investments are subject to credit, interest rate and market risks. Credit risk is the probability that parties holding or supporting an investment will default or otherwise fail to perform. Interest rate risk is the risk that interest rates in the market will change relative to the interest rates earned on investments PRNSA holds. Market risk is the inherent change in the fair value of an investment due to changes in conditions. PRNSA manages risk to its investments by periodically reviewing investments for compliance with the investment policy and investment return for comparability to the general market and specific investment class returns.

During the year ended March 31, 2018, support received from the U.S. Department of the Interior, NPS totaled approximately 14% of total support and revenue.

During the year ended March 31, 2018, revenue derived from the Summer Camp program totaled approximately 15% 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.

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Subsequent events

PRNSA evaluated subsequent events for recognition and disclosure through December 12, 2018, the date the financial statements were available for issuance. On July 21, 2018, PRNSA named a new executive director.

Note 3 – Investments

As of March 31, 2018, the fair value of investments and level within the fair value hierarchy totals as follows:

<u>Level 1 investments</u>	
Common stock	\$ 2,210
<u>Investments measured at contract value</u>	
PIFs	409,980
CD 0.20% Matures 04-20-2021	<u>5,000</u>
 Total investments	 <u>\$417,190</u>

Management 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 year ended March 31, 2018, PRNSA did not transfer any investments among the different fair value input levels.

During the year ended March 31, 2018, net investment income totaled as follows:

Dividends and interest	\$ 4,816
Realized loss on sale of investments carried at fair value	(728)
Unrealized appreciation on investments carried at contract value	36,504
Investment and administrative fees	<u>(3,520)</u>
 Investment income, net	 <u>\$37,072</u>

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2018

Note 4 – Grants Receivable

As of March 31, 2018, grants receivable totaled as follows:

State of California	
Natural Resource Agency, Department of Fish and Wildlife	\$64,471
U.S. Department of the Interior	
National Park Service	<u>30,620</u>
Total grants receivable	<u>\$95,091</u>

Note 5 – Unrestricted Net Assets – Board Designated

As of March 31, 2018, the Board of Directors of PRNSA designated certain unrestricted net assets for specific purposes, totaling as follows:

Programs	\$ 25,363
Emergency reserve	100,000
Endowment (Note 8)	<u>292,175</u>
Total designated unrestricted net assets	417,538
Total undesignated unrestricted net assets	<u>293,570</u>
Total unrestricted net assets	<u>\$711,108</u>

Note 6 – Temporarily Restricted Net Assets

During the year ended March 31, 2018, temporarily restricted net assets reconcile as follows:

<u>Activity</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
National Park Service	\$1,427,561	\$ 23,320	\$ 46,878	\$1,404,003
Dinner on the Pacific Plate	–	67,256	67,256	–
Field Institute	542	–	–	542
School Program and Summer Camp	<u>237,881</u>	<u>184,657</u>	<u>281,339</u>	<u>141,199</u>
Totals	<u>\$1,665,984</u>	<u>\$275,233</u>	<u>\$395,473</u>	<u>\$1,545,744</u>

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2018

Note 7 – Permanently Restricted Net Assets

As of March 31, 2018, 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 March 31, 2018, endowment funds totaled as follows:

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Totals</u>
Donor restricted	\$ —	\$117,805	\$5,000	\$122,805
Board designated	<u>417,538</u>	<u>—</u>	<u>—</u>	<u>417,538</u>
Totals	<u>\$417,538</u>	<u>\$117,805</u>	<u>\$5,000</u>	<u>\$540,343</u>

Point Reyes National Seashore Association
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March 31, 2018

Note 8 – Endowment Funds (continued)

During the year ended March 31, 2018, endowment funds reconciled as follows:

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Totals</u>
Beginning of year	\$394,791	\$116,846	\$5,000	\$516,637
Dividends and interest	3,466	1,339	–	4,805
Unrealized depreciation	21,630	10,626	–	32,256
Investment management fees	(2,349)	(995)	–	(3,344)
Appropriated for expenditure	<u>–</u>	<u>(10,011)</u>	<u>–</u>	<u>(10,011)</u>
End of year	<u>\$417,538</u>	<u>\$117,805</u>	<u>\$5,000</u>	<u>\$540,343</u>

As of March 31, 2018, 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.

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.

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2018

Note 8 – Endowment Funds (continued)

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 March 31, 2018, the Dinner on the Pacific Plate special event reconciled as follows:

Gross support and revenue	\$369,575
Less direct donor benefit costs	<u>121,828</u>
Net	<u>\$247,747</u>

During the year ended March 31, 2018, in-kind contributions of auction goods sold and goods and services used at the events (principally food and beverages) totaled \$60,336 and \$6,920, respectively. Management estimated the fair value of the in-kind contributions based on comparative purchase costs, donor estimates and internal evaluations.

Note 10 – Bookstore Sales, Net

During the year ended March 31, 2018, net bookstore sales reconciled as follows:

Bookstore sales, net of returns and allowances	\$463,295
Less cost of bookstore goods sold	<u>181,338</u>
Bookstore sales, net	<u>\$281,957</u>

In addition, during the year ended March 31, 2018, other operating expenses of the bookstores, included as program services, totaled \$268,260.

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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 year ended March 31, 2018, PRNSA matched 100% of employee contributions, up to 2% of the eligible compensation of each contributing employee, totaling \$7,204.

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 received government grants support pursuant to agreements with NPS and other governmental agencies. The agreements provide NPS and other governmental agencies with the opportunity to review or audit the expenditure of government grants support to establish compliance with laws and regulations and the specific terms of the agreements. Management believes that PRNSA has complied with the various requirements under these agreements and that any adjustments, if they were to occur, would be immaterial to the financial position of PRNSA.

A former employee of PRNSA filed a retaliation complaint with a federal agency against PRNSA. The investigation into that complaint is ongoing. Management has retained counsel but is unable to predict an outcome or estimate any potential liability. Accordingly, PRNSA has not accrued any liability for the claim in the financial statements.

Note 13 – Related Party

During the year ended March 31, 2018, PRNSA paid one of its directors \$6,480 to conduct certain Institute classes.