



Point Reyes National Seashore Association

Financial Statements

for the year ended

March 31, 2019

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, 2019, 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 selected 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 the internal control of Point Reyes National Seashore Association 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, 2019, 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.

Report on Summarized Comparative Information

I have previously audited the financial statements of Point Reyes National Seashore Association as of and for the year ended March 31, 2018, and I expressed an unmodified audit opinion on those audited financial statements in my report dated December 12, 2018. In my opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Michael Smith, CPA

Petaluma, California

October 21, 2019

Point Reyes National Seashore Association

Statements of Financial Position

March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 448,309	\$ 232,424
Investments	313,824	417,190
Grants receivable	56,369	95,091
Contributions receivable	25,325	17,500
Other receivables	22,573	37,542
Inventory	103,947	96,002
Prepaid expenses	82,286	86,511
Property and equipment, net of accumulated depreciation of \$120,056 and \$107,654, respectively	39,233	51,635
Land held for the National Park Service	<u>1,654,900</u>	<u>1,654,900</u>
 Total assets	 <u><u>\$2,746,766</u></u>	 <u><u>\$2,688,795</u></u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 44,853	\$ 55,229
Accrued liabilities	131,774	114,377
Grant payable	16,300	16,300
Deferred revenue	<u>230,633</u>	<u>241,037</u>
 Total liabilities	 423,560	 426,943
 Net Assets		
Without donor restrictions	799,127	711,108
With donor restrictions	<u>1,524,079</u>	<u>1,550,744</u>
 Total net assets	 <u>2,323,206</u>	 <u>2,261,852</u>
 Total liabilities and net assets	 <u><u>\$2,746,766</u></u>	 <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, 2019 with Totals Only for the Year Ended March 31, 2018

	Net assets			2018 Totals only
	Without donor restrictions	With donor restrictions	2019	
Support and revenue				
Contributions and grants	\$1,028,883	\$ 178,265	\$1,207,148	\$ 784,169
Special events, net	101,331	84,978	186,309	247,747
Membership	144,697	–	144,697	149,745
School Program	116,893	–	116,893	71,438
Field Institute	111,329	–	111,329	135,900
Summer Camp	207,675	–	207,675	312,483
Bookstore sales, net	272,476	–	272,476	281,957
Investment income, net	(853)	1,226	373	37,072
Miscellaneous income	36,897	–	36,897	–
Satisfaction of restrictions	291,134	(291,134)	–	–
 Total support and revenue	 2,310,462	 (26,665)	 2,283,797	 2,020,511
 Expenses				
Program services	1,567,109	–	1,567,109	1,604,937
Support services	655,334	–	655,334	686,552
 Total expenses	 2,222,443	 –	 2,222,443	 2,291,489
 Change in net assets	 88,019	 (26,665)	 61,354	 (270,978)
 Net assets, beginning of year	 711,108	 1,550,744	 2,261,852	 2,532,830
 Net assets, end of year	 \$ 799,127	 \$1,524,079	 \$2,323,206	 \$2,261,852

See accompanying notes.

Point Reyes National Seashore Association

Statement of Functional Expenses

For the Year Ended March 31, 2019 with Totals Only for the Year Ended March 31, 2018

	Program services			Support services			2019	2018 Totals only	
	Book-stores	Education	Park projects	Total program services	Management and general	Fund-raising			Total support services
Expenses									
Salaries and wages	\$148,557	\$428,924	\$289,469	\$ 866,950	\$ 38,229	\$205,609	\$243,838	\$1,110,788	\$1,251,178
Employee benefits	22,201	58,906	11,092	92,199	7,360	32,621	39,981	132,180	83,693
Payroll taxes	16,763	45,866	28,388	91,017	4,083	22,545	26,628	117,645	106,733
Advertising	-	-	-	-	-	-	-	-	1,889
Bank fees	58	35	-	93	282	-	282	375	6,790
Communications	1,364	25,022	-	26,386	412	21,377	21,789	48,175	-
Contract services	398	56,643	113,891	170,932	13,927	150	14,077	185,009	277,236
Credit card fees	5,651	20,825	78	26,554	326	7,611	7,937	34,491	33,058
Dues	89	469	2	560	709	1,816	2,525	3,085	8,232
Events	161	-	9,833	9,994	-	-	-	9,994	5,207
Food	1,652	47,461	315	49,428	1,749	7,028	8,777	58,205	-
Information technology	18,226	19,390	213	37,829	9,404	8,124	17,528	55,357	-
Instructor fees	-	-	-	-	-	-	-	-	51,012
Insurance	6,757	16,719	379	23,855	13,221	9,732	22,953	46,808	33,470
Mail house	-	1,096	-	1,096	-	11,807	11,807	12,903	19,857
Miscellaneous	453	354	-	807	14,699	92	14,791	15,598	-
Park projects	-	-	25,046	25,046	1,454	-	1,454	26,500	-
Postage	8	50	-	58	2,016	3,983	5,999	6,057	4,630
Printing	64	-	-	64	148	10,855	11,003	11,067	36,653
Professional fees	2,134	1,597	32,350	36,081	161,607	-	161,607	197,688	25,562
Property maintenance	772	15,118	6,822	22,712	2,745	406	3,151	25,863	1,778
Supplies and service	3,531	14,157	9,415	27,103	9,803	5,829	15,632	42,735	187,165
Taxes and permits	-	9,744	60	9,804	150	-	150	9,954	24,283
Training	-	2,985	1,009	3,994	437	3,837	4,274	8,268	5,450
Travel	3,854	20,618	1,246	25,718	2,255	2,025	4,280	29,998	35,900
Utilities	2,535	11,939	369	14,843	4,111	2,344	6,455	21,298	56,274
Depreciation	2,077	1,909	-	3,986	8,416	-	8,416	12,402	27,958
Bad debts	-	-	-	-	-	-	-	-	7,481
Total expenses	\$237,305	\$799,827	\$529,977	\$1,567,109	\$297,543	\$357,791	\$655,334	\$2,222,443	\$2,291,489

See accompanying notes.

Point Reyes National Seashore Association
 Statements of Cash Flows
 For the Years Ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 61,354	(\$270,978)
Adjustments to reconcile change in net assets to cash used by operating activities		
Net loss on sale and depreciation of investments	2,635	612
Contributions of investments	(16,922)	(40,803)
Bad debts	—	7,481
Depreciation	12,402	27,958
Changes to assets and liabilities		
Grants receivable	38,722	564
Contributions receivable	(7,825)	39,500
Other receivables	14,969	(9,025)
Inventory	(7,945)	(42,048)
Prepaid expenses	4,225	(63,106)
Accounts payable	(10,376)	1,293
Accrued expenses	17,397	19,126
Deferred revenue	(10,404)	30,899
	<u>98,232</u>	<u>(298,527)</u>
Cash provided (used) by operating activities		
Cash flows from investing activities		
Reinvestment of net investment gains	(1,745)	(33,542)
Proceeds from sale of investments	119,398	75,471
Purchases of property and equipment	—	(42,526)
	<u>117,653</u>	<u>(597)</u>
Cash provided (used) by investing activities		
Net change in cash and cash equivalents	215,885	(299,124)
Cash and cash equivalents, beginning of year	<u>232,424</u>	<u>531,548</u>
Cash and cash equivalents, end of year	<u><u>\$448,309</u></u>	<u><u>\$232,424</u></u>

See accompanying notes.

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2019

Note 1 – Basis of Presentation

Point Reyes National Seashore is a treasure open to all who visit. The wild and scenic peninsula sticks out into the Pacific Ocean like a green thumb, hitchhiking slowly northwest at a pace of three inches each year. No other public place along the northern California coast offers so much to so many. Situated close to millions of people in San Francisco, Oakland and San Jose, the National Seashore offers hiking trails across nearly 70,000 acres of wilderness, mountains, beaches, complex dunes, marshes and scrub. It offers coves and bays for kayaking, trails for equestrians and wildlife viewing opportunities for hundreds of bird species, tule elk, seals, sea lions, badgers, bobcats, otters and more. Unlike most parks around the country, Point Reyes National Seashore is free to the public. There is no entry fee. There are no parking fees. It is open to ALL.

As the official partner to the National Seashore since 1964, **Point Reyes National Seashore Association** (PRNSA) focuses on three priorities: youth education and inclusion, environmental conservation and building a broad community for people of all ages to learn about the park, invest in its future and enjoy activities in the park.

Inspiring Youth, Opening Doors, Putting Feet on the Trail

Draw a circle with a 30-mile diameter centered on the Bear Valley Visitor Center in the Park. That gets you to the East Bay, San Francisco, Sonoma County and Contra Costa County. To thousands of youths outside that circle, Point Reyes may seem like a million miles away. Many are in underserved communities lacking transportation, guides, time and supervision to allow them to explore the National Seashore. We remove those obstacles and work with schools and partner agencies to get those children into the park and their feet on the trail.

Outdoor-based learning is an essential catalyst for healthy development. Through our Young Stewards programs, the number of Bay Area young people served has grown steadily since 1999 by approximately 50%. Over the past six years, PRNSA has more than tripled the number of underserved youths served annually. **We provide needs-based financial assistance to 62% of our young visitors**, 50% of whom receive benefits from federal school lunch programs, so that they can come out to the park and have the same experiences as more privileged youths and those who live closer. This year, we brought over 4,319 children and families to the park through our programs and provided some form of financial assistance to about 2,080 of them. That total includes 1,416 kids in our school-year camps, 397 kids in summer camp and nearly 1,200 students attending our day-long Science at the Seashore field trips.

Conservation Through Science – Supporting the Park

PRNSA works year-round in partnership with the National Park Service (NPS) to protect and monitor the health of natural resources within the park. Park biologists and ecologists use data

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2019

Note 1 – Basis of Presentation (continued)

partially provided by us and priorities set by regional working groups to set an ambitious agenda each year. We secure funding from a number of sources including private donors, government grants and foundations to hire seasonal field staff. Those staff then work with NPS project managers on dune habitat restoration, coho salmon conservation, community outreach programs, invasive plant management, elephant seal monitoring and historic conservation of cultural resources in the park. As related in our feature article, PRNSA received a significant gift of \$75,000 from Maureen Kennedy, our Board Chair, designated for conservation work this year.

In fiscal year 2019, we collaborated with the Golden Gate National Parks Conservancy and the Tomales Bay Watershed Council to provide research grants to 11 researchers working on marine and terrestrial projects. PRNSA funded research specifically into coho salmon in Tomales Bay; sea star wasting disease; climate change impacts on elephant seals; the ecology of eelgrass, a key-stone species; and the construction of a baseline food web of coastal ecosystems in the National Seashore.

Recreation, Lifelong Learning and Stewardship

“You do you” is a commonly heard catchphrase these days. PRNSA believes in uniting individuals for common goals while allowing each park visitor to craft their own experience according to their interests. Our Field Institute classes and programs create fun and enriching experiences for people with different backgrounds to explore the natural world and the arts. This year, we served 917 people with 77 classes and guided programs on the Natural World, Arts and Photography and Outdoor Adventure. Furthermore, we started a new series, *Get to the Point!*, featuring very low cost and free events such as whale watching trips, an astronomy program and others. This series is designed to encourage families and young adults unfamiliar with the natural history of the park to learn and just have fun outside of a traditional class structure. In all, 20 youths and 124 adults attended these new events. At the heart of all our programs is our desire to invoke a conservation ethic, even if not explicitly stated. We know that people who love the park will understand the need to protect it. And for those wishing to work directly with us, we offered a variety of volunteer opportunities.

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.

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

National Park Service agreements

PRNSA operates as the primary nonprofit partner of the park under a Cooperating Association Agreement (CAA). The latest 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.

In addition, NPS provides financial assistance to PRNSA, in the form of task agreements and work orders, for specific park projects. Such financial assistance is governed by a Cooperative Agreement. The latest Cooperative Agreement became effective on July 15, 2019 and expires on July 15, 2024.

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.

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

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2019 and 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.

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 due from a foundation and an estate. Other receivables consist principally of program fees for use of the Clem Miller Environmental Education Center and store credit card sales.

All receivables are due during the year ending March 31, 2020.

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2019, 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 net realizable value, using the first-in, first-out basis.

Property and equipment

Property and equipment consist of furniture; computer software; kitchen, office and computer equipment; and leasehold improvements. 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.

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" on the statement of financial position consists of land purchased or received by PRNSA but not transferred to the NPS.

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2019

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 principally of fees received in advance of Summer Camp. PRNSA recognizes revenue from Summer Camp as the weekly camps occur.

Net assets

Net assets without donor restrictions 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.

Net assets with donor restrictions (Notes 6) are subject to donor-imposed restrictions. PRNSA reclassifies net assets with donor restrictions to net assets without donor restrictions when it fulfills donor-imposed restrictions through actions PRNSA takes or the passage of time.

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 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.

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue

PRNSA recognizes revenue from its School Program when a school visits or cancels without sufficient notice. PRNSA recognizes revenue from its Field 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.

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.

Cost allocation

PRNSA summarizes the costs of its activities on a functional basis. PRNSA allocates direct costs of its various program and supporting services to the activity benefitted. PRNSA considers all other costs as indirect. PRNSA allocates indirect costs on a reasonable basis that is consistently applied. PRNSA allocates compensation costs based on actual and estimated time expended on

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

each activity. PRNSA allocates all other indirect costs that are not directly attributable to one program or supporting service based on allocated compensation costs.

Risks

Cash and cash equivalents held by the commercial banks exceeded federal deposit insurance limits at various times during the years ended March 31, 2019 and 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.

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.

Prior year summarized comparative information

The financial statements and notes include certain prior year summarized comparative information in total, but not by net asset classification. Such information does not always include sufficient detail to constitute a presentation in conformity with US-GAAP. Accordingly, read such information in conjunction with the financial statements for the year ended March 31, 2018, from which the summarized comparative information was derived.

Subsequent events

PRNSA evaluated subsequent events for recognition and disclosure through October 21, 2019, the date the financial statements were available for issuance. Management concluded that no material subsequent events have occurred since March 31, 2019, which would require recognition or disclosure in the financial statements.

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2019

Note 3 – Investments

As of March 31, 2019 and 2018, the fair value of investments and level within the fair value hierarchy totals as follows:

	<u>2019</u>	<u>2018</u>
<u>Level 1 investments</u>		
Common stock	\$ –	\$ 2,210
<u>Investments measured at contract value</u>		
PIFs	308,824	409,980
CD 0.20% Matures 04-20-2021	<u>5,000</u>	<u>5,000</u>
 Total investments	 <u>\$313,824</u>	 <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 years ended March 31, 2019 and 2018, PRNSA did not transfer any investments among the different fair value input levels.

During the years ended March 31, 2019 and 2018, net investment income totaled as follows:

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$6,731	\$ 4,816
Realized gain (loss) on sale of investments carried at fair value	208	(728)
Unrealized (depreciation) appreciation on investments carried at contract value	(3,052)	36,504
Investment and administrative fees	<u>(3,514)</u>	<u>(3,520)</u>
 Investment income, net	 <u>\$ 373</u>	 <u>\$37,072</u>

Note 4 – Grants Receivable

As of March 31, 2019 and 2018, grants receivable totaled as follows:

	<u>2019</u>	<u>2018</u>
State of California – Department of Fish and Wildlife	\$47,000	\$64,471
U.S. Department of the Interior – National Park Service	5,772	30,620
National Fish and Wildlife Foundation	<u>3,597</u>	<u>–</u>
 Total grants receivable	 <u>\$56,369</u>	 <u>\$95,091</u>

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2019

Note 5 – Net Assets without Donor Restrictions – Board Designated

As of March 31, 2019 and 2018, the Board of Directors of PRNSA designated certain net assets without donor restrictions for specific purposes, totaling as follows:

	<u>2019</u>	<u>2018</u>
Programs	\$ 2,403	\$ 25,363
Emergency reserve	100,000	100,000
Endowment (Note 8)	<u>189,792</u>	<u>292,175</u>
Total designated net assets without donor restrictions	292,195	417,538
Total undesignated net assets without donor restrictions	<u>506,932</u>	<u>293,570</u>
Total net assets without donor restrictions	<u>\$799,127</u>	<u>\$711,108</u>

Note 6 – Net Assets with Donor Restrictions

During the year ended March 31, 2019, net assets with donor restrictions reconcile as follows:

<u>Activity</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Park Projects	\$1,404,003	\$ 25,926	\$ 47,649	\$1,382,280
Dinner on the Pacific Plate	–	22,350	22,350	–
Education	<u>146,741</u>	<u>216,193</u>	<u>221,135</u>	<u>141,799</u>
Totals	<u>\$1,550,744</u>	<u>\$264,469</u>	<u>\$291,134</u>	<u>\$1,524,079</u>

During the year ended March 31, 2018, net assets with donor restrictions reconcile as follows:

<u>Activity</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Park Projects	\$1,427,561	\$ 23,320	\$ 46,878	\$1,404,003
Dinner on the Pacific Plate	–	67,256	67,256	–
Education	<u>243,423</u>	<u>184,657</u>	<u>281,339</u>	<u>146,741</u>
Totals	<u>\$1,670,984</u>	<u>\$275,233</u>	<u>\$395,473</u>	<u>\$1,550,744</u>

Point Reyes National Seashore Association
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March 31, 2019

Note 7 – Endowment Funds

Endowment funds consist of net assets with donor restrictions related to the Neubacher and Kearns funds and net assets without donor restrictions designated by the Board of Directors to function as endowments (Note 5). PRNSA classifies and reports net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, based on the existence or absence of any donor restrictions.

Endowment funds with donor restrictions are US-GAAP and the California version of UPMIFA (CA-UPMIFA). Funds designated by the Board of Directors to function as endowments are subject only to US-GAAP.

Under CA-UPMIFA, PRNSA classifies endowment funds with donor restrictions as net assets with donor restrictions until the Board of Directors appropriates amounts for expenditure, consistent with the standards of prudence prescribed by CA-UPMIFA, including the limitation under California state law limiting appropriations to seven percent of the fair value of the endowment funds, and meets any time or purpose restriction. PRNSA only holds immaterial endowment funds with donor restrictions that require PRNSA to maintain the original value of initial and subsequent gifts donated to the fund and any accumulations to the fund that the applicable donor gift instrument requires PRNSA to maintain in perpetuity. 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, 2019, endowment funds totaled as follows:

<u>Endowment funds</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Donor restricted	\$ –	\$124,031	\$124,031
Board designated (Note 5)	<u>292,195</u>	<u>–</u>	<u>292,195</u>
Totals	<u>\$292,195</u>	<u>\$124,031</u>	<u>\$416,226</u>

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

<u>Endowment funds</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Donor restricted	\$ –	\$122,805	\$122,805
Board designated (Note 5)	<u>417,538</u>	<u>–</u>	<u>417,538</u>
Totals	<u>\$417,538</u>	<u>\$122,805</u>	<u>\$540,343</u>

Point Reyes National Seashore Association
Notes to Financial Statements
March 31, 2019

Note 7 – Endowment Funds (continued)

During the year ended March 31, 2019, endowment funds reconciled as follows:

	Without donor <u>restrictions</u>	With donor <u>restrictions</u>	<u>Totals</u>
Beginning of year	\$417,538	\$122,805	\$540,343
Dividends and interest	3,851	1,175	5,026
Unrealized (depreciation) appreciation	(3,871)	1,027	(2,844)
Investment management fees	(2,363)	(976)	(3,339)
Appropriated for expenditure	(157,793)	–	(157,793)
Board designations	<u>34,833</u>	<u>–</u>	<u>34,833</u>
End of year	<u>\$292,195</u>	<u>\$124,031</u>	<u>\$416,226</u>

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

	Without donor <u>restrictions</u>	With donor <u>restrictions</u>	<u>Totals</u>
Beginning of year	\$394,791	\$121,846	\$516,637
Dividends and interest	3,466	1,339	4,805
Unrealized appreciation	21,630	10,626	32,256
Investment management fees	(2,349)	(995)	(3,344)
Appropriated for expenditure	<u>–</u>	<u>(10,011)</u>	<u>(10,011)</u>
End of year	<u>\$417,538</u>	<u>\$122,805</u>	<u>\$540,343</u>

As of March 31, 2019 and 2018, the contract value of investment assets related to endowment fund net assets with donor restrictions was not less than the amount required to be 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. Under this policy, the primary investment objective for net assets with donor restrictions related to the Kearns fund shall be protection of principal, not maximization of return. Maintaining liquidity sufficient to meet projected expenditures shall be a priority. PRNSA should invest such funds in low-risk investments such as money market funds, short-term deposits and Treasury securities.

The primary investment objective for net assets with donor restrictions related to the Neubacher fund and net assets without donor restrictions designated by the Board of Directors to function

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March 31, 2019

Note 7 – Endowment Funds (continued)

as endowments 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 net assets with donor restrictions related to the Neubacher fund and net assets without donor restrictions designated by the Board of Directors to function as endowments on short notice. PRNSA may invest these funds in low-risk securities, such as diversified stock and bond portfolios, but not 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 2) are subject to the “Investment Policy” of the community foundation. Under this policy, actual returns in any given year may vary from expectations.

Net assets without donor restrictions designated by the Board of Directors to function as endowments are subject to redesignation at any time, including redesignation as other than endowment funds.

Note 8 – Grants and Contracts Support

During the years ended March 31, 2019 and 2018, PRNSA met the conditions under certain grants and contracts and recognized support as follows:

	<u>2019</u>	<u>2018</u>
State of California – Department of Fish and Wildlife	\$116,000	\$ 74,221
U.S. Department of the Interior – National Park Service	221,763	284,298
National Fish and Wildlife Foundation	<u>113,166</u>	<u>68,052</u>
Total grant and contract support	<u>\$450,929</u>	<u>\$426,571</u>

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Note 9 – Special Events

During the years ended March 31, 2019 and 2018, the Dinner on the Pacific Plate special event reconciled as follows:

	<u>2019</u>	<u>2018</u>
Gross support and revenue	\$298,532	\$369,575
Less direct donor benefit costs	<u>112,223</u>	<u>121,828</u>
Net	<u>\$186,309</u>	<u>\$247,747</u>

During the year ended March 31, 2019, in-kind contributions of goods and services used at the events (principally food and beverages) totaled \$22,350. 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 years ended March 31, 2019 and 2018, net bookstore sales reconciled as follows:

	<u>2019</u>	<u>2018</u>
Bookstore sales, net of returns and allowances	\$498,498	\$463,295
Less cost of bookstore goods sold	<u>226,022</u>	<u>181,338</u>
Bookstore sales, net	<u>\$272,476</u>	<u>\$281,957</u>

In addition, during the years ended March 31, 2019 and 2018, other operating expenses of the bookstores, included as program services, totaled \$237,305 and \$268,260, respectively.

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March 31, 2019

Note 11 – Liquidity and Availability of Financial Assets

As of March 31, 2019, financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, reconcile as follows:

Financial assets	
Cash and cash equivalents	\$448,309
Investments	313,824
Grants receivables	56,369
Contributions receivable	25,325
Other receivables	<u>22,573</u>
 Total financial assets	 866,400
 Amounts unavailable for general expenditures within one year	
Grant payable	16,300
Net assets with donor restrictions (except land)	<u>273,079</u>
 Total amounts unavailable for general expenditures within one year	 <u>289,379</u>
 Financial assets available to meet cash needs for general expenditure within one year	 <u>\$577,021</u>

Certain investments include funds designated by the Board of Directors to function as endowments (Note 7). The Board of Directors approves an annual budget, based on estimates of seasonally adjusted revenue and expenses. In addition, management forecasts cash needs on a daily, weekly and monthly basis. As part of its liquidity management, PRNSA invests cash in excess of daily requirements in interest-bearing bank accounts and has certain investments in a pooled investment fund available, with approval of the Board of Directors, to cover any shortfalls.

Note 12 – 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 March 31, 2019 and 2018, PRNSA matched 100% of employee contributions, up to 2% of the eligible compensation of each contributing employee, totaling \$1,950 and \$7,204, respectively.

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Notes to Financial Statements
March 31, 2019

Note 13 – Commitments and Contingencies

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 administrative complaints with a federal agency on January 25, 2019. PRNSA and the former employee settled the complaints on June 18, 2019. Except for an insurance deductible of \$15,000, PRNSA insurance covered the costs of litigation and the settlement amount.

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 14 – Adoption of a New Accounting Standard

During the year ended March 31, 2019, PRNSA adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, “Presentation of Financial Statements of Not-for-Profit Entities.” FASB ASU 2016-14 requires PRNSA to rename unrestricted net assets to net assets without donor restrictions and consolidate temporarily restricted net assets and permanently restricted net assets and rename them net assets with donor restrictions. In addition, FASB ASU 2016-14 requires PRNSA to provide additional information regarding its funds designated by the Board of Directors to function as endowments (Note 7), qualitative information that communicates how PRNSA manages its liquid resources available to meet cash needs for general expenditures within one year (Note 11) and quantitative information and additional qualitative information that communicates the availability of financial assets as of the end of the year to meet cash needs for general expenditures within one year (Note 11).