

**Point Reyes Bird Observatory
dba Point Blue Conservation Science**

Financial Statements

For the Years Ended March 31, 2016 and 2015



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Point Reyes Bird Observatory dba Point Blue Conservation Science
Petaluma, California

Report on the Financial Statements

We have audited the accompanying financial statements of Point Reyes Bird Observatory dba Point Blue Conservation Science (a California nonprofit organization) (the "Organization"), which comprise the statement of financial position as of March 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 from 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's 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 management, 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 referred to above present fairly, in all material respects, the financial position of Point Reyes Bird Observatory dba Point Blue Conservation Science as of March 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Point Reyes Bird Observatory dba Point Blue Conservation Science as of March 31, 2015, were audited by other auditors whose report dated July 29, 2015, expressed an unmodified opinion on those statements.

Armanino LLP

Armanino^{LLP}
San Ramon, California

June 30, 2016

POINT REYES BIRD OBSERVATORY
 DBA POINT BLUE CONSERVATION SCIENCE
 Statements of Financial Position
 March 31, 2016 and 2015

ASSETS

	2016	2015
Current assets		
Cash and cash equivalents	\$ 2,763,718	\$ 2,497,870
Contracts receivable	1,952,612	1,540,805
Contributions, grants, and bequests receivable	3,603,492	2,675,552
Other receivables	62,311	60,471
Prepaid expenses and other current assets	97,603	107,757
Total current assets	8,479,736	6,882,455
Non-current assets		
Certificate of deposit	251,031	248,303
Grants receivable, net of current portion	1,138,041	773,735
Endowment fund	260,059	269,308
Property and equipment, net	5,008,201	5,230,276
Total non-current assets	6,657,332	6,521,622
Total assets	\$ 15,137,068	\$ 13,404,077

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 237,015	\$ 257,799
Accrued vacation	336,632	301,636
Deferred revenue	114,104	108,230
Total current liabilities	687,751	667,665
Net assets		
Unrestricted		
Board-designated funds	1,230,176	1,556,704
Undesignated	7,457,065	7,219,456
Total unrestricted	8,687,241	8,776,160
Temporarily restricted	5,662,076	3,860,252
Permanently restricted	100,000	100,000
Total net assets	14,449,317	12,736,412
Total liabilities and net assets	\$ 15,137,068	\$ 13,404,077

The accompanying notes are an integral part of these financial statements.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE
Statement of Activities
For the Year Ended March 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Revenues, gains and other support				
Contracts	\$ 5,086,150	\$ -	\$ -	\$ 5,086,150
Contributions from individuals	938,535	1,224,430	-	2,162,965
Foundation and corporate grants	297,055	5,258,149	-	5,555,204
Investment income	7,583	273	-	7,856
Other income	158,877	2,279	-	161,156
Net assets released from restrictions	<u>4,683,307</u>	<u>(4,683,307)</u>	-	-
Total revenues, gains and other support	<u>11,171,507</u>	<u>1,801,824</u>	-	<u>12,973,331</u>
Expenses				
Program				
Pacific Coast and Central Valley	2,387,936	-	-	2,387,936
San Francisco Bay	576,870	-	-	576,870
California Current	1,228,294	-	-	1,228,294
Informatics and Information Technology	484,517	-	-	484,517
Sierra Nevada	834,237	-	-	834,237
Climate Adaptation	432,697	-	-	432,697
Emerging Projects	1,579,800	-	-	1,579,800
Education and Outreach	<u>1,386,310</u>	-	-	<u>1,386,310</u>
Total program services	<u>8,910,661</u>	-	-	<u>8,910,661</u>
Supporting services				
Management and general	1,468,257	-	-	1,468,257
Advancement	<u>881,508</u>	-	-	<u>881,508</u>
Total support services	<u>2,349,765</u>	-	-	<u>2,349,765</u>
Total expenses	<u>11,260,426</u>	-	-	<u>11,260,426</u>
Change in net assets	(88,919)	1,801,824	-	1,712,905
Net assets, beginning of year	<u>8,776,160</u>	<u>3,860,252</u>	<u>100,000</u>	<u>12,736,412</u>
Net assets, end of year	<u>\$ 8,687,241</u>	<u>\$ 5,662,076</u>	<u>\$ 100,000</u>	<u>\$ 14,449,317</u>

The accompanying notes are an integral part of these financial statements.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE
Statement of Activities
For the Year Ended March 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues, gains and other support				
Contracts	\$ 4,718,435	\$ -	\$ -	\$ 4,718,435
Contributions from individuals	1,696,160	937,941	-	2,634,101
Foundation and corporate grants	26,182	3,978,225	-	4,004,407
Investment income	14,284	-	-	14,284
Other income	179,781	-	-	179,781
Net assets released from restrictions	4,284,031	(4,284,031)	-	-
Total revenues, gains and other support	<u>10,918,873</u>	<u>632,135</u>	<u>-</u>	<u>11,551,008</u>
Expenses				
Program				
Pacific Coast and Central Valley	2,305,408	-	-	2,305,408
San Francisco Bay	496,593	-	-	496,593
California Current	1,072,004	-	-	1,072,004
Informatics and Climate Change	1,243,192	-	-	1,243,192
Sierra Nevada	645,478	-	-	645,478
Emerging Projects	1,215,892	-	-	1,215,892
Education and Outreach	1,149,277	-	-	1,149,277
Total program services	<u>8,127,844</u>	<u>-</u>	<u>-</u>	<u>8,127,844</u>
Supporting services				
Management and general	1,265,073	-	-	1,265,073
Development	755,912	-	-	755,912
Total support services	<u>2,020,985</u>	<u>-</u>	<u>-</u>	<u>2,020,985</u>
Total expenses	<u>10,148,829</u>	<u>-</u>	<u>-</u>	<u>10,148,829</u>
Change in net assets	770,044	632,135	-	1,402,179
Net assets, beginning of year	<u>8,006,116</u>	<u>3,228,117</u>	<u>100,000</u>	<u>11,334,233</u>
Net assets, end of year	<u>\$ 8,776,160</u>	<u>\$ 3,860,252</u>	<u>\$ 100,000</u>	<u>\$ 12,736,412</u>

The accompanying notes are an integral part of these financial statements.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE
Statement of Functional Expenses
For the Year Ended March 31, 2016

	Program Services							Supporting Services			
	Pacific Coast and Central Valley	San Francisco Bay	California Current	Informatics and Information Technology	Sierra Nevada	Climate Adaptation	Emerging Projects	Education and Outreach	Management and General	Advancement	Total
Personnel costs											
Salaries	\$ 1,206,168	\$ 124,526	\$ 598,331	\$ 193,158	\$ 479,023	\$ 218,032	\$ 872,230	\$ 636,070	\$ 665,453	\$ 439,529	\$ 5,432,520
Benefits	531,983	56,001	270,673	84,311	147,667	97,192	401,177	313,188	345,894	200,471	2,448,557
Interns	60,035	1,368	60,700	-	4,762	-	-	34,182	-	-	161,047
Total personnel costs	1,798,186	181,895	929,704	277,469	631,452	315,224	1,273,407	983,440	1,011,347	640,000	8,042,124
Professional services	248,890	363,138	96,084	176,964	46,682	82,322	97,125	147,559	252,856	96,002	1,607,622
Travel/meetings/events	113,155	7,578	41,782	5,475	23,660	7,637	83,285	43,934	50,731	26,620	403,857
Depreciation	74,967	4,791	23,062	7,363	16,631	8,365	33,794	25,191	26,252	16,984	237,400
Project supplies and publications	41,917	1,313	21,786	1,003	23,092	944	7,528	84,177	2,679	2,380	186,819
Computer upgrades/internet	30,630	3,181	21,576	4,890	13,043	5,555	24,805	16,877	17,433	11,278	149,268
General office	24,977	2,556	13,933	4,256	9,683	4,437	18,079	15,491	13,923	20,928	128,263
Housing/utilities/food	3,319	3,971	26,385	-	5,730	-	1,652	34,763	57,009	8,102	140,931
Facilities repair and rent	21,998	2,673	14,749	3,245	9,731	3,687	17,649	14,199	11,569	7,485	106,985
Equipment purchases	8,334	3,717	10,303	690	46,929	784	5,325	2,360	2,460	1,591	82,493
Other expenses	20	-	13,949	-	-	-	-	-	1,267	325	15,561
Printing and reproduction	4,302	404	5,494	621	1,865	705	4,548	9,418	2,214	37,635	67,206
Insurance	15,940	1,653	7,958	2,541	5,739	2,887	11,662	8,693	9,051	5,861	71,985
Advertising and promotion	1,301	-	1,529	-	-	150	941	208	9,466	6,317	19,912
Totals	<u>\$ 2,387,936</u>	<u>\$ 576,870</u>	<u>\$ 1,228,294</u>	<u>\$ 484,517</u>	<u>\$ 834,237</u>	<u>\$ 432,697</u>	<u>\$ 1,579,800</u>	<u>\$ 1,386,310</u>	<u>\$ 1,468,257</u>	<u>\$ 881,508</u>	<u>\$ 11,260,426</u>

The accompanying notes are an integral part of these financial statements.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE
Statement of Functional Expenses
For the Year Ended March 31, 2015

	Program Services						Supporting Services			
	Pacific Coast and Central Valley	San Francisco Bay	California Current	Informatics and Climate Change	Sierra Nevada	Emerging Projects	Education and Outreach	Management and General	Development	Total
Personnel costs										
Salaries	\$ 1,172,790	\$ 68,026	\$ 521,566	\$ 431,549	\$ 375,658	\$ 682,049	\$ 508,490	\$ 612,042	\$ 364,460	\$ 4,736,630
Benefits	525,344	31,719	247,563	193,445	129,297	309,035	242,825	352,863	167,148	2,199,239
Interns	57,638	480	82,963	4,425	-	-	35,699	-	-	181,205
Total personnel costs	1,755,772	100,225	852,092	629,419	504,955	991,084	787,014	964,905	531,608	7,117,074
Professional services	158,417	382,760	41,537	525,977	16,493	40,825	106,293	137,810	75,837	1,485,949
Travel/meetings/events	138,335	2,899	30,488	24,806	30,179	76,343	38,258	21,483	26,489	389,280
Depreciation	83,723	3,167	24,422	19,845	16,033	31,469	23,856	30,640	16,881	250,036
Project supplies and publications	26,421	479	28,023	2,665	5,632	7,566	88,037	2,581	5,058	166,462
Computer upgrades/internet	34,366	2,018	20,944	12,648	10,219	22,010	15,690	19,530	10,759	148,184
General office	26,451	1,585	13,163	9,561	7,925	15,199	14,978	14,707	20,481	124,050
Housing/utilities/food	7,568	845	23,144	1,888	4,179	3,986	35,955	37,765	4,851	120,181
Facilities repair and rent	23,451	1,284	17,524	8,044	7,844	13,476	11,812	12,419	6,842	102,696
Other expenses	29,573	204	9,837	1,280	33,455	2,030	4,710	2,012	1,693	84,794
Printing and reproduction	6,434	253	3,517	1,585	3,310	2,682	12,827	2,447	32,768	65,823
Insurance	14,873	874	6,736	5,474	4,422	8,680	6,580	8,453	4,656	60,748
Advertising and promotion	24	-	577	-	832	542	3,267	10,321	17,989	33,552
Totals	<u>\$ 2,305,408</u>	<u>\$ 496,593</u>	<u>\$ 1,072,004</u>	<u>\$ 1,243,192</u>	<u>\$ 645,478</u>	<u>\$ 1,215,892</u>	<u>\$ 1,149,277</u>	<u>\$ 1,265,073</u>	<u>\$ 755,912</u>	<u>\$ 10,148,829</u>

The accompanying notes are an integral part of these financial statements.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE
Statements of Cash Flows
For the Years Ended March 31, 2016 and 2015

	2016	2015
Operating activities		
Change in net assets	\$ 1,712,905	\$ 1,402,179
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	237,400	250,036
(Gain) loss in endowment fund	9,249	(11,976)
Change in operating assets and liabilities		
Contracts receivable	(411,807)	(93,324)
Contributions, grants and bequests receivable	(1,292,246)	(1,128,845)
Other receivables	(1,840)	-
Prepaid expenses and other current assets	10,154	(29,063)
Accounts payable	(20,784)	(25,466)
Accrued vacation	34,996	40,210
Deferred revenue	5,874	(258,121)
Net cash provided by operating activities	283,901	145,630
Investing activities		
(Purchase) sale of certificates of deposit	(2,726)	488,784
Purchase of equipment	(15,327)	(100,468)
Distribution from endowment fund	-	5,089
Net cash provided by (used in) investing activities	(18,053)	393,405
Net increase in cash and cash equivalents	265,848	539,035
Cash and cash equivalents, beginning of year	2,497,870	1,958,835
Cash and cash equivalents, end of year	\$ 2,763,718	\$ 2,497,870

The accompanying notes are an integral part of these financial statements.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE
Notes to Financial Statements
March 31, 2016 and 2015

1. The Organization

Point Reyes Bird Observatory, DBA Point Blue Conservation Science (the Organization), is a nonprofit, membership organization founded in 1965. Its mission is to conserve birds, other wildlife and ecosystems through science, restoration, outreach and partnerships.

The Organization advances the scientific basis of conservation by providing objective information and guidance to habitat and wildlife managers and decision makers. The Organization's highest priority is to reduce the negative impacts of climate change, habitat loss and other environmental threats while promoting adaptation to future conditions through nature based solutions to benefit wildlife and people.

The Organization derives its revenue from contracts with Federal, State and local agencies and non-governmental organizations, and contributions from individuals, corporations and foundations. The following Groups accomplish its programmatic activities:

Pacific Coast and Central Valley Group

Working locally, regionally, and internationally, this Group provides conservation science and training to support the development of the next generation of conservation scientists, inform policy, and formulate strategies that ensure thriving ecosystems that maximize multiple benefits to wildlife and humans.

California Current Group

This Group works to conserve the integrity of the California Current ecosystem. Its focus is on helping protect ocean food webs that can support both thriving and diverse marine life and the needs of human communities. Its understanding of ocean and marine terrestrial ecosystems is informed by long-term data monitoring activities both at sea and on the Farallon Islands. Additionally the group trains emerging conservation scientists in its internship program.

Informatics and Informatics Technology Group

This Group develops the tools, frameworks and techniques for managing the wealth of scientific data compiled by the Organization and its partners is this Group's focus. It further seeks to transform those data into conservation outcomes and ecosystems knowledge that improve conservation decisions in California and around the world. This team also manages Point Blue's websites, computer hardware and network infrastructure.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE
Notes to Financial Statements
March 31, 2016 and 2015

1. The Organization (continued)

Sierra Nevada Group

Through the design and implementation of innovative avian monitoring and research, this Group helps guide forest ecology and land management decisions to improve conservation outcomes across the vast Sierra Nevada ecosystem. The group engages and develops conservation scientists through its robust seasonal scientist and internship programs.

Climate Adaptation Group

Using cutting-edge climate models and analytical approaches this Group increases understanding of the effects of climate change and management responses on ecosystems and human communities. Focus is on science and outreach that influence shoreline and bay land development, climate change adaptation activities, ecosystem management, habitat restoration and mitigation. The objective is resilient coastal ecosystems that can sustain thriving, diverse wildlife populations and human communities in rapidly changing conditions.

Emerging Projects and Partnerships Group

This Group develops and manages programs that cross multiple organizational Groups or extend beyond current priority geographies. The Group also provides guidance to major conservation initiatives such as federal agency resource management plans, state planning efforts, federally and state funded Joint Ventures, the Landscape Conservation Cooperatives (LCC's), the North American Bird Conservation Initiative, Partners in Flight, and the Avian Knowledge Network.

Education and Outreach Group

This Group is responsible for scientific and conservation outreach, public education programs, and school-based education programs including the STRAW: Students and Teachers Restoring a Watershed restoration program. The Group also helps the Organization communicate its science and conservation recommendations to a variety of audiences, including policy-makers, land owners, resource managers, and members.

2. Significant Accounting Policies

Basis of accounting

The financial statements of Point Reyes Bird Observatory have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE
Notes to Financial Statements
March 31, 2016 and 2015

2. Significant Accounting Policies (continued)

Basis of presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

- *Unrestricted Net Assets* - Unrestricted net assets generally result from revenue obtained by providing services in connection with contracts with governmental and quasi-government agencies (which are considered reciprocal exchange transactions), receiving unrestricted contributions, and receiving unrestricted interest and dividends.
- *Temporarily Restricted Net Assets* - The Organization reports donations and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires or the purpose restriction is accomplished, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions restricted for capital improvements are released to unrestricted revenue at the time the funds are expended for the specified improvement.
- *Permanently Restricted Net Assets* - The Organization reports gifts and bequests as permanently restricted net assets if they are received with the donor stipulation that they be restricted in perpetuity.

Functional allocation of expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among programs, management and general, and development on the basis of time and direct costs.

In-kind services

Contributions for services are recognized only if such services create or enhance a nonfinancial asset or require specialized skills and are provided by individuals possessing those skills and would typically need to be paid for if not provided by donation.

Cash and cash equivalents

Cash and cash equivalents include all cash accounts and short-term investments purchased with an initial maturity of three months or less.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE
Notes to Financial Statements
March 31, 2016 and 2015

2. Significant Accounting Policies (continued)

Contracts receivable

Contracts receivable represent amounts due from contracts with governmental and quasi-governmental entities. Revenue is recorded when earned upon completion of the services. Management estimates an allowance for doubtful contracts receivable based on a review of specific amounts outstanding longer than thirty days and past experience. There was no allowance for uncollectible contracts receivable as of March 31, 2016 and 2015.

Contributions grants and bequests receivable

Contributions, grants and bequests received and promises to give are reported as unrestricted, temporarily restricted or permanently restricted, depending upon donor restrictions (if any). Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions receivable that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Contributions receivable have been discounted at what was considered a risk-free rate of return (2.0%) to reflect their present value at the dates of origin. Amortization of the discount is included in contribution revenue.

Management estimates probable losses inherent in accounts receivable and unconditional promises to give and establishes an allowance for uncollectible amounts based on the review of the composition of the balances and past experience. Based on the foregoing, management believes an allowance for uncollectible amounts is unwarranted at March 31, 2016 and 2015.

Endowment fund

Endowment funds represent investment in pooled investment funds with a Community Foundation are valued based on quoted prices in markets which are not active or have unobservable inputs. Net realized and unrealized gains or losses are classified as increases or decreases in unrestricted net assets, unless their use is temporarily restricted or permanently restricted by the donor.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2, and Level 3).

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE
Notes to Financial Statements
March 31, 2016 and 2015

2. Significant Accounting Policies (continued)

Fair value measurements (continued)

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The following methods and assumptions were used to estimate the fair value of the Organization's financial assets and liabilities:

- Investments (Level 2). Investments in the Equity and Fixed Income Pool of a Community Foundation are measured at the equivalent of Net Asset Value per Share (NAVS).

Property and equipment

Property, which consists of land, building and improvements and furniture and equipment, is recorded at cost at the date of purchase or, if donated, at the fair market value on the date received. Acquisitions of more than \$5,000 are capitalized. Property is depreciated using the straight line method over the estimated life of the respective assets; buildings, 50 years; improvements, 7 to 25 years; furniture and equipment, 3 to 7 years.

Tax-exempt status

The Organization is exempt from the federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar California statute. Accordingly, no provision for federal or state income taxes has been recorded. The Organization's informational returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively after they are filed.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE
Notes to Financial Statements
March 31, 2016 and 2015

2. Significant Accounting Policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures, principally relating to the collectability of accounts receivable and promise to give, the estimated useful life of equipment, and disclosures of contingent assets and liabilities. Accordingly, actual results could differ from those estimates.

Subsequent events

For disclosure purposes, subsequent events have been evaluated through June 30, 2016, the date the financial statements were available to be issued.

3. Contributions, Bequests and Grants Receivable

Contributions, bequests and grants are expected to be received as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	\$3,603,492	\$2,675,552
One to five years	<u>1,190,000</u>	<u>819,873</u>
Total contributions receivable	4,793,492	3,495,425
Less: discount on long-term		
Contributions receivable	<u>(51,959)</u>	<u>(46,138)</u>
Contributions receivable, net	<u>\$4,741,533</u>	<u>\$3,449,287</u>

4. Endowment Funds

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE
Notes to Financial Statements
March 31, 2016 and 2015

4. Endowment Funds (continued)

Interpretation of Relevant Law

The Board of Trustees (the "Board") of the Organization has interpreted the State of California's enacted version of Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring as a goal reasonable efforts to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment, and (3) additions to the permanent endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by California's enacted version of UPMIFA.

Spending Policy

Investment income earned on board-designated and donor-restricted endowments are available to support the purposes of the endowments.

Endowment Investment Policy, Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. The Organization's board-designated and donor-restricted endowments are invested 65% and 35% and 75% and 25% in the Equity and Fixed Income Pools of the Marin Community Foundation (MCF), respectively.

The equity portfolio of MCF seeks to earn strong long term returns by allocating its assets to a well-diversified mix of US equities, international equities, and hedge funds. Historically, this type of portfolio has earned higher returns than fixed income or money market instruments. At the same time, equity portfolios assume larger amounts of risk. During shorter periods, it is quite possible for the portfolio to produce lower returns than the fixed income or money market portfolios. Therefore, the equity portfolio is particularly appropriate for philanthropic assets with a longer term time horizon and should serve as the primary source of long term portfolio growth.

The objective of the fixed income portfolio of MCF is to seek yields that are more durable and usually higher than those available from the Money Market portfolio. It is suited for funds that can accept the market-value volatility (unrealized gains or losses) associated with fluctuation in interest rates, changes in credit quality, and currency fluctuations in order to earn a higher level of income over time than is generally available in money market securities.

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4. Endowment Funds (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. The Organization accounts such for "underwater" endowment funds as a reduction of unrestricted net assets. As of March 31, 2016 and 2015, the Organization had underwater endowment funds of \$4,091 and \$380, respectively.

Endowment Composition

The Organization's endowment consists of two funds. The board-designated endowment fund was started in 1999 by the initial funding of \$96,385. Funds raised for the board-designated endowment fund were to provide ongoing support to the Organization.

In 2014, the Organization received a \$100,000 permanently restricted contribution. Earnings from the donor-imposed endowment fund are to provide ongoing support of the Tomales Bay research programs.

Endowment net asset composition as of March 31, 2016:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Board-designated endowment	\$164,150	\$ -	\$ -	\$164,150
Donor-restricted endowment	<u>-</u>	<u>(4,091)</u>	<u>100,000</u>	<u>95,909</u>
Totals	<u>\$164,150</u>	<u>\$(4,091)</u>	<u>\$100,000</u>	<u>\$260,059</u>

Endowment net asset composition as of March 31, 2015:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Board-designated endowment	\$169,688	\$ -	\$ -	\$169,688
Donor-restricted endowment	<u>-</u>	<u>(380)</u>	<u>100,000</u>	<u>99,620</u>
Totals	<u>\$169,688</u>	<u>\$(380)</u>	<u>\$100,000</u>	<u>\$269,308</u>

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4. Endowment Funds (continued)

Changes in endowment funds during the years ended March 31, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
March 31, 2015	\$169,688	\$ (380)	\$100,000	\$269,308
Investment return	(5,538)	(3,711)	-	(9,249)
Appropriations	-	-	-	-
March 31, 2016	<u>\$164,150</u>	<u>\$(4,091)</u>	<u>\$100,000</u>	<u>\$260,059</u>
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
March 31, 2014	\$162,421	\$ -	\$100,000	\$262,421
Investment return	7,267	4,709	-	11,976
Appropriations	-	(5,089)	-	(5,089)
March 31, 2015	<u>\$169,688</u>	<u>\$(380)</u>	<u>\$100,000</u>	<u>\$269,308</u>

5. Fixed Assets

Property consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$1,479,000	\$1,479,000
Buildings and improvements	4,915,860	4,915,860
Furniture and equipment	<u>1,333,575</u>	<u>1,318,249</u>
Total	7,728,435	7,713,109
Less accumulated depreciation	<u>(2,720,234)</u>	<u>(2,482,833)</u>
Net property	<u>\$5,008,201</u>	<u>\$5,230,276</u>

In a previous year the Organization along with the 3820 Cypress Condominium Association and owner of another unit brought suit against the construction contractors of its office suite for defects in construction. The settlement was finalized in 2016, and the allocation of the funds between the three plaintiffs is currently under negotiation.

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6. Line of Credit

In March 2015 the Organization obtained a \$750,000 line of credit. The line expired on April 15, 2016. Interest on the line accrues at the index (bank's prime rate) plus 1% with a floor of 4.25%. The line is collateralized by receivables and equipment of the Organization. On December 9, 2015, the line of credit was amended to extend the maturity date through December 15, 2016. There were no borrowings against the line during the years ended March 31, 2016 and 2015, respectively.

7. Board-Designated Funds

Board-designated funds represent an operating reserve which includes the following assets at March 31:

	<u>2016</u>	<u>2015</u>
Cash	\$ 814,995	\$1,138,713
Certificate of deposit	251,031	248,303
Board designated endowment fund	<u>164,150</u>	<u>169,688</u>
Total	<u>\$1,230,176</u>	<u>\$1,556,704</u>

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs as of March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Pacific Coast and Central Valley	\$1,700,448	\$2,405,458
Advancement and Development	410,351	430,657
Informatics and Information Technology and Climate Change	284,903	323,933
Emerging Projects	2,331,867	284,738
Education and Outreach	487,057	186,013
California Current	310,353	129,312
Sierra Nevada	47,603	53,031
San Francisco Bay	39,307	46,121
Management and general	<u>50,187</u>	<u>989</u>
	<u>\$5,662,076</u>	<u>\$3,860,252</u>

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8. Temporarily Restricted Net Assets (continued)

Net assets were released from donors' restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows:

	<u>2016</u>	<u>2015</u>
Pacific Coast and Central Valley	\$1,829,015	\$1,923,691
Emerging Projects	835,516	857,189
California Current	682,731	590,875
Education and Outreach	500,277	569,728
Informatics and Information Technology and Climate Change	39,230	101,492
San Francisco Bay	81,234	91,984
Sierra Nevada	67,928	72,721
Advancement and Development	293,510	66,351
Management and general	<u>353,866</u>	<u>10,000</u>
	<u>\$4,683,307</u>	<u>\$4,284,031</u>

9. Retirement Plan

The Organization sponsors a qualified 401(k) plan for eligible employees. Eligible employees may contribute up to an annual maximum of \$18,000 for calendar years 2016 and 2015. Participants age 50 or over may make additional "catch-up" contributions which are limited to \$6,000 for calendar years 2016 and 2015. The Organization made a discretionary matching contribution of up to five percent of the employees' annual compensation for the 2015 and 2014 Plan year. The Organization's match may not exceed the maximum annual limit as defined in the Internal Revenue Code. For the years ended March 31, 2016 and 2015, the Organization's contribution to the plan aggregated \$227,655 and \$221,067, respectively.

10. Commitments

The Organization has operating leases for a storage facility, copier and postage equipment. The leases run through January of 2019 and require annual payments of ranging from approximately \$600 to \$15,000.

As of March 31, 2016, the Organization's future commitments due under these leases total approximately \$25,000 for the year ended March 31, 2017, \$18,000 for the year ended March 31, 2018 and \$5,400 for the year ended March 31, 2019.

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11. Concentrations

Financial instruments that potentially subject the Organization to credit risk include cash on deposit with one financial institution that at times exceed the \$250,000 insurance limitation of the United States Federal Deposit Insurance Corporation. The Organization does not believe it is exposed to any losses on such instruments.