

**POINT REYES BIRD OBSERVATORY**  
**DBA PRBO CONSERVATION SCIENCE**

**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED**  
**MARCH 31, 2011 AND 2010**

**POINT REYES BIRD OBSERVATORY**  
**DBA PRBO CONSERVATION SCIENCE**

**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED**  
**MARCH 31, 2011 AND 2010**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Point Reyes Bird Observatory  
dba PRBO Conservation Science:

We have audited the accompanying statements of financial position of Point Reyes Bird Observatory, a non-profit corporation, as of March 31, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Point Reyes Bird Observatory at March 31, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2011, on our consideration of Point Reyes Bird Observatory's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of Point Reyes Bird Observatory taken as a whole. The accompanying schedule of expenditures of federal awards and related notes is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

July 5, 2011

A handwritten signature in blue ink that reads "Perotti & Camacho". The signature is written in a cursive, flowing style.

**POINT REYES BIRD OBSERVATORY**  
**dba PRBO CONSERVATION SCIENCE**

**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2011 AND 2010**

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,383,735	\$ 1,736,612
Certificates of deposit	862,818	1,431,444
Contracts receivable	1,847,928	1,308,975
Contributions, grants, and bequest receivable	361,500	216,500
Prepaid expenses and other current assets	86,506	82,234
	<hr/>	<hr/>
Total current assets	4,542,487	4,775,765
<b>Non-current Assets:</b>		
Endowment fund	134,609	120,815
Property, net of accumulated depreciation	5,606,006	5,775,926
	<hr/>	<hr/>
Total non-current assets	5,740,615	5,896,741
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 10,283,102</b>	<b>\$ 10,672,506</b>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b>		
Accounts payable	\$ 360,346	\$ 239,530
Accrued vacation	219,474	204,424
Deferred revenue	358,953	381,156
Current portion of note payable		471,553
	<hr/>	<hr/>
Total current liabilities	938,773	1,296,663
<b>Note Payable</b>		485,426
	<hr/>	<hr/>
Total liabilities	938,773	1,782,089
<b>Net Assets:</b>		
Unrestricted:		
Board-designated funds	2,066,276	2,218,069
Undesignated	5,787,133	4,882,424
	<hr/>	<hr/>
Total unrestricted	7,853,409	7,100,493
Temporarily restricted	1,490,920	1,789,924
	<hr/>	<hr/>
Total net assets	9,344,329	8,890,417
	<hr/>	<hr/>
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,283,102</b>	<b>\$ 10,672,506</b>

See accompanying notes to financial statements.

**POINT REYES BIRD OBSERVATORY**  
**DBA PRBO CONSERVATION SCIENCE**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Changes in unrestricted net assets:</b>		
<i><b>Revenues and Support:</b></i>		
Contracts	\$ 3,671,753	\$ 2,839,447
Contributions from individuals	468,039	418,670
Foundation and corporate grants	27,235	7,708
Investment income	39,440	83,964
Other income	94,522	67,161
Net assets released from restrictions - individuals	1,952,665	1,429,201
Net assets released from restrictions - foundations	1,662,614	1,334,794
Total support and revenues	7,916,268	6,180,945
<i><b>Expenses:</b></i>		
Program services:		
Wetland ecology	1,248,265	1,079,731
Terrestrial ecology	1,972,524	1,555,009
Marine ecology	807,790	777,949
Informatics	828,932	840,981
Education and policy	818,518	729,935
Total program services	5,676,029	4,983,605
Supporting services:		
Management and general	1,037,146	1,021,204
Development	450,177	430,128
Total support services	1,487,323	1,451,332
Total expenses	7,163,352	6,434,937
<b>Increase (decrease) in unrestricted net assets</b>	752,916	(253,992)
<b>Changes in temporarily restricted net assets:</b>		
Contracts and other income	2,775	17,818
Contributions from individuals	1,810,723	1,186,293
Foundation and corporate grants	1,502,777	948,297
Net assets released from restrictions	(3,615,279)	(2,763,995)
<b>Decrease in temporarily restricted net assets</b>	(299,004)	(611,587)
<b>Increase (decrease) in net assets</b>	453,912	(865,579)
<b>Net Assets, Beginning of Year</b>	8,890,417	9,755,996
<b>Net Assets, End of Year</b>	\$ 9,344,329	\$ 8,890,417

See accompanying notes to financial statements.

**POINT REYES BIRD OBSERVATORY  
DBA PRBO CONSERVATION SCIENCE**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2011**

	Program Services				Supporting Services		Total	
	Wetland Ecology	Terrestrial Ecology	Marine Ecology	Informatics	Education and Policy	Management and General		Development
Personnel costs:								
Salaries	\$ 608,500	\$ 1,038,212	\$ 409,674	\$ 441,742	\$ 217,802	\$ 485,350	\$ 193,871	\$ 3,395,151
Benefits	254,071	395,720	177,021	183,437	93,485	203,228	82,818	1,389,780
Interns	2,400	105,585	23,563		2,450	3,000		136,998
Total personnel costs	864,971	1,539,517	610,258	625,179	313,737	691,578	276,689	4,921,929
Professional services	159,054	53,323	47,324	107,528	444,538	187,874	61,132	1,060,773
Depreciation	42,648	101,829	28,999	30,915	15,399	34,014	13,672	267,476
Travel/meetings/events	69,804	88,186	31,147	14,612	8,990	31,457	10,603	254,799
General office	19,380	35,862	13,057	17,101	9,134	15,306	14,856	124,696
Facilities repair and rent	19,951	28,936	14,172	10,737	5,348	11,813	4,748	95,705
Housing/utilities/food	1,473	41,263	19,406	385	18	16,049	770	79,364
Computer upgrades/internet	9,559	17,898	12,498	6,999	3,451	7,624	3,064	61,093
Printing and reproduction	3,245	6,723	2,206	2,352	11,132	2,588	23,870	52,116
Interest			19			22,288		22,307
Project supplies and publications	11,853	19,900	13,411	4,468	2,050	3,619	1,786	57,087
Insurance	6,363	10,577	4,327	4,613	2,298	5,075	2,040	35,293
Advertising and promotion		403	230		13	2,210	29,606	32,462
Other expenses	39,964	28,107	10,736	4,043	2,410	5,651	7,341	98,252
Totals	\$ 1,248,265	\$ 1,972,524	\$ 807,790	\$ 828,932	\$ 818,518	\$ 1,037,146	\$ 450,177	\$ 7,163,352

See accompanying notes to financial statements.

**POINT REYES BIRD OBSERVATORY  
DBA PRBO CONSERVATION SCIENCE**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2010**

	Program Services				Supporting Services		Total	
	Wetland Ecology	Terrestrial Ecology	Marine Ecology	Informatics	Education and Policy	Management and General		Development
Personnel costs:								
Salaries	\$ 581,998	\$ 847,125	\$ 386,620	\$ 498,221	\$ 221,013	\$ 429,425	\$ 222,750	\$ 3,187,152
Benefits	241,859	305,322	159,833	211,545	94,507	190,509	95,114	1,298,689
Interns		65,147	28,055		3,750			96,952
Total personnel costs	823,857	1,217,594	574,508	709,766	319,270	619,934	317,864	4,582,793
Professional services	70,081	17,057	52,664	26,328	329,309	220,186	15,863	731,488
Depreciation	42,120	88,817	27,938	36,287	16,131	31,695	16,251	259,239
Travel/meetings/events	68,638	69,589	29,536	11,940	12,409	19,885	10,210	222,207
General office	19,206	31,339	14,527	16,388	11,018	14,315	16,261	123,054
Facilities repair and rent	21,665	27,075	15,489	15,097	6,711	13,186	6,761	105,984
Housing/utilities/food	195	28,523	17,215	69	825	11,939	1,617	60,383
Computer upgrades/internet	9,873	13,687	14,770	8,363	3,718	7,305	3,745	61,461
Printing and reproduction	3,251	4,732	2,138	2,776	24,472	2,425	20,655	60,449
Interest						59,586		59,586
Project supplies and publications	8,402	20,587	19,018	4,812	2,004	2,997	1,769	59,589
Insurance	6,024	8,427	3,996	5,190	2,306	4,533	2,324	32,800
Advertising and promotion		226	493			9,421	14,522	24,662
Other expenses	6,419	27,356	5,657	3,965	1,762	3,797	2,286	51,242
Totals	\$ 1,079,731	\$ 1,555,009	\$ 777,949	\$ 840,981	\$ 729,935	\$ 1,021,204	\$ 430,128	\$ 6,434,937

See accompanying notes to financial statements.



**POINT REYES BIRD OBSERVATORY**  
**DBA PRBO CONSERVATION SCIENCE**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating Activities:</b>		
Change in net assets	\$ 453,912	\$ (865,579)
Add adjustment for items not requiring cash:		
Depreciation	267,476	259,239
Gains in endowment fund	(13,794)	(27,762)
Loss on disposal of equipment		244
Amortization of discount on note payable	43,021	40,551
Working capital changes exclusive of cash:		
(Increase) decrease in receivables	(683,953)	1,788,489
(Increase) decrease in prepaid expenses and deposits	(4,272)	7,604
Increase in accounts payable and accrued expenses	135,866	40,973
Increase (decrease) in deferred revenue	(22,203)	147,126
<b>Cash provided by operating activities</b>	<u>176,053</u>	<u>1,390,885</u>
<b>Investing Activities:</b>		
Additions (reductions) in certificates of deposit	568,626	(128,929)
Purchase of equipment	(97,556)	(115,408)
<b>Cash provided by (used for) investing activities</b>	<u>471,070</u>	<u>(244,337)</u>
<b>Financing Activities:</b>		
Payment on note payable	(1,000,000)	(464,889)
<b>Cash used for financing activities</b>	<u>(1,000,000)</u>	<u>(464,889)</u>
<b>Net Increase (Decrease) in Cash</b>	(352,877)	681,659
<b>Cash, Beginning of Period</b>	1,736,612	1,054,953
<b>Cash, End of Period</b>	<u>\$ 1,383,735</u>	<u>\$ 1,736,612</u>

See accompanying notes to financial statements.

**POINT REYES BIRD OBSERVATORY**  
**DBA PRBO CONSERVATION SCIENCE**

**NOTES TO FINANCIAL STATEMENTS**

**1. THE ORGANIZATION**

Point Reyes Bird Observatory (the Organization), is a nonprofit, membership organization founded in 1965. The Organization's mission is to conserve birds, other wildlife and ecosystems through innovative scientific research and outreach. PRBO advances the scientific basis of conservation by providing objective information and guidance to habitat and wildlife managers as well as decision makers. The Organization's highest priority is to reduce the negative impacts of changes in land use, the ocean and climate on birds and ecosystems while promoting adaptation to future conditions. The Organization derives revenue from contracts with Federal, State and local agencies and non-governmental organizations and is supported by contributions from individuals, corporations and foundations.

During the year ended March 31, 2011, the Organization received contributions amounting to \$1,215,000 from one donor. The Organization is not expecting to receive similar contributions in future years.

The Organization's activities are categorized into programmatic areas entitled Wetland, Terrestrial, Marine, Informatics, and Education and Policy. A description of the activities related to each program area follows:

*Terrestrial Ecology Division* studies birds in land-based ecosystems covering a broad range of habitat types, primarily in western North America, and guides efforts to conserve them.

*Wetlands Ecology Division* promotes the enhancement, restoration, and creation of coastal and wetland habitats west of the Rocky Mountains in ways that maintain and increase abundance and diversity of wetland bird species.

*Marine Ecology Division* works to conserve marine top predators and the integrity of the marine ecosystem to help ensure its sustainable use.

*Informatics Division* develops tools, frameworks and techniques for managing the wealth of scientific data compiled by the Organization and its partners, transforming those data into successful conservation outcomes and ecosystem knowledge, to improve conservation decisions and increase public awareness of birds and their ecosystems throughout California and around the world.

*Education and Policy Division* maintains responsibility for scientific and conservation outreach, school-based education programs, public education programs, media communications, website communications, The Observer (a quarterly publication), and assisting with member and donor events and cultivation. In addition, the Division helps the Organization communicate its science and conservation recommendations to a variety of audiences, including policy-makers, land owners and resource managers.

**POINT REYES BIRD OBSERVATORY**  
**DBA PRBO CONSERVATION SCIENCE**

**NOTES TO FINANCIAL STATEMENTS**

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Point Reyes Bird Observatory have been prepared on the accrual basis of accounting. Significant accounting policies are described below to enhance the usefulness of the financial statements to the reader. The 2010 financial statements have been reclassified to conform with current year presentation.

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

***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 interest and dividends from income-producing assets.

***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. The Organization has no permanently restricted net assets. See Note 3.

**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. The allocation of certain costs is based on the judgment of management.

**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 that are not subject to withdrawal restrictions and all highly liquid debt instruments purchased with a maturity of three months or less.

**POINT REYES BIRD OBSERVATORY**  
**DBA PRBO CONSERVATION SCIENCE**

**NOTES TO FINANCIAL STATEMENTS**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accounts Receivable Realization** – 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. Contract receivables are considered past due once a receivable is older than thirty days. The Organization does not charge interest on its receivables.

**Fixed Assets** – 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 \$1,000 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.

**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 and the estimated useful life of equipment. Accordingly, actual results could differ from those estimates.

**Fair Value Measurements** - The Organization has established a framework for measuring fair value and providing disclosures about the use of fair value measurements. Fair value is defined as the price that would be received to sell the asset or would be paid to transfer the liability in an orderly transaction between market participants. The Organization's only financial asset shown at fair value is the board-designated endowment fund held by the Marin Community Foundation which is valued using a market approach based on quoted market prices (level 1 - quoted prices in active markets for identical investments). The application of fair value measurements to non-financial assets has had a de minimus effect on the Organization.

**Subsequent Events** – For disclosure purposes, subsequent events have been evaluated through July 5, 2011, the date the financial statements were available to be issued.

**POINT REYES BIRD OBSERVATORY**  
**DBA PRBO CONSERVATION SCIENCE**

**NOTES TO FINANCIAL STATEMENTS**

**3. ENDOWMENT FUND**

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.

The Organization's endowment consists of one fund, started in 1999 by the initial funding of \$96,385. Funds raised for the endowment fund were to provide ongoing support to the Organization. The endowment fund, is invested in a pooled account managed by the Marin Community Foundation (MCF). Pooled securities are publicly traded and reported at quoted market price at March 31, 2011 and 2010. The Organization has granted variance power over the asset to the MCF and follows the investment and spending policies of MCF. Realized and unrealized gains and losses accrue to the endowment fund. Interest and dividend income, net of administration fees, accrue to the benefit of the endowment fund until the Board appropriates the funds to the benefit of intended programs.

Changes in endowment net asset for the years ended March 31, 2011 and 2010:

<b>Endowment net assets, as of March 31, 2009</b>	\$	93,053
Investment return:		
Investment income		695
Net appreciation (realized and unrealized)		27,067
<b>Endowment net assets, as of March 31, 2010</b>		<u>120,815</u>
Investment return:		
Investment income		756
Net appreciation (realized and unrealized)		13,038
<b>Endowment net assets, as of March 31, 2011</b>	\$	<u><u>134,609</u></u>

**4. FIXED ASSETS**

Property consisted of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 1,479,000	\$ 1,479,000
Buildings and improvements	4,883,356	4,880,707
Furniture and equipment	887,655	792,748
Total	<u>7,250,011</u>	<u>7,152,455</u>
Less accumulated depreciation	(1,644,005)	(1,376,529)
Net Property	<u><u>\$ 5,606,006</u></u>	<u><u>\$ 5,775,926</u></u>

**POINT REYES BIRD OBSERVATORY**  
**DBA PRBO CONSERVATION SCIENCE**

**NOTES TO FINANCIAL STATEMENTS**

**4. FIXED ASSETS (continued)**

Depreciation expense was \$267,476 and \$259,239 for the years ended March 31, 2011 and 2010.

**5. NOTE PAYABLE**

In October 2006, the David and Lucille Packard Foundation provided the Organization a \$2,000,000 loan which accrued interest at 2% per annum to replace the conventional financing connected with the construction of the Organization's principal location. The note required annual principal repayments of \$500,000 beginning on the second anniversary of the note. Accrued interest was paid annually. Because the loan had an interest rate substantially below market, the loan was required to be present valued to reflect a market rate of 5% to comply with generally accepted accounting principles.

The note was repaid in November 2010. Interest paid during the years ended March 31, 2011 and 2010 was \$22,288 and \$29,298, respectively.

**6. BOARD-DESIGNATED FUNDS**

Board-designated funds represent an operating reserve which includes certificates of deposit, cash, and the endowment fund described in Note 3 as follows:

	<u>2011</u>	<u>2010</u>
Cash	\$ 1,068,849	\$ 665,813
Certificates of deposit	862,818	1,431,444
Endowment fund	134,609	120,815
Total	<u>\$ 2,066,276</u>	<u>\$ 2,218,072</u>

**POINT REYES BIRD OBSERVATORY**  
**DBA PRBO CONSERVATION SCIENCE**

**NOTES TO FINANCIAL STATEMENTS**

**7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following programs as of March 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Terrestrial	\$ 511,958	\$ 125,710
Wetlands	488,486	887,703
Education and Outreach	198,758	201,803
Development	178,547	221,630
Marine	75,438	6,865
Other Activities	22,365	149,627
Informatics	15,368	153,565
Building	-	43,021
	<u>\$ 1,490,920</u>	<u>\$ 1,789,924</u>

Net assets were released from donors' restrictions by incurring expenses satisfying the restricted purpose specified by the donors during the years ended March 31, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Wetlands	\$ 1,115,057	\$ 985,192
Building	1,037,972	498,685
Terrestrial	483,675	159,134
Marine	369,072	363,480
Education and Outreach	312,197	283,410
Informatics	138,988	326,647
Other Activities	136,274	147,447
Development	22,044	
	<u>\$ 3,615,279</u>	<u>\$ 2,763,995</u>

**8. RETIREMENT PLAN**

The Organization sponsors a qualified 401(k) plan for eligible employees. Employees may contribute up to an annual maximum of \$16,500 for each calendar year 2011 and 2010. Participants age 50 or over may make additional "catch-up" contributions which are limited to \$5,500 for each calendar year 2011 and 2010. The Organization made a discretionary matching contribution equal to five percent of the employees' annual compensation for the calendar year ended December 31, 2010. The Organization's match may not exceed the maximum annual limit as defined in the Internal Revenue Code. For the years ended March 31, 2011 and 2010, the Organization's contribution to the plan aggregated \$161,231 and 145,410, respectively.

**POINT REYES BIRD OBSERVATORY**  
**DBA PRBO CONSERVATION SCIENCE**

**NOTES TO FINANCIAL STATEMENTS**

**9. COMMITMENTS**

The Organization has entered into operating leases for office and other equipment. Obligations entered through August 2014 are summarized as follows:

2012	\$ 19,300
2013	18,800
2014	6,200
Total	<u>\$ 44,300</u>





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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Point Reyes Bird Observatory  
dba PRBO Conservation Science:

We have audited the financial statements of Point Reyes Bird Observatory dba PRBO Conservation Science (a nonprofit organization) as of and for the year ended March 31, 2011, and have issued our report thereon dated July 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Point Reyes Bird Observatory dba PRBO Conservation Science's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Point Reyes Bird Observatory dba PRBO Conservation Science's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### **Compliance and Other Matters**

As a part of obtaining reasonable assurance about whether Point Reyes Bird Observatory dba PRBO Conservation Science's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Point Reyes Bird Observatory dba PRBO Conservation Science in a separate letter dated July 5, 2011.

This report is intended solely for the information and use of management and the Board of Directors of Point Reyes Bird Observatory dba PRBO Conservation Science and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

July 5, 2011

A handwritten signature in blue ink, appearing to read "Peter H. Carracci".



**Perotti And Carrade**

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*A Professional Corporation*

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**REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of  
Point Reyes Bird Observatory  
dba PRBO Conservation Science:

**Compliance**

We have audited the compliance of Point Reyes Bird Observatory dba PRBO Conservation Science (a non-profit corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended March 31, 2011. Point Reyes Bird Observatory dba PRBO Conservation Science's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Point Reyes Bird Observatory dba PRBO Conservation Science's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Point Reyes Bird Observatory dba PRBO Conservation Science's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Point Reyes Bird Observatory dba PRBO Conservation Science's compliance with those requirements.

In our opinion, Point Reyes Bird Observatory dba PRBO Conservation Science complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2011.

### **Internal Control Over Compliance**

The management of Point Reyes Bird Observatory dba PRBO Conservation Science is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Point Reyes Bird Observatory dba PRBO Conservation Science's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133,, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express such an opinion on the effectiveness of Point Reyes Bird Observatory dba PRBO Conservation Science's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management and the Board of Directors of Point Reyes Bird Observatory dba PRBO Conservation Science, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

July 5, 2011



**POINT REYES BIRD OBSERVATORY**  
**DBA PRBO CONSERVATION SCIENCE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED MARCH 31, 2011**

<u>Grantor/Program Title</u> <u>Research and Development Cluster</u>	<u>Federal</u> <u>CFDA#</u>	<u>Award</u> <u>Amount</u>	<u>Expenditures</u>
<b><u>U.S. Department of Defense:</u></b>			
U.S. Army Corps of Engineers	12.UNK	\$ 149,094	\$ 92,976
Pass through The Nature Conservancy:			
U.S. Navy	12.UNK	5,000	698
<b>Total U.S. Department of Defense</b>		<u>154,094</u>	<u>93,674</u>
<b><u>U.S. Department of Commerce</u></b>			
National Oceanic and Atmospheric Administration	11.431	150,000	42,259
<b>Total U.S Department of Commerce</b>		<u>150,000</u>	<u>42,259</u>
<b><u>U.S. Department of the Interior:</u></b>			
Bureau of Land Management	15.224	139,616	17,862
Bureau of Land Management	15.238	99,000	3,674
Bureau of Land Management	15.238	75,000	31,816
Bureau of Land Management	15.238	11,000	11,000
Bureau of Land Management	15.231	32,293	30,980
Bureau of Land Management	15.231	12,000	8,168
Bureau of Land Management	15.UNK	66,000	66,000
Bureau of Reclamation	15.512	214,906	10,000
National Park Service	15.UNK	20,069	20,069
Point Reyes National Seashore	15.921	6,500	
Point Reyes National Seashore	15.921	21,950	1,408
Point Reyes National Seashore	15.921	16,225	16,225
Point Reyes National Seashore	15.921	81,770	
Presidio Trust	15.UNK	11,782	11,690
U.S. Geological Survey	15.808	48,256	13,738
U.S. Fish & Wildlife Service	15.608	345,886	197,978
U.S. Fish & Wildlife Service	15.608	10,880	10,866
U.S. Fish & Wildlife Service	15.608	277,301	151,385
U.S. Fish & Wildlife Service	15.655	20,000	10,000
U.S. Fish & Wildlife Service	15.655	15,000	13,916
U.S. Fish & Wildlife Service	15.655	10,000	6,657
U.S. Fish & Wildlife Service	15.637	20,000	5,159
U.S. Fish & Wildlife Service	15.637	1,883,695	453,506
U.S. Fish & Wildlife Service	15.647	19,590	19,590
U.S. Fish & Wildlife Service	15.647	72,500	40,000
U.S. Fish & Wildlife Service	15.647	15,000	
Pass through University of Washington:			
U.S. Fish & Wildlife Service	15.608	25,067	12,091
<b>Total U.S. Department of the Interior</b>		<u>3,571,286</u>	<u>1,163,778</u>

\* See Note 2 (Notes to the Schedule of Expenditures of Federal Awards)

See accompanying notes to schedule of federal awards.

**POINT REYES BIRD OBSERVATORY**  
**DBA PRBO CONSERVATION SCIENCE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED MARCH 31, 2011**

<u>Grantor/Program Title</u> <u>Research and Development Cluster</u>	<u>Federal</u> <u>CFDA#</u>	<u>Award</u> <u>Amount</u>	<u>Expenditures</u>
<b><u>National Science Foundation:</u></b>			
National Science Foundation	47.074	169,234	66
National Science Foundation	47.078	480,637	22,750
National Science Foundation	47.078	550,865	96,630
<b>Total National Science Foundation</b>		1,200,736	119,446
<b><u>U.S. Department of Agriculture:</u></b>			
USDA Forest Service	10.652	392,560	15,532
USDA Forest Service	10.652	67,000	54,292
USDA Forest Service	10.652	44,839	12,370
USDA Forest Service	10.652	474,921	149,064
USDA Forest Service	10.652	1,443,810	442,839
USDA Forest Service	10.652	20,000	17,584
USDA Forest Service	10.684	60,000	20,517
USDA Natural Resources Conservation Service	10.072	50,000	50,000
<b>Total U.S. Department of Agriculture</b>		2,553,130	762,198
<b><u>Pass through University of California</u></b>			
University of California Sea Grant program	unknown	135,475	52,912
<b>Total Pass through University of California</b>		135,475	52,912
<b><u>Pass through State of California</u></b>			
California Department of Fish & Game	unknown	90,000	31,525
California Department of Fish & Game	unknown	124,594	121,985
California Department of Fish & Game	unknown	110,474	48,397
<b>Total Pass through CA Dept of Fish &amp; Game</b>		325,068	201,907
<b>TOTAL</b>		<b>\$ 8,089,789</b>	<b>\$ 2,436,174</b>

\* See Note 2 (Notes to the Schedule of Expenditures of Federal Awards)

See accompanying notes to schedule of federal awards.

**POINT REYES BIRD OBSERVATORY**  
**DBA PRBO CONSERVATION SCIENCE**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**1. BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Point Reyes Bird Observatory dba PRBO Conservation Science and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**2. PASS THROUGH NUMBER**

The Organization receives money from several agencies in which a pass through number was not located within the agreement. No one particular Federal agency can be identified as the grantor for the funds which Point Reyes Bird Observatory dba PRBO Conservation Science received.

**POINT REYES BIRD OBSERVATORY  
DBA PRBO CONSERVATION SCIENCE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2011**

**SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Point Reyes Bird Observatory dba PRBO Conservation Science.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Point Reyes Bird Observatory dba PRBO Conservation Science were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award program.
5. The auditors' report on compliance for the major federal award programs for Point Reyes Bird Observatory dba PRBO Conservation Science expresses an unqualified opinion on the major federal program.
6. No audit findings relative to the major federal award program for Point Reyes Bird Observatory dba PRBO Conservation Science were reported in this Schedule.
7. The program tested as a major program is:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Expenditures</u>
Various	Research and Development Cluster	\$ 2,436,174

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. No findings were reported for the years ended March 31, 2010 and 2011.

**FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.