

POINT REYES BIRD OBSERVATORY
DBA PRBO CONSERVATION SCIENCE

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
MARCH 31, 2012 AND 2011

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TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-14
Compliance and Internal Control Reports:	
Government Auditing Standards	15-16
OMB Circular A-133	17-18
Supplementary Schedules:	
Expenditures of Federal Awards	19-20
Notes to Expenditures of Federal Awards	21
Schedule of Findings and Questioned Costs	22



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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, 2012 and 2011, 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, 2012 and 2011 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 9, 2012, 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 basic 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 basic 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 as a whole.

July 9, 2012

A handwritten signature in blue ink, reading "Perotti & Carrado". The signature is written in a cursive style with a large initial "P" and "C".

POINT REYES BIRD OBSERVATORY
dba PRBO CONSERVATION SCIENCE

STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2012 AND 2011

	<u>ASSETS</u>	
	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and cash equivalents	\$ 2,146,961	\$ 1,383,735
Certificates of deposit	627,002	862,818
Contracts receivable	1,158,226	1,847,928
Contributions, grants, and bequest receivable	101,500	361,500
Prepaid expenses and other current assets	75,718	86,506
	<hr/>	<hr/>
Total current assets	4,109,407	4,542,487
Non-current Assets:		
Endowment fund	138,655	134,609
Property, net of accumulated depreciation	5,502,696	5,606,006
	<hr/>	<hr/>
Total non-current assets	5,641,351	5,740,615
	<hr/>	<hr/>
Total Assets	\$ 9,750,758	\$ 10,283,102

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 217,956	\$ 360,346
Accrued vacation	263,319	219,474
Deferred revenue	348,728	358,953
	<hr/>	<hr/>
Total current liabilities	830,003	938,773
Net Assets:		
Unrestricted:		
Board-designated funds	1,857,822	2,066,276
Undesignated	5,742,407	5,787,133
	<hr/>	<hr/>
Total unrestricted	7,600,229	7,853,409
Temporarily restricted	1,320,526	1,490,920
	<hr/>	<hr/>
Total net assets	8,920,755	9,344,329
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 9,750,758	\$ 10,283,102

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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Changes in unrestricted net assets:		
<i>Revenues and Support:</i>		
Contracts	\$ 4,398,666	\$ 3,671,753
Contributions from individuals	521,311	468,039
Foundation and corporate grants	14,704	27,235
Investment income	17,193	39,440
Other income	70,817	94,522
Net assets released from restrictions - individuals	1,164,162	1,952,665
Net assets released from restrictions - foundations	1,848,132	1,662,614
Total support and revenues	8,034,985	7,916,268
<i>Expenses:</i>		
Program services:		
Pacific coast/central valley	1,923,547	2,051,088
San Francisco Bay	696,537	545,230
California current	1,018,012	807,423
Informatics	902,874	828,546
Sierras	735,302	787,441
Emerging projects	488,430	300,181
Education and policy	901,267	356,120
Total program services	6,665,969	5,676,029
Supporting services:		
Management and general	1,138,259	1,037,146
Development	483,937	450,177
Total support services	1,622,196	1,487,323
Total expenses	8,288,165	7,163,352
Increase (decrease) in unrestricted net assets	(253,180)	752,916
Changes in temporarily restricted net assets:		
Contracts and other income	148	2,775
Contributions from individuals	1,154,866	1,810,723
Foundation and corporate grants	1,686,886	1,502,777
Net assets released from restrictions	(3,012,294)	(3,615,279)
Decrease in temporarily restricted net assets	(170,394)	(299,004)
Increase (decrease) in net assets	(423,574)	453,912
Net Assets, Beginning of Year	9,344,329	8,890,417
Net Assets, End of Year	\$ 8,920,755	\$ 9,344,329

See accompanying notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2012**

	Program Services				Supporting Services			Total		
	Pacific Coast & Central Valley	SF Bay	CA Current	Informatics	Sierras	Emerging Projects	Education and Policy		Management and General	Development
Personnel costs:										
Salaries	\$ 1,023,715	\$ 105,524	\$ 542,228	\$ 479,692	\$ 482,538	\$ 280,020	\$ 453,664	\$ 535,607	\$ 261,405	\$ 4,164,393
Benefits	438,191	45,730	230,073	199,843	158,821	115,074	195,608	264,425	111,619	1,759,384
Interns	49,464	3,726	31,998		2,450	150	18,581	1,449		107,818
Total personnel costs	1,511,370	154,980	804,299	679,535	643,809	395,244	667,853	801,481	373,024	6,031,595
Professional services	83,335	516,224	30,938	138,359	1,982	19,448	98,826	179,651	15,610	1,084,373
Depreciation	85,439	5,644	28,826	25,357	23,934	14,745	24,228	29,848	13,920	251,941
Travel/meetings/events	129,093	8,532	51,439	10,974	11,774	26,866	29,300	45,993	11,401	325,372
General office	25,265	2,711	13,250	11,925	13,033	7,097	13,285	13,693	14,165	114,424
Facilities repair and rent	24,993	3,217	17,069	10,575	11,144	8,006	10,209	12,448	5,805	103,466
Housing/utilities/food	10,276	461	23,093	2,087	7,212	2,062	6,606	26,923	5,724	84,444
Computer upgrades/internet	15,138	1,566	12,686	7,985	6,938	4,091	6,723	8,282	3,863	67,272
Printing and reproduction	5,889	514	2,902	4,547	2,290	1,335	7,356	2,704	16,511	44,048
Project supplies and publications	13,632	822	15,894	4,268	5,900	3,818	29,256	2,328	1,344	77,262
Insurance	10,733	1,110	5,671	4,989	4,708	2,901	4,766	5,872	2,739	43,489
Advertising and promotion		250	1,035		190	217	24	2,875	17,723	22,314
Other expenses	8,384	506	10,910	2,273	2,388	2,600	2,835	6,161	2,108	38,165
Totals	\$ 1,923,547	\$ 696,537	\$ 1,018,012	\$ 902,874	\$ 735,302	\$ 488,430	\$ 901,267	\$ 1,138,259	\$ 483,937	\$ 8,288,165

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	
	Pacific Coast & Central/Valley	SF Bay	CA Current	Informaties	Sierras	Emerging Projects	Education and Policy	Management and General		Development
Personnel costs:										
Salaries	\$ 964,992	\$ 57,209	\$ 409,729	\$ 441,799	\$ 479,812	\$ 155,583	\$ 206,806	\$ 485,350	\$ 193,871	\$ 3,395,151
Benefits	417,809	24,861	176,967	183,380	153,169	58,799	88,749	203,228	82,818	1,389,780
Interns	101,082	2,400	23,563		4,503		2,450	3,000		136,998
Total personnel costs	1,483,883	84,470	610,259	625,179	637,484	214,382	298,005	691,578	276,689	4,921,929
Professional services	181,447	445,338	47,324	107,528	6,913	23,217		187,874	61,141	1,060,782
Depreciation	100,888	4,009	28,626	30,503	30,884	10,460	14,420	34,014	13,672	267,476
Travel/meetings/events	113,219	3,547	31,147	14,641	17,410	23,785	8,990	33,527	10,603	256,869
General office	31,975	1,876	13,059	17,101	16,675	5,069	8,779	15,306	14,856	124,696
Facilities repair and rent	26,240	3,059	14,173	10,737	14,690	5,170	5,075	11,813	4,748	95,705
Housing/utilities/food	6,770		19,406	385	28,119	7,847	18	16,049	770	79,364
Computer upgrades/internet	17,066	911	12,499	6,999	7,279	2,376	3,275	7,624	3,064	61,093
Printing and reproduction	5,241	309	2,207	2,353	2,416	2,060	11,072	2,588	23,870	52,116
Interest			19					22,288		22,307
Project supplies and publications	18,466	645	13,411	4,468	10,829	1,896	1,967	3,619	1,786	57,087
Insurance	10,199	606	4,327	4,611	4,669	1,581	2,185	5,075	2,040	35,293
Advertising and promotion	28	230			115	260	13	2,210	29,606	32,462
Other expenses	55,666	460	10,736	4,041	9,958	2,078	2,321	3,581	7,332	96,173
Totals	\$ 2,051,088	\$ 545,230	\$ 807,423	\$ 828,546	\$ 787,441	\$ 300,181	\$ 356,120	\$ 1,037,146	\$ 450,177	\$ 7,163,352

See accompanying notes to financial statements.

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

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Operating Activities:		
Change in net assets	\$ (423,574)	\$ 453,912
Add adjustment for items not requiring cash:		
Depreciation	251,941	267,476
Gains in endowment fund	(4,046)	(13,794)
Amortization of discount on note payable		43,021
Working capital changes exclusive of cash:		
(Increase) decrease in receivables	949,702	(683,953)
(Increase) decrease in prepaid expenses and deposits	10,788	(4,272)
Increase (decrease) in accounts payable and accrued expenses	(98,545)	135,866
Decrease in deferred revenue	(10,225)	(22,203)
Cash provided by operating activities	<u>676,041</u>	<u>176,053</u>
Investing Activities:		
Reductions in certificates of deposit	235,816	568,626
Purchase of equipment	(148,631)	(97,556)
Cash provided by investing activities	<u>87,185</u>	<u>471,070</u>
Financing Activities:		
Payment on note payable		(1,000,000)
Cash used for financing activities	<u>-</u>	<u>(1,000,000)</u>
Net Increase (Decrease) in Cash	763,226	(352,877)
Cash, Beginning of Year	1,383,735	1,736,612
Cash, End of Year	<u>\$ 2,146,961</u>	<u>\$ 1,383,735</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 of \$1,215,000 from one donor. The Organization did not receive individual contributions of the same magnitude during the year ended March 31, 2012.

The Organization's activities are categorized into programmatic areas (Groups) entitled Pacific Coast/Central Valley, Sierra Nevada, Emerging Projects and Partnerships, San Francisco Bay, Informatics/Climate Change, California Current and Education and Policy. A description of the activities related to each program area or Group follows:

The *Pacific Coast and Central Valley Group* conducts ecological studies and provides conservation science training opportunities to both support the development of active conservation scientists and to advance our understanding of environmental change in order to formulate strategies that ensure thriving ecosystems, diverse wildlife populations, and maximize benefits to wildlife and humans in the context of climate adaptation and land use change.

The *San Francisco Bay Group* works to ensure that Bay Area ecosystems sustain thriving, diverse wildlife populations and provide maximum benefits to wildlife and humans in the context of climate adaptation and land use change. The Group focuses on science and outreach that influences shoreline and bay land development, climate change adaptation activities, ecosystem management, habitat restoration and mitigation, and ongoing scientific monitoring and research.

The *California Current Group* works to conserve marine top predators and the integrity of the marine ecosystem to help ensure its sustainable use.

The *Informatics and Climate Change Group* 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. The climate change work focuses

POINT REYES BIRD OBSERVATORY
DBA PRBO CONSERVATION SCIENCE

NOTES TO FINANCIAL STATEMENTS

1. THE ORGANIZATION (continued)

on developing programs and building partner relationships that effectively address anticipated changes due to climate change.

The *Sierra Nevada Group* designs and conducts innovative avian monitoring and research, the results of which are used by Sierra based staff working closely with natural resource managers and other stakeholders to help guide forest and land management decisions and to improve conservation outcomes across the Sierra Nevada ecosystem.

The *Emerging Projects and Partnerships Group* develops and manages programs that are either across the Organization's Groups or currently outside of current priority geographies. This includes the Working Landscapes program, songbird conservation through Partners in Flight, and PRBO's desert, shrub steppe and Vandenberg Air Force base programs. The Emerging Projects Group also represents the Organization and provides scientific guidance to major conservation initiatives including federal resource management plans, state planning efforts, federally funded Joint Ventures, the Landscape Conservation Collaborative (LCC), the North American Bird Conservation Initiative, and Partners in Flight.

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

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 2011 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.

POINT REYES BIRD OBSERVATORY
DBA PRBO CONSERVATION SCIENCE

NOTES TO FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

POINT REYES BIRD OBSERVATORY
DBA PRBO CONSERVATION SCIENCE

NOTES TO FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, the estimated useful life of equipment, and disclosures of contingent assets and liabilities. 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 9, 2012, the date the financial statements were available to be issued.

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, 2012 and 2011. 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.

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

NOTES TO FINANCIAL STATEMENTS

3. ENDOWMENT FUND (continued)

Changes in endowment net asset for the years ended March 31, 2012 and 2011:

Endowment net assets, as of March 31, 2010	\$ 120,815
Investment return:	
Investment income	756
Net appreciation (realized and unrealized)	13,038
	<hr/>
Endowment net assets, as of March 31, 2011	134,609
Investment return:	
Investment income	766
Net appreciation (realized and unrealized)	3,280
	<hr/>
Endowment net assets, as of March 31, 2012	\$ <u>138,655</u>

4. FIXED ASSETS

Property consisted of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 1,479,000	\$ 1,479,000
Buildings and improvements	4,886,697	4,883,356
Furniture and equipment	900,055	887,655
	<hr/>	<hr/>
Total	7,265,752	7,250,011
Less accumulated depreciation	(1,763,056)	(1,644,005)
	<hr/>	<hr/>
Net Property	\$ <u>5,502,696</u>	\$ <u>5,606,006</u>

5. 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>2012</u>	<u>2011</u>
Cash	\$ 1,092,165	\$ 1,068,849
Certificates of deposit	627,002	862,818
Endowment fund	138,655	134,609
	<hr/>	<hr/>
Total	\$ <u>1,857,822</u>	\$ <u>2,066,276</u>

POINT REYES BIRD OBSERVATORY
DBA PRBO CONSERVATION SCIENCE

NOTES TO FINANCIAL STATEMENTS

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs as of March 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Central coast/valley	\$ 731,099	\$ 588,302
Emerging projects	173,271	306,578
Education and policy	145,528	156,176
Development	99,898	178,547
Sierras	60,775	63,373
CA Current	59,738	75,436
SF Bay	27,314	89,198
Other	22,903	33,310
	<u>\$ 1,320,526</u>	<u>\$ 1,490,920</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, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Central coast/valley	\$ 1,449,658	\$ 1,464,649
Education and policy	537,790	291,506
CA Current	436,975	369,072
Emerging projects	236,357	20,574
SF Bay	115,874	60,647
Sierras	114,104	73,853
Development	104,186	22,044
Informatics	15,151	138,988
Others	2,199	135,974
Building		1,037,972
	<u>\$ 3,012,294</u>	<u>\$ 3,615,279</u>

POINT REYES BIRD OBSERVATORY
DBA PRBO CONSERVATION SCIENCE

NOTES TO FINANCIAL STATEMENTS

7. 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 2012 and 2011. Participants age 50 or over may make additional “catch-up” contributions which are limited to \$5,500 for each calendar year 2012 and 2011. The Organization made a discretionary matching contribution equal to five percent of the employees’ annual compensation for the calendar year ended December 31, 2011. The Organization’s match may not exceed the maximum annual limit as defined in the Internal Revenue Code. For the years ended March 31, 2012 and 2011, the Organization’s contribution to the plan aggregated \$167,359 and \$161,231, respectively.

8. COMMITMENTS

The Organization has entered into operating leases for office and other equipment. Obligations over the terms of those leases are summarized as follows:

2013	\$ 20,300
2014	10,700
Total	<u>\$ 31,000</u>

9. 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.



Perotti And Carrade

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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, 2012, and have issued our report thereon dated July 9, 2012. 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 an other matter that we reported to management of Point Reyes Bird Observatory dba PRBO Conservation Science in a separate letter dated July 9, 2012.

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 9, 2012

A handwritten signature in blue ink, appearing to read "R. H. Carmade".



Perotti And Carrade

Certified Public Accountants

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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, 2012. 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, 2012.

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 9, 2012



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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2012**

Grantor/Program Title Research and Development Cluster	Federal CFDA#	Award Amount	Expenditures
<u>U.S. Department of Defense:</u>			
U.S. Army Corps of Engineers	12.UNK*	149,094	56,118
Pass through The Nature Conservancy:			
U.S. Navy	12.UNK*	5,000	4,302
Total U.S. Department of Defense		154,094	60,420
<u>U.S. Department of Commerce</u>			
National Oceanic and Atmospheric Administration	11.431	300,000	143,397
Pass through U. of New Hampshire			
National Oceanic and Atmospheric Administration	11.419	899,530	27,088
Total U.S Department of Commerce		1,199,530	170,485
<u>U.S. Department of the Interior:</u>			
<i>Direct Awards:</i>			
Bureau of Land Management	15.231	214,000	191,988
Bureau of Land Management	15.238	100,000	970
Bureau of Land Management	15.238	20,000	
Bureau of Land Management	15.231	76,293	36,312
Bureau of Land Management	15.231	17,000	7,430
Bureau of Reclamation	15.512	214,906	34,756
Point Reyes National Seashore	15.921	6,500	
Point Reyes National Seashore	15.921	21,950	4,263
Point Reyes National Seashore	15.921	81,770	55,472
Presidio Trust	15.UNK*	11,782	
Presidio Trust	15.UNK*	500	500
Presidio Trust	15.UNK*	49,577	11,335
U.S. Geological Survey	15.808	48,256	48,256
U.S. Geological Survey	15.808	43,154	43,154
U.S. Fish & Wildlife Service	15.608	414,443	144,539
U.S. Fish & Wildlife Service	15.608	22,880	11,544
U.S. Fish & Wildlife Service	15.608	526,662	262,105
U.S. Fish & Wildlife Service	15.655	30,000	10,000
U.S. Fish & Wildlife Service	15.655	15,000	1,084
U.S. Fish & Wildlife Service	15.655	10,000	3,343
U.S. Fish & Wildlife Service	15.637	1,898,695	360,144
U.S. Fish & Wildlife Service	15.637	407,428	124,072
U.S. Fish & Wildlife Service	15.647	19,590	
U.S. Fish & Wildlife Service	15.647	72,500	32,500
U.S. Fish & Wildlife Service	15.647	15,000	15,000
U.S. Fish & Wildlife Service	15.642		
U.S. Fish & Wildlife Service	15.647	39,476	34,084
U.S. Fish & Wildlife Service	15.650	95,000	61,566
U.S. Fish & Wildlife Service	15.637	44,750	25,755
U.S. Fish & Wildlife Service	15.608	18,546	
Total Direct U.S. Department of the Interior		4,535,658	1,520,172

* 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, 2012

Pass Through Awards:

Pass through The Bay Institute			
U.S. Fish & Wildlife Service	15.UNK*	48,858	48,858
Pass through The Bay Institute			
U.S. Fish & Wildlife Service	15.UNK*	41,855	
Pass through Sonoma Ecology Center			
U.S. Fish & Wildlife Service	15.669	33,744	22,111
Pass through Amargosa Conservancy			
U.S. Fish & Wildlife Service	15.631	23,908	23,908
Pass through American Bird Conservatory			
U.S. Fish & Wildlife Service	15.UNK*	2,548	2,548
Pass through University of Washington:			
U.S. Fish & Wildlife Service	15.608	46,500	18,141
Pass through Cal Academy of Sciences:			
U.S. Fish & Wildlife Service	15.669	44,684	17,517
Total Pass Through Awards U.S. Department of the Interior		<u>242,096</u>	<u>133,082</u>
Total U.S. Department of the Interior		4,777,755	1,653,255

National Science Foundation:

National Science Foundation	47.078	<u>550,865</u>	<u>143,834</u>
Total National Science Foundation		550,865	143,834

U.S. Department of Agriculture:

USDA Forest Service	10.652	126,984	62,413
USDA Forest Service	10.652	606,921	158,710
USDA Forest Service	10.652	1,443,810	392,563
USDA Forest Service	10.684	60,000	20,646
USDA Forest Service	10.UNK*	72,386	33,517
USDA Forest Service	10.UNK*	10,000	10,000
USDA Forest Service	10.UNK*	13,176	3,680
USDA Forest Service	10.UNK*	11,150	11,150
USDA Natural Resources Conservation Service	10.912	347,705	160,047
USDA Natural Resources Conservation Service	10.072	49,948	2,579
Total U.S. Department of Agriculture		<u>2,742,080</u>	<u>855,304</u>

Pass through University of California

University of California Sea Grant program	unknown*	135,475	53,218
University of California Sea Grant program	11.417	<u>115,745</u>	<u>3,154</u>
Total Pass through University of California		251,220	56,372

Pass through State of California

California Department of Fish & Game	unknown*	90,000	33,001
California Department of Fish & Game	unknown*	293,955	2,901
California Department of Fish & Game	unknown*	<u>110,474</u>	<u>62,077</u>
Total Pass through CA Dept of Fish & Game		<u>494,429</u>	<u>97,979</u>
		<u><u>10,169,973</u></u>	<u><u>3,037,649</u></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**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal award 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 funds from several agencies whose pass-through number was not available either in the agreement or related correspondence with the agency. No one particular Federal agency can be identified as the grantor of 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, 2012**

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	\$ 3,037,649

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Point Reyes Bird Observatory dba PRBO Conservation Science qualified as a low-risk auditee.

FINANCIAL STATEMENT FINDINGS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.