

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

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED
MARCH 31, 2014 AND 2013**



Perotti And Carrade

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Point Reyes Bird Observatory (a nonprofit organization), which comprise the statements of financial position as of March 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 as of March 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2014, 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 grant 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Point Reyes Bird Observatory's internal control over financial reporting and compliance.

July 24, 2014

Perotti & Carrade

POINT REYES BIRD OBSERVATORY
dba POINT BLUE CONSERVATION SCIENCE

STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2014 AND 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and cash equivalents	\$ 1,958,835	\$ 1,868,113
Certificates of deposit	491,476	483,456
Contracts receivable	1,447,481	1,426,836
Contributions, grants, and bequests receivable	2,089,679	704,661
Prepaid expenses and other current assets	78,694	54,962
	<hr/>	<hr/>
Total current assets	6,066,165	4,538,028
Non-current Assets:		
Certificate of deposit	245,611	
Long term grants receivable	291,234	626,471
Endowment fund	262,421	150,026
Property, net of accumulated depreciation	5,379,844	5,485,943
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Total non-current assets	6,179,110	6,262,440
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Total Assets	\$ 12,245,275	\$ 10,800,468
 <u>LIABILITIES AND NET ASSETS</u> 		
Current Liabilities:		
Accounts payable	\$ 283,265	\$ 262,625
Accrued vacation	261,426	246,541
Deferred revenue	366,351	324,509
	<hr/>	<hr/>
Total current liabilities	911,042	833,675
Net Assets:		
Unrestricted:		
Board-designated funds	1,612,639	1,671,048
Undesignated	6,393,477	5,761,052
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Total unrestricted	8,006,116	7,432,100
Temporarily restricted	3,228,117	2,534,693
Permanently restricted	100,000	
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Total net assets	11,334,233	9,966,793
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Total Liabilities and Net Assets	\$ 12,245,275	\$ 10,800,468

See accompanying notes to financial statements.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Changes in unrestricted net assets:		
Revenues and Support:		
Contracts	\$ 4,917,557	\$ 4,975,058
Contributions from individuals	1,629,840	603,488
Foundation and corporate grants	20,247	113,296
Investment income	20,218	23,839
Other income	103,620	61,066
Net assets released from restrictions - individuals	997,021	1,340,962
Net assets released from restrictions - foundations	2,653,278	1,827,982
Total support and revenues	10,341,781	8,945,691
Expenses:		
Program services:		
Pacific Coast and Central Valley	2,097,571	2,199,065
San Francisco Bay	597,049	592,211
California Current	1,088,884	1,093,357
Informatics and Climate Change	1,247,719	1,187,526
Sierra Nevada	564,608	636,262
Emerging Projects	931,116	710,384
Education and Outreach	1,081,722	984,400
Total program services	7,608,669	7,403,205
Supporting services:		
Management and general	1,485,572	1,130,677
Development	673,524	579,938
Total support services	2,159,096	1,710,615
Total expenses	9,767,765	9,113,820
Increase (decrease) in unrestricted net assets	574,016	(168,129)
Changes in temporarily restricted net assets:		
Contributions from individuals	1,068,240	1,066,745
Foundation and corporate grants	3,275,483	3,316,366
Net assets released from restrictions	(3,650,299)	(3,168,944)
Increase in temporarily restricted net assets	693,424	1,214,167
Changes in permanently restricted net assets:		
Contribution from individual	100,000	
Increase in permanently restricted net assets	100,000	
Increase in net assets	1,367,440	1,046,038
Net Assets, Beginning of Year	9,966,793	8,920,755
Net Assets, End of Year	\$ 11,334,233	\$ 9,966,793

See accompanying notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Program Services</u>						<u>Supporting Services</u>		<u>Total</u>	
	<u>Pacific Coast & Central Valley</u>	<u>SF Bay</u>	<u>CA Current</u>	<u>Informatics & Climate Change</u>	<u>Sierra Nevada</u>	<u>Emerging Projects</u>	<u>Education and Outreach</u>	<u>Management and General</u>		<u>Development</u>
Personnel costs:										
Salaries	\$ 1,095,691	\$ 93,634	\$ 544,451	\$ 393,744	\$ 364,347	\$ 502,146	\$ 433,650	\$ 700,281	\$ 303,027	\$ 4,430,971
Benefits	470,446	39,350	242,657	172,820	127,867	221,624	201,679	339,190	135,754	1,951,387
Interns	59,508		58,011	6,625		5,698	36,313		90	166,245
Total personnel costs	<u>1,625,645</u>	<u>132,984</u>	<u>845,119</u>	<u>573,189</u>	<u>492,214</u>	<u>729,468</u>	<u>671,642</u>	<u>1,039,471</u>	<u>438,871</u>	<u>6,548,603</u>
Professional services	96,140	441,375	53,561	588,602	1,100	65,980	184,799	291,830	81,150	1,804,537
Travel/meetings/events	137,264	7,732	63,032	27,080	14,901	57,328	46,481	20,088	20,645	394,551
Depreciation	82,442	4,399	26,023	18,714	16,277	23,931	20,967	27,967	14,488	235,208
Housing/utilities/food	7,123		27,730	2,174	6,048	839	27,337	41,584	18,700	131,535
General office	28,017	2,238	14,706	9,574	9,059	13,076	15,393	14,241	20,383	126,687
Project supplies and publications	16,886	1,937	13,843	1,984	4,055	6,206	58,112	2,295	1,988	107,306
Facilities repair and rent	26,896	1,876	13,892	8,482	7,351	11,806	12,861	11,934	6,176	101,274
Computer upgrades/internet	18,733	1,853	14,031	8,467	5,550	8,021	9,655	9,236	4,781	80,327
Other expenses	37,063	1,041	6,293	2,584	2,078	4,000	3,194	8,466	8,019	72,738
Printing and reproduction	5,665	347	3,131	1,475	1,283	3,564	22,846	2,205	32,129	72,645
Insurance	15,468	1,267	7,498	5,394	4,692	6,897	6,042	8,065	4,173	59,496
Advertising and promotion	229		25				2,393	8,190	22,021	32,858
Totals	<u>\$ 2,097,571</u>	<u>\$ 597,049</u>	<u>\$ 1,088,884</u>	<u>\$ 1,247,719</u>	<u>\$ 564,608</u>	<u>\$ 931,116</u>	<u>\$ 1,081,722</u>	<u>\$ 1,485,572</u>	<u>\$ 673,524</u>	<u>\$ 9,767,765</u>

See accompanying notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2013**

	Program Services							Supporting Services		Total
	<u>Pacific Coast & Central Valley</u>	<u>SF Bay</u>	<u>CA Current</u>	<u>Informatics & Climate Change</u>	<u>Sierra Nevada</u>	<u>Emerging Projects</u>	<u>Education and Outreach</u>	<u>Management and General</u>	<u>Development</u>	
Personnel costs:										
Salaries	\$ 1,131,245	\$ 88,184	\$ 570,885	\$ 486,235	\$ 402,369	\$ 397,625	\$ 459,200	\$ 530,070	\$ 283,584	\$ 4,349,397
Benefits	493,227	39,976	241,463	214,378	135,898	173,358	206,359	277,930	127,614	1,910,203
Interns	62,086	1,638	58,203		4,366		16,397			142,690
Total personnel costs	<u>1,686,558</u>	<u>129,798</u>	<u>870,551</u>	<u>700,613</u>	<u>542,633</u>	<u>570,983</u>	<u>681,956</u>	<u>808,000</u>	<u>411,198</u>	<u>6,402,290</u>
Professional services	68,867	438,697	50,393	384,605	18,650	22,447	139,466	181,440	42,319	1,346,884
Travel/meetings/events	161,783	5,640	41,505	22,235	12,645	42,642	38,977	24,098	9,587	359,112
Depreciation	91,182	4,780	30,329	26,157	20,096	21,266	24,853	30,166	15,352	264,181
Housing/utilities/food	22,119	241	24,345	850	1,588	2,782	9,100	30,407	20,575	112,007
General office	27,833	2,191	13,603	12,235	9,597	9,388	15,808	13,192	16,548	120,395
Project supplies and publications	25,210	679	13,895	3,792	4,376	4,119	29,870	2,571	1,641	86,153
Facilities repair and rent	29,224	1,943	15,332	9,086	8,593	7,489	13,413	10,382	5,283	100,745
Computer upgrades/internet	28,408	3,533	19,136	12,296	9,369	10,002	11,536	13,914	7,081	115,275
Other expenses	38,170	3,172	3,882	6,082	2,061	2,181	2,743	3,543	5,007	66,841
Printing and reproduction	5,483	379	2,532	3,444	1,944	12,100	10,853	2,392	28,916	68,043
Insurance	14,228	1,120	7,109	6,131	4,710	4,985	5,825	7,071	3,598	54,777
Advertising and promotion		38	745					3,501	12,833	17,117
Totals	<u>\$ 2,199,065</u>	<u>\$ 592,211</u>	<u>\$ 1,093,357</u>	<u>\$ 1,187,526</u>	<u>\$ 636,262</u>	<u>\$ 710,384</u>	<u>\$ 984,400</u>	<u>\$ 1,130,677</u>	<u>\$ 579,938</u>	<u>\$ 9,113,820</u>

See accompanying notes to financial statements.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Activities:		
Change in net assets	\$ 1,367,440	\$ 1,046,038
Add adjustment for items not requiring cash:		
Depreciation	235,208	264,181
Gains in endowment fund	(12,395)	(11,371)
Working capital changes exclusive of cash:		
Increase in receivables	(1,070,426)	(1,490,190)
(Increase) decrease in prepaid expenses and deposits	(23,732)	12,704
Increase in accounts payable and accrued expenses	35,525	27,891
Increase (decrease) in deferred revenue	41,842	(24,219)
Cash provided by (used for) operating activities	573,462	(174,966)
Investing Activities:		
(Addition) reduction in certificates of deposit	(253,631)	143,546
Purchase of equipment	(129,109)	(247,428)
Endowment funding	(100,000)	
Cash used for investing activities	(482,740)	(103,882)
Net Increase (Decrease) in Cash	90,722	(278,848)
Cash, Beginning of Year	1,868,113	2,146,961
Cash, End of Year	\$ 1,958,835	\$ 1,868,113

See accompanying notes to financial statements.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE 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 science, restoration, outreach and partnerships. The Organization 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 climate change, habitat loss and other environmental threats while promoting adaptation to future conditions through nature based solutions to benefit wildlife and people. In June 2013 the Organization changed its fictitious business name (doing business as) to Point Blue Conservation Science. 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.

The Organization's activities are categorized into programmatic areas (Groups) entitled Pacific Coast and Central Valley, San Francisco Bay, California Current, Informatics and Climate Change, Sierra Nevada, Emerging Projects and Partnerships, and Education and Outreach. 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 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 the integrity of the California Current ecosystem to help ensure healthy populations of marine top predators and sustainable uses for humans.

The *Informatics and Climate Change Group* is composed of two major teams. The Informatics and Information Technology Team 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 throughout California and around the world. This team is also responsible for managing Point Blue's websites, computer hardware and network

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE

NOTES TO FINANCIAL STATEMENTS

1. THE ORGANIZATION (continued)

infrastructure. The Climate Change and Quantitative Ecology Team uses cutting-edge climate models and analytical approaches to increase understanding of the effects of climate change and the effects of management responses to climate change on ecosystems, with an overarching goal of improving the resilience of ecosystems and human communities to accelerating change. This team also ensures that Point Blue's scientific study designs and analyses continue to be rigorous, innovative, and respected by the scientific and conservation communities.

The *Sierra Nevada Group* designs and conducts innovative avian monitoring and research, 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 outside of current priority geographies. This includes the Rangeland Watershed Initiative, the Grassland Bird Conservation Plan and Point Blue's desert, shrub steppe, Department of Defense and Bureau of Reclamation related programs in southern California. The Emerging Programs and Partnerships Group also provides scientific guidance to major conservation initiatives including federal 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 other partnerships.

The *Education and Outreach 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 Quarterly (Point Blue's newsletter), 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.

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.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE

NOTES TO FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 received such a contribution in 2014.

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.

Grants receivable that are expected to be collected in future years are to be recorded at the present value with consideration of future cash flows. The discounts on those grants are computed using the risk-free interest rate applicable to the year in which the promise was received. Amortization of the discount is included in contribution revenue.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE

NOTES TO FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 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 24, 2014, the date the financial statements were available to be issued.

3. LONG TERM GRANTS RECEIVABLE

During the year ended March 31, 2013 the Organization received a \$1,917,000 three-year grant for which the final installment is to be collected in September 2014. The grant is designated to support an Emerging Projects program.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE

NOTES TO FINANCIAL STATEMENTS

3. LONG TERM GRANTS RECEIVABLE (continued)

During the year ended March 31, 2014 the Organization received a \$500,000 three-year grant, of which \$200,000 is to be received during the year ending March 31, 2015, and \$150,000 in each the years ending March 31, 2016 and 2017, respectively. The grant is designated to support the hiring and retention of a development director.

For financial statement purposes, the grants 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.

Future payments to be received by the Organization are as follows:

		<u>March 31</u>	<u>Payments</u>	<u>Discount</u>	<u>Net Receivable</u>
Current	2015	\$	839,000	\$ (15,459)	\$ 823,541
Non-Current	2016	\$	150,000	\$ (5,825)	\$ 144,175
Non-Current	2017	\$	150,000	\$ (2,941)	\$ 147,059
Total			<u>\$ 1,139,000</u>	<u>\$ (24,225)</u>	<u>\$ 1,114,775</u>

4. 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 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. The board-designated 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, 2014 and 2013. 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 board-designated endowment fund. Interest and dividend income, net of administration fees, accrue to the benefit of the board-designated endowment fund until the Board appropriates the funds to the benefit of intended programs.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE

NOTES TO FINANCIAL STATEMENTS

4. ENDOWMENT FUND (continued)

During the year ended March 31, 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. At March 31, 2014, the Organization was in the process of transferring the funds from a non-interest bearing account into a pooled account managed by MCF.

Changes in endowment fund for the years ended March 31, 2014 and 2013:

Endowment fund, as of March 31, 2012	\$ 138,655
Investment return:	
Investment income	1,306
Net appreciation (realized and unrealized)	10,065
Endowment fund, as of March 31, 2013	<u>150,026</u>
Contributions	100,000
Investment return:	
Investment income	963
Net appreciation (realized and unrealized)	11,432
Endowment fund, as of March 31, 2014	<u><u>\$ 262,421</u></u>

5. FIXED ASSETS

Property consisted of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 1,479,000	\$ 1,479,000
Buildings and improvements	4,894,776	4,894,776
Furniture and equipment	1,238,865	1,109,756
Total	<u>7,612,641</u>	<u>7,483,532</u>
Less accumulated depreciation	<u>(2,232,797)</u>	<u>(1,997,589)</u>
Net Property	<u><u>\$ 5,379,844</u></u>	<u><u>\$ 5,485,943</u></u>

In December 2010, the Organization brought suit against the construction contractor of its office suite for defects in construction. A settlement is expected to be finalized during the year ending March 31, 2015. Proceeds from the settlement will be used to remedy the defects.

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE

NOTES TO FINANCIAL STATEMENTS

6. LINE OF CREDIT

In November 2013 the Organization obtained a \$750,000 line of credit. The line expires on December 15, 2014. Interest on the line accrues at the index (bank's prime rate) plus 1% with a floor of 4.50%. The line is collateralized by the inventory, receivables and equipment of the Organization. There were no borrowings against the line during the year ended March 31, 2014.

7. BOARD-DESIGNATED FUNDS

Board-designated funds represent an operating reserve which includes certificates of deposit, cash, and the board-designated endowment fund described in Note 4 as follows:

	<u>2014</u>	<u>2013</u>
Cash	\$ 713,131	\$ 1,037,566
Certificates of deposit	737,087	483,456
Board designated endowment fund	162,421	150,026
Total	\$ 1,612,639	\$ 1,671,048

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs as of March 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Pacific Coast and Central Valley	\$ 1,178,950	\$ 707,012
Emerging Projects	1,033,743	1,619,021
Development	489,928	
Education and Outreach	179,966	93,484
CA Current	170,039	5,234
Informatics	87,297	43,227
SF Bay	41,805	32,334
Sierra Nevada	35,389	24,262
Management and General	11,000	10,119
	\$ 3,228,117	\$ 2,534,693

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE

NOTES TO FINANCIAL STATEMENTS

8. TEMPORARILY RESTRICTED NET ASSETS (continued)

Net assets were released from donors' restrictions by incurring expenses satisfying the restricted purpose specified by the donors during the years ended March 31, 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Pacific Coast and Central Valley	\$ 1,700,638	\$ 1,520,168
Emerging Projects	706,645	438,408
Education and Outreach	517,652	591,652
CA Current	471,897	305,358
Sierra Nevada	105,340	69,752
SF Bay	55,300	92,110
Informatics	54,458	53,363
Development	37,369	90,273
Management and General	1,000	7,860
	<u>\$ 3,650,299</u>	<u>\$ 3,168,944</u>

9. RETIREMENT PLAN

The Organization sponsors a qualified 401(k) plan for eligible employees. Employees may contribute up to an annual maximum of \$17,500 for each calendar year 2014 and 2013. Participants age 50 or over may make additional "catch-up" contributions which are limited to \$5,500 for each calendar year 2014 and 2013. The Organization made a discretionary matching contribution equal to five percent of the employees' annual compensation for the calendar year ended December 31, 2013. The Organization's match may not exceed the maximum annual limit as defined in the Internal Revenue Code. For the years ended March 31, 2014 and 2013, the Organization's contribution to the plan aggregated \$181,586 and \$184,134, respectively.

10. COMMITMENTS

The Organization has entered into two operating leases for copier and postage equipment. The leases require annual payments of approximately \$10,000 through the year ending March 31, 2018 and approximately \$4,000 for the year ending March 31, 2019.

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.