

POINT REYES BIRD OBSERVATORY
DBA POINT BLUE CONSERVATION SCIENCE

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
MARCH 31, 2015 AND 2014



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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, 2015 and 2014, 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, 2015 and 2014, 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 29, 2015, 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 29, 2015

A handwritten signature in blue ink, appearing to read "P. H. Cavade". The signature is written in a cursive style with a large initial "P" and "H".

POINT REYES BIRD OBSERVATORY
dba POINT BLUE CONSERVATION SCIENCE

STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and cash equivalents	\$ 2,497,870	\$ 1,958,835
Certificates of deposit		491,476
Contracts receivable	1,540,805	1,447,481
Contributions, grants, and bequests receivable	2,736,023	2,089,679
Prepaid expenses and other current assets	107,757	78,694
	6,882,455	6,066,165
Non-Current Assets:		
Certificate of deposit	248,303	245,611
Long-term grants receivable	773,735	291,234
Endowment fund	269,308	262,421
Property, net of accumulated depreciation	5,230,276	5,379,844
	6,521,622	6,179,110
Total Assets	\$ 13,404,077	\$ 12,245,275

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 257,799	\$ 283,265
Accrued vacation	301,636	261,426
Deferred revenue	108,230	366,351
	667,665	911,042
Net Assets:		
Unrestricted:		
Board-designated funds	1,556,704	1,612,639
Undesignated	7,219,456	6,393,477
	8,776,160	8,006,116
Temporarily restricted	3,860,252	3,228,117
Permanently restricted	100,000	100,000
	12,736,412	11,334,233
Total Liabilities and Net Assets	\$ 13,404,077	\$ 12,245,275

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Changes in unrestricted net assets:		
<i>Revenues and Support:</i>		
Contracts	\$ 4,718,435	\$ 4,917,557
Contributions from individuals	1,696,160	1,629,840
Foundation and corporate grants	26,182	20,247
Investment income	14,284	20,218
Other income	179,781	103,620
Net assets released from restrictions - individuals	1,012,683	997,021
Net assets released from restrictions - foundations	3,271,348	2,653,278
Total support and revenues	10,918,873	10,341,781
<i>Expenses:</i>		
Program services:		
Pacific Coast and Central Valley	2,305,408	2,097,571
San Francisco Bay	496,593	597,049
California Current	1,072,004	1,088,884
Informatics and Climate Change	1,243,192	1,247,719
Sierra Nevada	645,478	564,608
Emerging Projects	1,215,892	931,116
Education and Outreach	1,149,277	1,081,722
Total program services	8,127,844	7,608,669
Supporting services:		
Management and general	1,265,073	1,485,572
Development	755,912	673,524
Total support services	2,020,985	2,159,096
Total expenses	10,148,829	9,767,765
Increase in unrestricted net assets	770,044	574,016
Changes in temporarily restricted net assets:		
Contributions from individuals	937,941	1,068,240
Foundation and corporate grants	3,978,225	3,275,483
Net assets released from restrictions	(4,284,031)	(3,650,299)
Increase in temporarily restricted net assets	632,135	693,424
Changes in permanently restricted net assets:		
Contribution from individual		100,000
Increase in permanently restricted net assets	0	100,000
Increase in net assets	1,402,179	1,367,440
Net Assets, Beginning of Year	11,334,233	9,966,793
Net Assets, End of Year	\$ 12,736,412	\$ 11,334,233

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, 2015

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

See accompanying notes to financial statements.

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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
Project supplies and publications	16,886	1,937	13,843	1,984	4,055	6,206	58,112	2,295	1,988	107,306
Computer upgrades/internet	18,733	1,853	14,031	8,467	5,550	8,021	9,655	9,236	4,781	80,327
General office	28,017	2,238	14,706	9,574	9,059	13,076	15,393	14,241	20,383	126,687
Housing/utilities/food	7,123		27,730	2,174	6,048	839	27,337	41,584	18,700	131,535
Facilities repair and rent	26,896	1,876	13,892	8,482	7,351	11,806	12,861	11,934	6,176	101,274
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.

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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating Activities:		
Change in net assets	\$ 1,402,179	\$ 1,367,440
Add adjustment for items not requiring cash:		
Depreciation	250,036	235,208
Gains in endowment fund	(11,976)	(12,395)
Working capital changes exclusive of cash:		
Increase in receivables	(1,222,169)	(1,070,426)
Increase in prepaid expenses and deposits	(29,063)	(23,732)
Increase in accounts payable and accrued expenses	14,744	35,525
Increase (decrease) in deferred revenue	(258,121)	41,842
Cash provided by operating activities	<u>145,630</u>	<u>573,462</u>
Investing Activities:		
(Addition) reduction in certificates of deposit	488,784	(253,631)
Purchase of equipment	(100,468)	(129,109)
Distribution from endowment fund	5,089	
Contribution to endowment fund		(100,000)
Cash provided by (used for) investing activities	<u>393,405</u>	<u>(482,740)</u>
Net Increase in Cash	539,035	90,722
Cash, Beginning of Year	<u>1,958,835</u>	<u>1,868,113</u>
Cash, End of Year	<u>\$ 2,497,870</u>	<u>\$ 1,958,835</u>

See accompanying notes to financial statements.

POINT REYES BIRD OBSERVATORY
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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. 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
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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 Land Management related programs in southern California and Arizona. The Emerging Programs and Partnerships Group also provides guidance to major conservation initiatives including federal agency resource management plans, state planning efforts, federally and state funded Joint Ventures, the Landscape Conservation Cooperatives (LCC's), the North American Bird Conservation Initiative, Partners in Flight, Avian Knowledge Network 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
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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-governmental 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
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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 \$5,000 are capitalized. Property is depreciated using the straight line method over the estimated life of the respective assets; buildings, 50 years; improvements, 7 to 25 years; furniture and equipment, 3 to 7 years.

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

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 29, 2015, the date the financial statements were available to be issued.

3. LONG TERM GRANTS RECEIVABLE

During the year ended March 31, 2014 the Organization received a \$500,000 three-year grant, of which \$200,000 was received during the year ending March 31, 2015, and \$150,000 will be received 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.

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NOTES TO FINANCIAL STATEMENTS

3. LONG TERM GRANTS RECEIVABLE (continued)

During the year ended March 31, 2015 the Organization received a \$1,935,647 three-year grant, of which \$656,359 was received prior to March 31, 2015, and \$640,078 and \$639,210 will be received during the years ended March 31, 2016 and 2017, respectively. The grant is designated to support a Pacific Coast and Central Valley program.

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	2016	\$ 790,078	\$ (30,663)	\$ 759,415	
Non-Current	2017	\$ 789,210	\$ (15,475)	\$ 773,735	
Total		<u>\$ 1,579,288</u>	<u>\$ (46,138)</u>	<u>\$ 1,533,150</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, 2015 and 2014. 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.

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. During the year ended March 31, 2015, the Organization transferred the funds from a non-interest bearing account into a pooled account managed by MCF.

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NOTES TO FINANCIAL STATEMENTS

4. ENDOWMENT FUND (continued)

Changes in endowment fund for the years ended March 31, 2014 and 2015:

Endowment fund, as of March 31, 2013	\$ 150,026
Contributions	100,000
Investment return:	
Investment income	963
Net appreciation (realized and unrealized)	11,432
Endowment fund, as of March 31, 2014	<u>262,421</u>
Investment return:	
Investment income	1,182
Net appreciation (realized and unrealized)	10,794
Approved withdrawal	(5,089)
Endowment fund, as of March 31, 2015	<u><u>\$ 269,308</u></u>

5. FIXED ASSETS

Property consisted of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 1,479,000	\$ 1,479,000
Buildings and improvements	4,915,860	4,894,776
Furniture and equipment	1,318,249	1,238,865
Total	<u>7,713,109</u>	<u>7,612,641</u>
Less accumulated depreciation	<u>(2,482,833)</u>	<u>(2,232,797)</u>
Net Property	<u><u>\$ 5,230,276</u></u>	<u><u>\$ 5,379,844</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, 2016. Proceeds from the settlement will be used to remedy the defects.

6. LINE OF CREDIT

In March 2015 the Organization obtained a \$750,000 line of credit. The line expires on April 15, 2016. Interest on the line accrues at the index (bank's prime rate) plus 1% with a floor of 4.25%. The line is collateralized by receivables and equipment of the Organization. There were no borrowings against the line during the year ended March 31, 2015.

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NOTES TO FINANCIAL STATEMENTS

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>2015</u>	<u>2014</u>
Cash	\$ 1,138,713	\$ 713,131
Certificates of deposit	248,303	737,087
Board designated endowment fund	169,688	162,421
Total	<u>\$ 1,556,704</u>	<u>\$ 1,612,639</u>

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs as of March 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Pacific Coast and Central Valley	\$ 2,405,458	\$ 1,178,950
Development	430,657	489,928
Informatics	323,933	87,297
Emerging Projects	284,738	1,033,743
Education and Outreach	186,013	179,966
CA Current	129,312	170,039
Sierra Nevada	53,031	35,389
SF Bay	46,121	41,805
Management and General	989	11,000
	<u>\$ 3,860,252</u>	<u>\$ 3,228,117</u>

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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, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Pacific Coast and Central Valley	\$ 1,923,691	\$ 1,700,638
Emerging Projects	857,189	706,645
CA Current	590,875	471,897
Education and Outreach	569,728	517,652
Informatics	101,492	54,458
SF Bay	91,984	55,300
Sierra Nevada	72,721	105,340
Development	66,351	37,369
Management and General	10,000	1,000
	<u>\$ 4,284,031</u>	<u>\$ 3,650,299</u>

9. RETIREMENT PLAN

The Organization sponsors a qualified 401(k) plan for eligible employees. Eligible employees may contribute up to an annual maximum of \$18,000 and \$17,500 for calendar year 2015 and 2014, respectively. Participants age 50 or over may make additional "catch-up" contributions which are limited to \$6,000 and \$5,500 for calendar year 2015 and 2014, respectively. The Organization made a discretionary matching contribution of up to five percent of the employees' annual compensation for the calendar years ended December 31, 2014 and 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, 2015 and 2014, the Organization's contribution to the plan aggregated \$221,067 and \$181,586, 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.