

Point Reyes Bird Observatory

dba Point Blue Conservation Science

Financial Statements

March 31, 2019 and 2018



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Point Reyes Bird Observatory dba Point Blue Conservation Science (a California nonprofit corporation) (the "Organization"), which comprise the statements of financial position as of March 31, 2019 and 2018, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Point Reyes Bird Observatory dba Point Blue Conservation Science as of March 31, 2019 and 2018, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Francisco, California

July 23, 2019

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Statements of Financial Position
March 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,588,401	\$ 6,364,785
Contracts receivable	2,032,232	1,464,710
Grants and contributions receivable	1,709,810	1,251,585
Other receivables	15,060	86,793
Prepaid expenses and other current assets	80,811	138,966
Total current assets	8,426,314	9,306,839
Non-current assets		
Restricted cash, endowment	308,875	100,002
Endowment	309,217	310,195
Contributions receivable, net	339,831	711,301
Property and equipment, net	5,777,480	5,781,042
Total non-current assets	6,735,403	6,902,540
Total assets	\$ 15,161,717	\$ 16,209,379
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 585,587	\$ 597,420
Accrued vacation	423,814	402,669
Deferred revenue	36,394	97,747
Total current liabilities	1,045,795	1,097,836
Net assets		
Without donor restrictions		
Board-designated funds	3,284,632	3,282,325
Undesignated	6,365,320	7,328,002
Total without donor restrictions	9,649,952	10,610,327
With donor restrictions	4,465,970	4,501,216
Total net assets	14,115,922	15,111,543
Total liabilities and net assets	\$ 15,161,717	\$ 16,209,379

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

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Statements of Activities
For the Years Ended March 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support						
Contract revenue	\$ 5,213,361	\$ -	\$ 5,213,361	\$ 5,825,794	\$ -	\$ 5,825,794
Grants and contributions	1,746,451	4,721,964	6,468,415	1,472,201	6,596,748	8,068,949
Interest income	4,965	1,200	6,165	1,200	1,254	2,454
Realized and unrealized gains, net	1,585	1,072	2,657	15,058	9,931	24,989
Other income, net	522,437	-	522,437	388,279	-	388,279
Net assets released from restrictions	<u>4,759,482</u>	<u>(4,759,482)</u>	<u>-</u>	<u>6,284,665</u>	<u>(6,284,665)</u>	<u>-</u>
Total revenues, gains and other support	<u>12,248,281</u>	<u>(35,246)</u>	<u>12,213,035</u>	<u>13,987,197</u>	<u>323,268</u>	<u>14,310,465</u>
Functional expenses						
Program services	10,301,328	-	10,301,328	10,319,016	-	10,319,016
Management and general	1,776,158	-	1,776,158	1,820,519	-	1,820,519
Development	<u>1,131,170</u>	<u>-</u>	<u>1,131,170</u>	<u>1,214,957</u>	<u>-</u>	<u>1,214,957</u>
Total functional expenses	<u>13,208,656</u>	<u>-</u>	<u>13,208,656</u>	<u>13,354,492</u>	<u>-</u>	<u>13,354,492</u>
Change in net assets	(960,375)	(35,246)	(995,621)	632,705	323,268	955,973
Net assets, beginning of year	<u>10,610,327</u>	<u>4,501,216</u>	<u>15,111,543</u>	<u>9,977,622</u>	<u>4,177,948</u>	<u>14,155,570</u>
Net assets, end of year	<u>\$ 9,649,952</u>	<u>\$ 4,465,970</u>	<u>\$ 14,115,922</u>	<u>\$ 10,610,327</u>	<u>\$ 4,501,216</u>	<u>\$ 15,111,543</u>

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

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Statement of Functional Expenses
For the Year Ended March 31, 2019

	Pacific Coast and Central Valley	Emerging Projects	California Current	Education and Outreach	Climate Adaptation	Sierra Nevada	Informatics and Information Technology	Total Program Services	Management and General	Development	Total
Personnel costs											
Salaries and wages	\$ 1,509,199	\$ 1,027,069	\$ 779,049	\$ 826,245	\$ 553,478	\$ 378,299	\$ 153,352	\$ 5,226,691	\$ 896,611	\$ 579,916	\$ 6,703,218
Employee benefits and payroll taxes	673,320	469,740	349,790	406,494	255,744	155,893	70,270	2,381,251	430,887	247,035	3,059,173
Interns	46,376	-	42,543	62,004	6,574	5,705	-	163,202	-	-	163,202
Total personnel costs	<u>2,228,895</u>	<u>1,496,809</u>	<u>1,171,382</u>	<u>1,294,743</u>	<u>815,796</u>	<u>539,897</u>	<u>223,622</u>	<u>7,771,144</u>	<u>1,327,498</u>	<u>826,951</u>	<u>9,925,593</u>
Professional services	234,214	70,963	272,954	90,396	422,878	39,097	25,899	1,156,401	339,911	150,954	1,647,266
Travel/meetings/events	131,941	88,494	58,398	60,011	21,103	28,755	1,856	390,558	4,802	33,149	428,509
Computer upgrades/internet	46,229	31,436	29,211	25,479	17,607	11,082	4,622	165,666	27,537	17,092	210,295
Project supplies and publications	24,331	8,721	79,270	60,465	9,333	5,956	832	188,908	5,413	6,216	200,537
Facilities	42,714	27,939	28,321	35,897	16,737	19,611	4,096	175,315	7,120	15,147	197,582
Depreciation	62,106	24,514	18,488	20,189	13,253	8,749	3,662	150,961	21,741	13,543	186,245
General office	27,989	18,479	14,523	19,300	10,464	8,946	2,747	102,448	16,499	17,962	136,909
Equipment purchases	4,973	4,448	20,629	7,358	52,845	10,039	510	100,802	3,087	1,884	105,773
Printing and reproduction	5,124	4,224	3,376	3,211	1,938	1,213	508	19,594	4,684	33,780	58,058
Insurance	19,204	13,172	9,933	10,848	7,121	4,701	1,968	66,947	11,682	7,277	85,906
Advertising and promotion	3,399	2,448	2,363	1,914	1,284	829	347	12,584	2,194	7,215	21,993
Other expenses	-	-	-	-	-	-	-	-	3,990	-	3,990
	<u>\$ 2,831,119</u>	<u>\$ 1,791,647</u>	<u>\$ 1,708,848</u>	<u>\$ 1,629,811</u>	<u>\$ 1,390,359</u>	<u>\$ 678,875</u>	<u>\$ 270,669</u>	<u>\$ 10,301,328</u>	<u>\$ 1,776,158</u>	<u>\$ 1,131,170</u>	<u>\$ 13,208,656</u>

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

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Statement of Functional Expenses
For the Year Ended March 31, 2018

	Pacific Coast and Central Valley	Emerging Projects	California Current	Education and Outreach	Climate Adaptation	Sierra Nevada	Informatics and Information Technology	Total Program Services	Management and General	Development	Total
Personnel costs											
Salaries and wages	\$ 1,418,780	\$ 964,721	\$ 775,284	\$ 656,762	\$ 543,718	\$ 398,848	\$ 312,824	\$ 5,070,937	\$ 934,341	\$ 620,239	\$ 6,625,517
Employee benefits and payroll taxes	616,596	434,593	356,191	343,739	250,278	152,530	136,407	2,290,334	457,354	274,387	3,022,075
Interns	56,308	-	61,200	46,750	6,886	4,661	-	175,805	-	-	175,805
Total personnel costs	<u>2,091,684</u>	<u>1,399,314</u>	<u>1,192,675</u>	<u>1,047,251</u>	<u>800,882</u>	<u>556,039</u>	<u>449,231</u>	<u>7,537,076</u>	<u>1,391,695</u>	<u>894,626</u>	<u>9,823,397</u>
Professional services	172,083	86,008	275,722	84,488	551,147	24,164	177,630	1,371,242	254,132	143,585	1,768,959
Travel/meetings/events	154,605	121,284	54,180	46,220	31,435	27,729	12,489	447,942	30,622	45,372	523,936
Computer upgrades/internet	41,622	27,354	28,361	20,249	15,951	10,751	8,906	153,194	26,908	17,298	197,400
Project supplies and publications	30,784	11,144	46,078	80,421	5,835	4,470	1,655	180,387	5,058	11,242	196,687
Facilities	38,051	24,284	23,688	21,250	13,817	18,197	8,281	147,568	22,700	15,202	185,470
Depreciation	65,421	25,073	21,371	18,765	14,350	9,963	8,049	162,992	24,937	16,030	203,959
General office	31,190	19,938	16,788	15,811	12,241	9,100	6,323	111,391	20,268	20,559	152,218
Equipment purchases	5,468	2,961	2,632	2,389	67,064	23,857	951	105,322	2,945	2,693	110,960
Printing and reproduction	7,558	3,783	5,814	2,223	1,801	1,194	954	23,327	3,945	28,707	55,979
Insurance	17,802	11,909	10,150	8,913	6,816	4,732	3,823	64,145	11,844	7,614	83,603
Advertising and promotion	612	1,778	665	355	235	163	132	3,940	457	12,029	16,426
Other expenses	60	-	10,430	-	-	-	-	10,490	25,008	-	35,498
	<u>\$ 2,656,940</u>	<u>\$ 1,734,830</u>	<u>\$ 1,688,554</u>	<u>\$ 1,348,335</u>	<u>\$ 1,521,574</u>	<u>\$ 690,359</u>	<u>\$ 678,424</u>	<u>\$ 10,319,016</u>	<u>\$ 1,820,519</u>	<u>\$ 1,214,957</u>	<u>\$ 13,354,492</u>

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

Point Reyes Bird Observatory
 dba Point Blue Conservation Science
 Statements of Cash Flows
 For the Years Ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (995,621)	\$ 955,973
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	186,245	203,959
Loss on disposal of property and equipment	2,498	22,179
Realized and unrealized gains, net	(2,657)	(24,989)
Contributions restricted for long-term purposes	(208,804)	(1,200,000)
Changes in operating assets and liabilities		
Contracts receivable	(567,522)	(39,520)
Grants and contributions receivable	(86,755)	(573,568)
Other receivables	71,733	(20,579)
Prepaid expenses and other current assets	58,155	(46,343)
Accounts payable	(11,833)	306,310
Accrued vacation	21,145	13,465
Deferred revenue	(61,353)	(87,538)
Net cash used in operating activities	<u>(1,594,769)</u>	<u>(490,651)</u>
Cash flows from investing activities		
Redemption of certificates of deposit	-	253,783
Sale of endowment, net	3,635	3,631
Purchase of property and equipment	(185,181)	(1,144,393)
Net cash used in investing activities	<u>(181,546)</u>	<u>(886,979)</u>
Cash flows from financing activities		
Contributions restricted for long-term purposes	<u>208,804</u>	<u>1,200,000</u>
Net cash provided by financing activities	<u>208,804</u>	<u>1,200,000</u>
Net decrease in cash, cash equivalents and restricted cash	(1,567,511)	(177,630)
Cash, cash equivalents and restricted cash, beginning of year	<u>6,464,787</u>	<u>6,642,417</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 4,897,276</u>	<u>\$ 6,464,787</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 4,588,401	\$ 6,364,785
Restricted cash, endowment	<u>308,875</u>	<u>100,002</u>
	<u>\$ 4,897,276</u>	<u>\$ 6,464,787</u>

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

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Notes to Financial Statements
March 31, 2019 and 2018

1. THE ORGANIZATION

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

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

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

Pacific Coast and Central Valley Group

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

California Current Group

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

Informatics and Information Technology Group

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

Sierra Nevada Group

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

Point Reyes Bird Observatory
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Notes to Financial Statements
March 31, 2019 and 2018

1. THE ORGANIZATION (continued)

Climate Adaptation Group

Using cutting-edge climate models and analytical approaches, this Group increases understanding of the effects of climate change and management responses on ecosystems and human communities. The focus is on science and outreach to influence shoreline and bay-land development, climate change adaptation activities, ecosystem management, habitat restoration and mitigation.

Emerging Projects and Partnerships Group

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

Education and Outreach Group

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Basis of presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

- *Net assets without donor restrictions* - Net assets without donor restrictions generally result from revenue obtained by providing services in connection with contracts with governmental and quasi-government agencies, and receiving contributions and interest and dividends that are not restricted by donor-imposed stipulations.

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Notes to Financial Statements
March 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

- *Net assets with donor restrictions* - The Organization reports donations and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. This includes donor imposed stipulations that either expire by passage of time and/or can be fulfilled and removed by actions of the Organization, or donor-imposed stipulations that are restricted in perpetuity. When a donor restriction expires or the purpose restriction is accomplished, the restricted net assets are reclassified and reported in the statement of activities as net assets released from restrictions. Contributions restricted for capital improvements are released to net assets without donor restrictions at the time the funds are expended for the specified improvement.

Functional allocation of expenses

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

In-kind services

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

Cash and cash equivalents

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

Restricted cash, endowment

The restricted cash balance represents donor-restricted endowment funds of \$308,875 and \$100,002 which had not been invested as of March 31, 2019 and 2018, respectively.

Contracts receivable

Contracts receivable represent amounts due from contracts with governmental and quasi-governmental entities. Revenue is recorded when earned upon completion of the services. Management estimates an allowance for doubtful contracts receivable based on a review of specific amounts outstanding longer than thirty days and past experience. There was no allowance for uncollectible contracts receivable as of March 31, 2019 and 2018.

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Notes to Financial Statements
March 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions and promises to give are reported as net assets without donor restrictions or net assets with donor restrictions. Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions receivable that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Contributions receivable have been discounted at what was considered a risk-free rate of return (3.5% as of March 31, 2019 and 2018) to reflect their present value at the dates of origin. Amortization of the discount is included in contribution revenue.

An allowance for uncollectible contributions receivable is established based on management's judgment, the review of the composition of the balances and past experience. There was no allowance for uncollectible contributions at March 31, 2019 and 2018 as all balances were considered collectible.

Endowment fund

Endowment funds represent investments in pooled investment funds with a Community Foundation and are valued based on quoted prices in markets which are not active or have unobservable inputs. Net realized and unrealized gains or losses are classified as increases or decreases in net assets without donor restrictions, unless their use is restricted by the donor. At March 31, 2019 and 2018, \$308,875 and \$100,002 of endowment funds are also maintained in restricted cash.

Fair value measurements

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

- *Level 1* - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- *Level 2* - inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Point Reyes Bird Observatory
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Notes to Financial Statements
March 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

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

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

- Endowment - Investments in the Equity and Fixed Income Pool of a Community Foundation are measured at the equivalent of net asset value per share (NAV).

Property and equipment

Property, which consists of land, buildings, 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; software, 3 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.

The Organization has evaluated its current tax positions and has concluded that as of March 31, 2019 and 2018, the Organization does not have any uncertain tax positions for which a reserve would be necessary. The Organization files U.S. federal, and U.S. state returns as applicable.

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.

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Notes to Financial Statements
March 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 makes certain improvements to current reporting requirements, including the following:

- Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
- Enhancing disclosures about:
 1. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
 2. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
 3. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
 4. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
 5. Methods used to allocate costs among program and support functions.
 6. Underwater endowment funds.
- Reporting investment return net of external and direct internal investment expenses.
- Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The amendments have been applied on a retrospective basis in 2018, with the option to omit the disclosures about liquidity and availability of resources for the prior year comparative period.

Subsequent events

For disclosure purposes, subsequent events have been evaluated through July 23, 2019, the date the financial statements were available to be issued.

Point Reyes Bird Observatory
 dba Point Blue Conservation Science
 Notes to Financial Statements
 March 31, 2019 and 2018

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consisted of the following:

	2019	2018
Receivable in less than one year	\$ 1,709,810	\$ 1,251,585
Receivable in one to five years	348,175	746,538
	2,057,985	1,998,123
Less discounts to net present value	(8,344)	(35,237)
	\$ 2,049,641	\$ 1,962,886

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2019	2018
Land	\$ 1,806,000	\$ 1,806,000
Buildings and improvements	5,639,460	5,697,559
Furniture and equipment	1,434,621	1,394,740
Software development in progress	140,945	-
	9,021,026	8,898,299
Accumulated depreciation	(3,243,546)	(3,117,257)
	\$ 5,777,480	\$ 5,781,042

5. LINE OF CREDIT

The Organization has a \$750,000 line of credit with a bank that expires on December 15, 2020. Interest on the line accrues at the index (bank's prime rate) plus 0.50% with a floor of 5.50%. The line is collateralized by receivables and equipment of the Organization. There were no borrowings against the line during the years ended March 31, 2019 and 2018.

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6. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following:

	2019	2018
Board-designated funds		
Cash	\$ 3,085,041	\$ 3,085,041
Board-designated endowment fund	199,591	197,284
	3,284,632	3,282,325
Undesignated	6,365,320	7,328,002
	\$ 9,649,952	\$ 10,610,327

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2019	2018
Restricted for a specified purpose		
Pacific Coast and Central Valley	\$ 2,007,706	\$ 2,839,127
Development and Communications	-	50,000
Climate Adaptation	162,984	131,143
Emerging Projects and Partnerships	37,781	354,046
Education and Outreach	211,767	471,129
California Current	554,783	231,205
Sierra Nevada	131,366	187,782
Washington Street Intern House	-	10,969
Management and General	248,451	12,902
	3,354,838	4,288,303
Restricted to passage of time	692,631	-
Subject to the Organization spending policy and appropriation. Investment in perpetuity (including amounts above original gift amounts) which, once appropriated, is expendable to support the Palomarin field station and operating expenses.	418,501	212,913
	\$ 4,465,970	\$ 4,501,216

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7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets released from restriction were as follows:

	2019	2018
Restricted for a specified purpose		
Pacific Coast and Central Valley	\$ 2,039,770	\$ 2,031,760
Emerging Projects and Partnerships	754,780	1,024,319
Washington Street Intern House	10,969	1,103,284
Education and Outreach	801,238	724,534
California Current	522,674	544,206
Climate Adaptation	176,427	253,850
Sierra Nevada	296,666	250,824
Development and Communication	50,000	314,731
Management and General	101,470	31,480
	4,753,994	6,278,988
 Restricted to passage of time	 -	 -
 Endowment earnings appropriated for expenditure	 5,488	 5,677
	\$ 4,759,482	\$ 6,284,665

8. ENDOWMENTS

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.

Interpretation of relevant law

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

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8. ENDOWMENTS (continued)

Spending policy

Investment income earned on board-designated and donor-restricted endowments are available to support the purposes of the endowments. The endowment funds are invested in a pooled account managed by the Marin Community Foundation (MCF) as well as a money market account. For fiscal year 2019, the endowment spending policy was 4.75% of the average market value for the preceding 12 quarters.

Endowment Investment Policy, Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to preserve the amount of the gifts at the date contributed. The Organization's board-designated and donor-restricted endowments held at MCF are invested 65% and 35% and 75% and 25% in the Equity and Fixed Income Pools of the MCF, respectively. Donor-restricted endowment funds in the amount of \$308,875 and \$100,002 as of March 31, 2019 and 2018, respectively, are held in a money market fund pending further investment by the Organization.

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

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

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. The Organization accounts such for "underwater" endowment funds as a reduction of net assets with restrictions. As of March 31, 2019 and 2018, there were no underwater endowment funds.

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8. ENDOWMENTS (continued)

Endowment composition

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

The donor-imposed endowment fund was started in 2014, when the Organization received a \$100,000 restricted contribution. Additional donor-restricted contributions of \$100,000 and \$208,804 were subsequently received in February 2018 and January 2019, respectively, and are to be held in perpetuity as specified by the donors. Earnings from the donor-imposed endowment fund are to provide ongoing support of the Palomarin field station and operating expenses

Endowment net asset composition by type of fund as of March 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions			Total Fund
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	
Donor-restricted funds	\$ -	\$ 408,804	\$ 9,697	\$ 418,501	\$ 418,501
Board-designated endowment fund	<u>199,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,591</u>
	<u>\$ 199,591</u>	<u>\$ 408,804</u>	<u>\$ 9,697</u>	<u>\$ 418,501</u>	<u>\$ 618,092</u>

Endowment net asset composition by type of fund as of March 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions			Total Fund
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	
Donor-restricted funds	\$ -	\$ 200,000	\$ 12,913	\$ 212,913	\$ 212,913
Board-designated endowment fund	<u>197,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,284</u>
	<u>\$ 197,284</u>	<u>\$ 200,000</u>	<u>\$ 12,913</u>	<u>\$ 212,913</u>	<u>\$ 410,197</u>

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8. ENDOWMENTS (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal years ended March 31, 2019 and 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions			Total Fund
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	
Balance, March 31, 2017	\$ 181,432	\$ 100,000	\$ 7,405	\$ 107,405	\$ 288,837
Realized and unrealized gains (losses), net	15,058	-	9,931	9,931	24,989
Interest income	1,200	-	1,254	1,254	2,454
Contributions	-	100,000	-	100,000	100,000
Amounts appropriated for expenditure	<u>(406)</u>	<u>-</u>	<u>(5,677)</u>	<u>(5,677)</u>	<u>(6,083)</u>
Balance, March 31, 2018	<u>197,284</u>	<u>200,000</u>	<u>12,913</u>	<u>212,913</u>	<u>410,197</u>
Realized and unrealized gains (losses), net	1,585	-	1,072	1,072	2,657
Interest income	2,391	-	1,200	1,200	3,591
Contributions	-	208,804	-	208,804	208,804
Amounts appropriated for expenditure	<u>(1,669)</u>	<u>-</u>	<u>(5,488)</u>	<u>(5,488)</u>	<u>(7,157)</u>
	<u>2,307</u>	<u>208,804</u>	<u>(3,216)</u>	<u>205,588</u>	<u>207,895</u>
Balance, March 31, 2019	<u>\$ 199,591</u>	<u>\$ 408,804</u>	<u>\$ 9,697</u>	<u>\$ 418,501</u>	<u>\$ 618,092</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 \$19,000 for calendar year 2019 and \$18,500 for calendar year 2018. Participants age 50 or over may make additional "catch-up" contributions which are limited to \$6,000 for calendar years 2019 and 2018. The Organization made a discretionary matching contribution of up to five percent of the employees' annual compensation for the 2019 and 2018 Plan year. The Organization's match may not exceed the maximum annual limit as defined in the Internal Revenue Code. For the years ended March 31, 2019 and 2018, the Organization's contribution to the plan amounted to \$285,537 and \$267,256, respectively.

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10. COMMITMENTS

The Organization has operating leases for office space, intern and seasonal staff housing, a storage facility, copiers and postage equipment. The leases run through April of 2023 or on a month to month basis and require annual payments ranging from approximately \$400 to \$17,000.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending March 31,</u>	
2020	\$ 14,608
2021	7,108
2022	7,108
2023	7,108
2024	<u>960</u>
	<u><u>\$ 36,892</u></u>

11. CONCENTRATIONS

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

Approximately 30% and 28% of contracts receivable is comprised of amounts due from two federal agencies as of March 31, 2019 and 2018, respectively. Approximately 62% and 70% of the net grants and contributions receivable is comprised of amounts due from two and one donors as of March 31, 2019 and 2018, respectively. Approximately 16% and 43% of total contracts revenue is comprised of amounts from one and two federal agencies for the years ended March 31, 2019 and 2018, respectively.

12. LIQUIDITY AND FUNDS AVAILABLE

As part of the Organization's liquidity management, it has a policy to manage financial assets and resources that are available to support general operations within 12 months from the reporting date.

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12. LIQUIDITY AND FUNDS AVAILABLE (continued)

- *Cash and cash equivalents* - includes cash balances without donor restrictions, amounts internally designated by the Board for specific purposes to support operations, as well as amounts designated by donors for specific purpose restrictions. Amounts designated by the board are available for operating expenditure with Board approval. The Board approved \$500,000 to be used for operating expenditure for fiscal year 2020 without additional approval. Amounts designated by donors for specific purposes are not available for general expenditure, until the donor stipulations are fulfilled. While these amounts are excluded from the following table, the Organization has historically relied on the release of these funds to revenue without donor restrictions to cover a substantial part of its operating expenditures.
- *Restricted cash, endowment* - represents funds received from donor restricted endowments not yet invested. These funds are not available for operations.
- *Contracts receivable* - represent amounts due from contracts with governmental and quasi-governmental entities. These amounts are generally collected within 60 days.
- *Grants and contributions receivable* - consists of unconditional promises to give with restrictions for use in programs. Amounts restricted by donors for specific purposes included in this balance are not available for expenditure.
- *Endowment* - include investment funds consisting of donor-restricted endowments totaling \$109,626 and a board designated quasi-endowment totaling \$199,591. Income from the quasi-endowment is internally designated but otherwise available for general operations. As described in Note 8, to the financial statements, the board has a policy to appropriate for expenditure 4.75% annually of the trailing 12 quarter average of the donor-restricted endowment fund investments. Approximately \$11,000 of investments at March 31, 2019 relate to the appropriation that will be spent within 12 months. These investments have no lockups or restrictions which would impact liquidity.

As stated in Note 5 to the financial statements, the Organization has a line of credit available for use. The balance available at March 31, 2019 and 2018, is \$750,000.

As of March 31, 2019 and 2018, the Organization's cash and cash equivalents covers approximately 127 and 174 days, respectively, worth of operations at current expenditure levels.

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12. LIQUIDITY AND FUNDS AVAILABLE (continued)

Financial assets available to meet cash needs for general expenditures within one year are as follows:

Financial assets	
Cash and cash equivalents	\$ 4,588,401
Restricted cash, endowment	308,875
Contracts receivable	2,032,232
Grants and contributions receivable, net	2,049,641
Other receivables	15,060
Endowment investments	<u>309,218</u>
	<u>9,303,427</u>
Less: amounts unavailable for general expenditure within one year:	
Donor-imposed restrictions	
Restricted cash, endowment	(308,875)
Endowment investments	(109,626)
Other donor imposed restrictions for a specified purpose	<u>(3,679,838)</u>
	<u>(4,098,339)</u>
Board-designations	
Board-designated endowment investments	(199,591)
Other board-designated funds - cash and cash equivalents available only with board approval	<u>(2,585,041)</u>
	<u>(2,784,632)</u>
	<u>\$ 2,420,456</u>

Financial assets available are as follows:

Line of credit	<u><u>\$ 750,000</u></u>
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