

Point Reyes Bird Observatory

dba Point Blue Conservation Science

Financial Statements

March 31, 2020 and 2019



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 24



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, 2020 and 2019, 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, 2020 and 2019, 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.



An independent firm
associated with Moore
Global Network Limited

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As described in Note 13 to the financial statements, on March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is unmodified with respect to that matter.



Armanino^{LLP}
San Francisco, California

September 9, 2020

Point Reyes Bird Observatory
 dba Point Blue Conservation Science
 Statements of Financial Position
 March 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,159,621	\$ 4,588,401
Contracts receivable	2,515,805	2,032,232
Contributions receivable	1,014,175	1,709,810
Other receivables	7,203	15,060
Prepaid expenses and other current assets	223,495	80,811
Total current assets	7,920,299	8,426,314
Non-current assets		
Restricted cash, endowment	10	308,875
Endowment funds	542,305	309,217
Contributions receivable, net	242,372	339,831
Property and equipment, net	6,045,500	5,777,480
Total non-current assets	6,830,187	6,735,403
Total assets	\$ 14,750,486	\$ 15,161,717
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 758,266	\$ 585,587
Accrued vacation	487,235	423,814
Deferred revenue	82,514	36,394
Total current liabilities	1,328,015	1,045,795
Net assets		
Without donor restrictions		
Board-designated funds	3,226,143	3,284,632
Undesignated	6,123,703	6,365,320
Total without donor restrictions	9,349,846	9,649,952
With donor restrictions	4,072,625	4,465,970
Total net assets	13,422,471	14,115,922
Total liabilities and net assets	\$ 14,750,486	\$ 15,161,717

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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support						
Contract revenue	\$ 6,336,538	\$ -	\$ 6,336,538	\$ 5,213,361	\$ -	\$ 5,213,361
Contributions	2,633,193	4,126,691	6,759,884	1,746,451	4,721,964	6,468,415
Interest income	2,725	925	3,650	4,965	1,200	6,165
Realized and unrealized gains (losses), net	(19,275)	(53,455)	(72,730)	1,585	1,072	2,657
Other income, net	328,589	-	328,589	522,437	-	522,437
Net assets released from restrictions	<u>4,467,506</u>	<u>(4,467,506)</u>	<u>-</u>	<u>4,759,482</u>	<u>(4,759,482)</u>	<u>-</u>
Total revenues, gains and other support	<u>13,749,276</u>	<u>(393,345)</u>	<u>13,355,931</u>	<u>12,248,281</u>	<u>(35,246)</u>	<u>12,213,035</u>
Functional expenses						
Program services	10,687,008	-	10,687,008	10,301,328	-	10,301,328
Management and general	2,051,538	-	2,051,538	1,776,158	-	1,776,158
Development	<u>1,310,836</u>	<u>-</u>	<u>1,310,836</u>	<u>1,131,170</u>	<u>-</u>	<u>1,131,170</u>
Total functional expenses	<u>14,049,382</u>	<u>-</u>	<u>14,049,382</u>	<u>13,208,656</u>	<u>-</u>	<u>13,208,656</u>
Change in net assets	(300,106)	(393,345)	(693,451)	(960,375)	(35,246)	(995,621)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 9,349,846</u>	<u>\$ 4,072,625</u>	<u>\$ 13,422,471</u>	<u>\$ 9,649,952</u>	<u>\$ 4,465,970</u>	<u>\$ 14,115,922</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, 2020

	Pacific Coast and Central Valley	Working Lands	California Current	Education and Outreach	Climate Adaptation	Sierra Nevada	Informatics and Information Technology	Emerging Projects	Total Program Services	Management and General	Development	Total
Personnel costs												
Salaries and wages	\$ 1,090,413	\$ 1,110,122	\$ 892,800	\$ 874,194	\$ 728,345	\$ 409,098	\$ 188,971	\$ 59,206	\$ 5,353,149	\$ 933,649	\$ 728,090	\$ 7,014,888
Employee benefits and payroll taxes	506,389	504,626	397,955	436,809	330,599	163,961	87,728	26,979	2,455,046	553,812	327,977	3,336,835
Interns	41,351	1,700	70,150	58,330	7,808	1,375	-	-	180,714	-	-	180,714
Total personnel costs	1,638,153	1,616,448	1,360,905	1,369,333	1,066,752	574,434	276,699	86,185	7,988,909	1,487,461	1,056,067	10,532,437
Professional services	192,505	134,346	285,239	99,953	313,331	96,317	24,359	52,335	1,198,385	434,148	59,663	1,692,196
Travel/meetings/events	99,921	94,434	70,585	55,228	45,218	23,965	2,523	11,253	403,127	11,189	69,938	484,254
Computer upgrades/internet	35,643	36,037	28,755	29,206	25,008	12,767	6,164	1,920	175,500	33,636	23,529	232,665
Project supplies and publications	11,151	8,757	82,404	46,541	14,550	6,505	595	299	170,802	4,952	5,328	181,082
Facilities	17,581	16,196	12,888	13,201	17,172	23,225	2,750	1,078	104,091	14,781	10,495	129,367
Depreciation	55,529	10,800	14,529	21,373	17,080	9,864	8,719	943	138,837	23,035	11,432	173,304
General office	18,911	19,553	16,357	19,522	15,017	9,182	3,258	1,315	103,115	17,631	17,443	138,189
Equipment purchases	3,371	3,410	2,725	3,344	3,829	26,565	584	182	44,010	3,140	2,230	49,380
Printing and reproduction	4,966	7,115	5,703	2,393	6,069	1,981	505	157	28,889	4,709	38,158	71,756
Insurance	13,920	14,076	11,252	11,428	9,231	4,996	2,412	751	68,066	12,967	9,206	90,239
Advertising and promotion	1,420	1,754	1,148	1,269	1,092	510	246	77	7,516	1,326	7,347	16,189
Grants to others	166,610	89,064	-	-	-	-	-	-	255,674	-	-	255,674
Other expenses	49	-	38	-	-	-	-	-	87	2,563	-	2,650
	<u>\$ 2,259,730</u>	<u>\$ 2,051,990</u>	<u>\$ 1,892,528</u>	<u>\$ 1,672,791</u>	<u>\$ 1,534,349</u>	<u>\$ 790,311</u>	<u>\$ 328,814</u>	<u>\$ 156,495</u>	<u>\$ 10,687,008</u>	<u>\$ 2,051,538</u>	<u>\$ 1,310,836</u>	<u>\$ 14,049,382</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	Working Lands	California Current	Education and Outreach	Climate Adaptation	Sierra Nevada	Informatics and Information Technology	Emerging Projects	Total Program Services	Management and General	Development	Total
Personnel costs												
Salaries and wages	\$ 1,080,460	\$ 46,871	\$ 779,049	\$ 826,245	\$ 553,478	\$ 378,299	\$ 153,352	\$ 1,408,937	\$ 5,226,691	\$ 896,611	\$ 579,916	\$ 6,703,218
Employee benefits and payroll taxes	498,087	21,732	349,790	406,494	255,744	155,893	70,270	623,241	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	1,624,923	68,603	1,171,382	1,294,743	815,796	539,897	223,622	2,032,178	7,771,144	1,327,498	826,951	9,925,593
Professional services	166,706	6,153	272,954	90,396	422,878	39,097	25,899	132,318	1,156,401	339,911	150,954	1,647,266
Travel/meetings/events	86,538	12,803	58,398	60,011	21,103	28,755	1,856	121,094	390,558	4,802	33,149	428,509
Computer upgrades/internet	33,286	1,418	29,211	25,479	17,607	11,082	4,622	42,961	165,666	27,537	17,092	210,295
Project supplies and publications	12,949	1,172	79,270	60,465	9,333	5,956	832	18,931	188,908	5,413	6,216	200,537
Facilities	28,999	1,257	28,321	35,897	16,737	19,611	4,096	40,397	175,315	7,120	15,147	197,582
Depreciation	52,214	1,124	18,488	20,189	13,253	8,749	3,662	33,282	150,961	21,741	13,543	186,245
General office	19,572	843	14,523	19,300	10,464	8,946	2,747	26,053	102,448	16,499	17,962	136,909
Equipment purchases	3,597	156	20,629	7,358	52,845	10,039	510	5,668	100,802	3,087	1,884	105,773
Printing and reproduction	3,648	197	3,376	3,211	1,938	1,213	508	5,503	19,594	4,684	33,780	58,058
Insurance	13,891	604	9,933	10,848	7,121	4,701	1,968	17,881	66,947	11,682	7,277	85,906
Advertising and promotion	2,461	107	2,363	1,914	1,284	829	347	3,279	12,584	2,194	7,215	21,993
Other expenses	-	-	-	-	-	-	-	-	-	3,990	-	3,990
	<u>\$ 2,048,784</u>	<u>\$ 94,437</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>\$ 2,479,545</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
Statements of Cash Flows
For the Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (693,451)	\$ (995,621)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	173,304	186,245
Loss on disposal of property and equipment	-	2,498
Realized and unrealized (gains) losses, net	72,730	(2,657)
Contributions restricted for long-term purposes	-	(208,804)
Changes in operating assets and liabilities		
Contracts receivable	(483,573)	(567,522)
Contributions receivable, net	793,094	(86,755)
Other receivables	7,857	71,733
Prepaid expenses and other current assets	(142,684)	58,155
Accounts payable	172,679	(11,833)
Accrued vacation	63,421	21,145
Deferred revenue	46,120	(61,353)
Net cash provided by (used in) operating activities	<u>9,497</u>	<u>(1,594,769)</u>
Cash flows from investing activities		
Sale of endowment funds, net	4,759	3,635
Purchase of endowment funds	(310,577)	-
Purchase of property and equipment	(441,324)	(185,181)
Net cash used in investing activities	<u>(747,142)</u>	<u>(181,546)</u>
Cash flows from financing activities		
Contributions restricted for long-term purposes	-	208,804
Net cash provided by financing activities	<u>-</u>	<u>208,804</u>
Net decrease in cash, cash equivalents and restricted cash	(737,645)	(1,567,511)
Cash, cash equivalents and restricted cash, beginning of year	<u>4,897,276</u>	<u>6,464,787</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 4,159,631</u>	<u>\$ 4,897,276</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 4,159,621	\$ 4,588,401
Restricted cash, endowment	<u>10</u>	<u>308,875</u>
	<u>\$ 4,159,631</u>	<u>\$ 4,897,276</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, 2020 and 2019

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:

Working Lands

This group works with farmers, ranchers, land stewards, and other partners to ensure that agricultural landscapes provide ecosystem services that support the needs of people and wildlife. It achieves this by: conducting science that informs metrics, practices, and strategies for thriving agricultural landscapes; evaluating and guiding implementation of innovative agricultural and land stewardship strategies to achieve multiple benefits and minimize undesirable tradeoffs across scales; and leveraging the Organization's climate-smart restoration strategy to amplify benefits to working landscapes.

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.

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Notes to Financial Statements
March 31, 2020 and 2019

1. THE ORGANIZATION (continued)

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.

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.

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Notes to Financial Statements
March 31, 2020 and 2019

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.
- *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.

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Notes to Financial Statements
March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted cash, endowment

The restricted cash balance represents donor-restricted endowment funds of \$10 and \$308,875 which had not been invested as of March 31, 2020, 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 or when the Organization has incurred expenditures in compliance with specific contract or grant provisions. 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, 2020 and 2019.

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 barrier has been overcome and right of release/right of return no longer exists. 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, 2020 and 2019) 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, 2020 and 2019 as all balances were considered collectible.

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Notes to Financial Statements
March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

A portion of the Organization's revenue is derived from cost-reimbursable contracts from governmental agencies, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. The revenue generated from these contracts meets the criteria to be classified as conditional contributions under GAAP revenue recognition as they contain barriers related to the incurrence of qualifying expenditures and a right of return or release. Amounts received are recognized as revenues when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization has elected a simultaneous release option to accounts for these grants. Therefore, they are recorded as government grants without donor restriction upon satisfaction of the barriers. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position. The Organization received cost-reimbursable grants of \$6,303,256 that have not been recognized at March 31, 2020 because qualifying expenditures have not yet been incurred, with an advance payment of \$82,514 recognized in the statement of financial position as deferred revenue.

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, 2020, \$10 and \$308,875 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
dba Point Blue Conservation Science
Notes to Financial Statements
March 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In June 2018, the FASB issued ASU 2018-08, Contributions Received and Contributions Made, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Organization adopted ASU 2018-08 with a date of the initial application of April 1, 2019, using the modified prospective method.

The adoption of ASU 2018-08 did not have a significant impact on the Organization's financial position, result of operations, or cash flows. The Organization has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the previously reported total change in net assets.

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	2020	2019
Receivable in less than one year	\$ 1,014,175	\$ 1,709,810
Receivable in one to five years	248,676	348,175
	1,262,851	2,057,985
Less discounts to net present value	(6,304)	(8,344)
	\$ 1,256,547	\$ 2,049,641

Point Reyes Bird Observatory
 dba Point Blue Conservation Science
 Notes to Financial Statements
 March 31, 2020 and 2019

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2020	2019
Land	\$ 1,806,000	\$ 1,806,000
Buildings and improvements	5,662,235	5,639,460
Furniture and equipment	1,534,841	1,434,621
Software development in progress	292,963	140,945
Construction in progress	160,181	-
	9,456,220	9,021,026
Accumulated depreciation	(3,410,720)	(3,243,546)
	\$ 6,045,500	\$ 5,777,480

5. LINE OF CREDIT

The Organization has a \$750,000 line of credit with a bank that expires on December 15, 2020. As part of the bank's response to the worldwide health pandemic (Note 13), the bank reduced all rate floors to reflect the current prime rate of 3.25% plus 0.50% on March, 2020. Therefore, interest on the line accrues at the index (bank's prime rate) plus 0.50% with a floor of 3.75%. Previously the floor was 5.5%. The temporary rate reduction was in effect for 90 days to June 21, 2020 and subsequent to year end was extended to September 21, 2020. The line is collateralized by receivables and equipment of the Organization. There were no borrowings against the line during the years ended March 31, 2020 and 2019.

6. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following:

	2020	2019
Board-designated funds		
Cash	\$ 3,045,040	\$ 3,085,041
Board-designated endowment fund	181,103	199,591
	3,226,143	3,284,632
Undesignated	6,123,703	6,365,320
	\$ 9,349,846	\$ 9,649,952

Point Reyes Bird Observatory
 dba Point Blue Conservation Science
 Notes to Financial Statements
 March 31, 2020 and 2019

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2020	2019
Restricted for a specified purpose		
Pacific Coast and Central Valley	\$ 1,502,879	\$ 2,007,706
Climate Adaptation	116,414	162,984
Emerging Projects and Partnerships	139,922	37,781
Education and Outreach	323,835	211,767
California Current	465,556	554,783
Sierra Nevada	147,218	131,366
Working Lands	312,434	-
Management and General	308,792	248,451
	3,317,050	3,354,838
Restricted to passage of time	394,363	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 general operating expenses.	361,212	418,501
	\$ 4,072,625	\$ 4,465,970

Point Reyes Bird Observatory
 dba Point Blue Conservation Science
 Notes to Financial Statements
 March 31, 2020 and 2019

7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets released from restriction were as follows:

	2020	2019
Restricted for a specified purpose		
Pacific Coast and Central Valley	\$ 1,479,765	\$ 2,039,770
Emerging Projects and Partnerships	67,454	754,780
Working Lands	1,008,610	-
Washington Street Intern House	-	10,969
Education and Outreach	593,298	801,238
California Current	574,966	522,674
Climate Adaptation	161,577	176,427
Sierra Nevada	153,264	296,666
Development and Communication	-	50,000
Management and General	53,572	101,470
	4,092,506	4,753,994
Restricted to passage of time	375,000	-
Endowment earnings appropriated for expenditure	-	5,488
	\$ 4,467,506	\$ 4,759,482

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.

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Notes to Financial Statements
March 31, 2020 and 2019

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 2020, 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 \$10 and \$308,875 as of March 31, 2020, 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 for such "underwater" endowment funds as a reduction of net assets with restrictions. As of March 31, 2020 there were underwater endowment funds totaling \$47,592. As of March 31, 2019 there were no underwater endowment funds. There were no appropriations from underwater endowment funds during 2020.

Point Reyes Bird Observatory
 dba Point Blue Conservation Science
 Notes to Financial Statements
 March 31, 2020 and 2019

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 general operating expenses.

Endowment net asset composition by type of fund as of March 31, 2020 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	\$ (47,592)	\$ 361,212	\$ 361,212
Board-designated endowment fund	<u>181,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,103</u>
	<u>\$ 181,103</u>	<u>\$ 408,804</u>	<u>\$ (47,592)</u>	<u>\$ 361,212</u>	<u>\$ 542,315</u>

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>

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Notes to Financial Statements
March 31, 2020 and 2019

8. ENDOWMENTS (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal years ended March 31, 2020 and 2019 are 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, 2018	\$ 197,284	\$ 200,000	\$ 12,913	\$ 212,913	\$ 410,197
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>
Balance, March 31, 2019	<u>199,591</u>	<u>408,804</u>	<u>9,697</u>	<u>418,501</u>	<u>618,092</u>
Realized and unrealized gains (losses), net	(19,267)	-	(53,455)	(53,455)	(72,722)
Interest income, net	779	-	925	925	1,704
Distributions	<u>-</u>	<u>-</u>	<u>(4,759)</u>	<u>(4,759)</u>	<u>(4,759)</u>
Balance, March 31, 2020	<u>\$ 181,103</u>	<u>\$ 408,804</u>	<u>\$ (47,592)</u>	<u>\$ 361,212</u>	<u>\$ 542,315</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 \$19,500 for calendar year 2020 and \$19,000 for calendar year 2019. Participants age 50 or over may make additional "catch-up" contributions which are limited to \$6,500 for calendar year 2020 and \$6,000 for calendar year 2019. The Organization made a discretionary matching contribution of up to five percent of the employees' annual compensation for the 2020 and 2019 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, 2020 and 2019, the Organization's contribution to the plan amounted to \$336,123 and \$285,537, respectively.

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 May of 2023 or on a month to month basis and require annual payments ranging from approximately \$400 to \$17,000.

Point Reyes Bird Observatory
 dba Point Blue Conservation Science
 Notes to Financial Statements
 March 31, 2020 and 2019

10. COMMITMENTS (continued)

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

<u>Year ending March 31,</u>	
2021	\$ 46,888
2022	7,696
2023	7,696
2024	920
2025	<u>361</u>
	<u>\$ 63,561</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 10% and 30% of contracts receivable is due from one and two governmental agencies as of March 31, 2020 and 2019, respectively. Approximately 49% and 62% of the net grants and contributions receivable is comprised of amounts due from three and two donors as of March 31, 2020 and 2019, respectively. There was no concentration in contract revenue for the year ended March 31, 2020. Approximately 16% of total contract revenue is comprised of amounts from one federal agency for the year ended March 31, 2019.

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.

- *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 2021 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.

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Notes to Financial Statements
March 31, 2020 and 2019

12. LIQUIDITY AND FUNDS AVAILABLE (continued)

- *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 \$361,212 and a board designated quasi-endowment totaling \$181,103. 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. 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, 2020, is \$750,000.

As of March 31, 2020 and 2019, the Organization's cash and cash equivalents covers approximately 109 and 127 days, respectively, worth of operations at current expenditure levels.

Point Reyes Bird Observatory
 dba Point Blue Conservation Science
 Notes to Financial Statements
 March 31, 2020 and 2019

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	\$ 4,159,621
Restricted cash, endowment	10
Contracts receivable	2,515,805
Contributions receivable, net	1,256,547
Other receivables	7,203
Endowment investments	<u>542,305</u>
	<u>8,481,491</u>
Less: amounts unavailable for general expenditure within one year:	
Donor-imposed restrictions	
Restricted cash, endowment	(10)
Endowment investments	(361,202)
Other donor imposed restrictions for a specified purpose or time	<u>(3,711,413)</u>
	<u>(4,072,625)</u>
Board-designations	
Board-designated endowment investments	(181,103)
Other board-designated funds - cash and cash equivalents available only with board approval	<u>(2,545,040)</u>
	<u>(2,726,143)</u>
	<u>\$ 1,682,723</u>

Financial assets available are as follows:

Line of credit	\$ 750,000
Paycheck Protection Program	<u>2,044,847</u>
	<u>\$ 2,794,847</u>

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Notes to Financial Statements
March 31, 2020 and 2019

13. RISKS AND UNCERTAINTIES

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Organization is headquartered. In response, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes significant provisions to provide relief and assistance to affected organizations. See Note 14. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders and the ultimate impact of the CARES Act and other governmental initiatives. It is at least reasonably possible that this matter will negatively impact the Organization curtailing the ability to perform fieldwork required for its restoration and research activities. However, the financial impact and duration cannot be reasonably estimated at this time.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 9, 2020, the date the financial statements were available to be issued. Other than as described below, there were no material subsequent events that required recognition or additional disclosure in the combined financial statements.

On April 27, 2020, the Organization received loan proceeds of \$2,044,847 from a promissory note issued by Bank of Marin, under the Paycheck Protection Program ("PPP") which was established under the CARES Act and is administered by the U.S. Small Business Administration. The term on the loan is two years and the annual interest rate is 1.00%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The Organization believes that it will likely qualify for full forgiveness, but there is uncertainty around the standards and operation of the PPP, and no assurance is provided that the Organization will obtain forgiveness in whole.