

Point Reyes Bird Observatory
dba Point Blue Conservation Science

Financial Statements

March 31, 2021 and 2020



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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, 2021 and 2020, 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, 2021 and 2020, 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 2014-09, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As described in Note 14 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

August 26, 2021

Point Reyes Bird Observatory
 dba Point Blue Conservation Science
 Statements of Financial Position
 March 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,502,166	\$ 4,159,621
Contracts receivable	2,329,521	2,515,805
Contributions receivable	501,851	1,014,175
Other receivables	13,452	7,203
Prepaid expenses and other current assets	196,449	223,495
Total current assets	10,543,439	7,920,299
Non-current assets		
Restricted cash, endowment	-	10
Endowment funds	748,020	542,305
Contributions receivable, net	168,645	242,372
Property and equipment, net	5,992,081	6,045,500
Total non-current assets	6,908,746	6,830,187
Total assets	\$ 17,452,185	\$ 14,750,486
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 818,942	\$ 758,266
Accrued vacation	628,696	487,235
Deferred revenue	276,289	82,514
Refundable advance - Paycheck Protection Program	1,263,467	-
Total current liabilities	2,987,394	1,328,015
Net assets		
Without donor restrictions		
Board-designated funds	3,291,456	3,226,143
Undesignated	6,613,527	6,123,703
Total without donor restrictions	9,904,983	9,349,846
With donor restrictions	4,559,808	4,072,625
Total net assets	14,464,791	13,422,471
Total liabilities and net assets	\$ 17,452,185	\$ 14,750,486

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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support						
Contract revenue	\$ 5,890,803	\$ -	\$ 5,890,803	\$ 6,336,538	\$ -	\$ 6,336,538
Contributions	1,917,466	4,089,396	6,006,862	2,633,193	4,126,691	6,759,884
Paycheck Protection Program grant revenue	2,791,380	-	2,791,380	-	-	-
Interest income	2,992	2,385	5,377	2,725	925	3,650
Realized and unrealized gains (losses), net	61,448	140,450	201,898	(19,275)	(53,455)	(72,730)
Other income, net	211,237	-	211,237	328,589	-	328,589
Net assets released from restrictions	<u>3,745,048</u>	<u>(3,745,048)</u>	<u>-</u>	<u>4,467,506</u>	<u>(4,467,506)</u>	<u>-</u>
Total revenues, gains and other support	<u>14,620,374</u>	<u>487,183</u>	<u>15,107,557</u>	<u>13,749,276</u>	<u>(393,345)</u>	<u>13,355,931</u>
Functional expenses						
Program services	10,275,587	-	10,275,587	10,687,008	-	10,687,008
Management and general	2,262,577	-	2,262,577	2,051,538	-	2,051,538
Development	<u>1,527,073</u>	<u>-</u>	<u>1,527,073</u>	<u>1,310,836</u>	<u>-</u>	<u>1,310,836</u>
Total functional expenses	<u>14,065,237</u>	<u>-</u>	<u>14,065,237</u>	<u>14,049,382</u>	<u>-</u>	<u>14,049,382</u>
Change in net assets	555,137	487,183	1,042,320	(300,106)	(393,345)	(693,451)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 9,904,983</u>	<u>\$ 4,559,808</u>	<u>\$ 14,464,791</u>	<u>\$ 9,349,846</u>	<u>\$ 4,072,625</u>	<u>\$ 13,422,471</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, 2021

	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	\$ 1,148,298	\$ 918,388	\$ 1,082,228	\$ 942,293	\$ 760,659	\$ 323,555	\$ 160,600	\$ 75,254	\$ 5,411,275	\$ 988,938	\$ 879,394	\$ 7,279,607
Employee benefits and payroll taxes	523,461	426,366	482,619	433,203	340,484	147,923	74,559	33,632	2,462,247	628,821	397,686	3,488,754
Interns	41,415	-	18,011	22,810	3,228	-	-	-	85,464	-	-	85,464
Total personnel costs	1,713,174	1,344,754	1,582,858	1,398,306	1,104,371	471,478	235,159	108,886	7,958,986	1,617,759	1,277,080	10,853,825
Professional services	138,188	89,342	221,818	161,941	293,076	208,316	16,884	81,742	1,211,307	520,138	102,083	1,833,528
Travel/meetings/events	27,254	31,161	36,739	42,189	12,011	11,248	575	4,488	165,665	4,045	8,150	177,860
Computer upgrades/internet	31,053	25,757	34,985	25,664	24,771	8,758	4,368	2,023	157,379	30,547	23,726	211,652
Project supplies and publications	8,625	7,822	61,656	70,891	9,965	8,734	481	1,736	169,910	3,308	5,109	178,327
Facilities	20,559	16,542	19,250	16,960	22,446	7,632	2,893	1,339	107,621	19,901	15,710	143,232
Depreciation	52,391	22,970	25,269	21,478	18,034	7,392	6,934	1,319	155,787	17,652	12,222	185,661
General office	25,390	20,665	23,715	25,255	18,366	7,096	3,539	1,639	125,665	24,420	24,846	174,931
Equipment purchases	3,648	3,497	3,628	5,334	4,612	989	493	281	22,482	3,523	2,678	28,683
Printing and reproduction	5,140	4,803	4,007	2,842	1,746	727	363	168	19,796	3,626	38,388	61,810
Insurance	15,070	12,122	14,106	12,399	9,926	4,250	2,120	982	70,975	14,583	11,512	97,070
Advertising and promotion	488	483	457	401	343	138	69	32	2,411	546	5,569	8,526
Grants to others	63,374	-	29,672	-	-	-	-	-	93,046	-	-	93,046
Other expenses	-	9,500	95	3,941	1,021	-	-	-	14,557	2,529	-	17,086
	<u>\$ 2,104,354</u>	<u>\$ 1,589,418</u>	<u>\$ 2,058,255</u>	<u>\$ 1,787,601</u>	<u>\$ 1,520,688</u>	<u>\$ 736,758</u>	<u>\$ 273,878</u>	<u>\$ 204,635</u>	<u>\$ 10,275,587</u>	<u>\$ 2,262,577</u>	<u>\$ 1,527,073</u>	<u>\$ 14,065,237</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
Statements of Cash Flows
For the Years Ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 1,042,320	\$ (693,451)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	185,661	173,304
Realized and unrealized (gains) losses, net	(201,898)	72,730
Changes in operating assets and liabilities		
Contracts receivable	186,284	(483,573)
Contributions receivable, net	586,051	793,094
Other receivables	(6,249)	7,857
Prepaid expenses and other current assets	27,046	(142,684)
Accounts payable	60,676	172,679
Accrued vacation	141,461	63,421
Deferred revenue	193,775	46,120
Refundable advance - Paycheck Protection Program	<u>1,263,467</u>	<u>-</u>
Net cash provided by operating activities	<u>3,478,594</u>	<u>9,497</u>
Cash flows from investing activities		
Sale of endowment funds, net	-	4,759
Purchase of endowment funds	(3,817)	(310,577)
Purchase of property and equipment	<u>(132,242)</u>	<u>(441,324)</u>
Net cash used in investing activities	<u>(136,059)</u>	<u>(747,142)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	3,342,535	(737,645)
Cash, cash equivalents and restricted cash, beginning of year	<u>4,159,631</u>	<u>4,897,276</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 7,502,166</u>	<u>\$ 4,159,631</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 7,502,166	\$ 4,159,621
Restricted cash, endowment	<u>-</u>	<u>10</u>
	<u>\$ 7,502,166</u>	<u>\$ 4,159,631</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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

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
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Notes to Financial Statements
March 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted cash, endowment

The restricted cash balance as of March 31, 2020 represents donor-restricted endowment funds of \$10 which had not been invested.

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, 2021 and 2020.

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, 2021 and 2020) 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, 2021 and 2020 as all balances were considered collectible.

Point Reyes Bird Observatory
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Notes to Financial Statements
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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 contract 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 \$9,664,570 that have not been recognized at March 31, 2021 because qualifying expenditures have not yet been incurred, with an advance payment of \$270,612 recognized in the statement of financial position as part of the deferred revenue balance.

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 of endowment fund was 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, 2021 and 2020

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, 2021 and 2020, 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
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 Notes to Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. Revenue from contributions and investment income are not impacted by this new standard. The Organization adopted ASU 2014-09 with a date of the initial application of April 1, 2020, using the full retrospective method. The adoption of ASU 2014-09 did not have a significant impact on the Organization's financial position, result of operations, or cash flows.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	2021	2020
Receivable in less than one year	\$ 501,851	\$ 1,014,175
Receivable in one to five years	173,000	248,676
	674,851	1,262,851
Less discounts to net present value	(4,355)	(6,304)
	\$ 670,496	\$ 1,256,547

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2021	2020
Land	\$ 1,806,000	\$ 1,806,000
Buildings and improvements	5,924,220	5,662,235
Furniture and equipment	1,553,279	1,534,841
Software development in progress	304,963	292,963
Construction in progress	-	160,181
	9,588,462	9,456,220
Accumulated depreciation	(3,596,381)	(3,410,720)
	\$ 5,992,081	\$ 6,045,500

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5. LINE OF CREDIT

The Organization has a \$750,000 line of credit with a bank with a maturity date of December 15, 2020. The Organization received an extension letter dated December 4, 2020, extending the maturity date on the line of credit through March 31, 2021. The line of credit subsequently renewed on April 19, 2021, extending the maturity date through December 15, 2021 (Note 15). As part of the bank's response to the worldwide health pandemic (Note 14), the bank temporarily 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%. The line is collateralized by receivables and equipment of the Organization. There were no borrowings against the line during the years ended March 31, 2021 and 2020.

6. PAYCHECK PROTECTION PROGRAM

The Organization was granted two loans under promissory notes issued by Bank of Marin, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, and is administered by the U.S. Small Business Administration ("SBA"). On April 27, 2020 the Organization received loan proceeds of \$2,044,847 and on February 3, 2021, the Organization received loan proceeds of \$2,000,000. The term on the loans are two years and the annual interest rate is 1%. 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 has recognized the PPP loans as grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization recognized \$2,791,380 as grant revenue for the year ended March 31, 2021 based on qualifying expenditures incurred under the loans during the year. The Organization applied for forgiveness of the first PPP loan during the year ended March 31, 2021 and received notification from the SBA on June 14, 2021 that the total loan amount of \$2,044,847 had been forgiven. The Organization had not yet applied for forgiveness of its second PPP loan as of March 31, 2021. The proceeds from the second PPP loan that had not been recognized as revenue as of March 31, 2021 is reported as a refundable advance liability on the statements of financial position.

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7. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following:

	2021	2020
Board-designated funds		
Cash	\$ 3,047,485	\$ 3,045,040
Board-designated endowment fund	243,971	181,103
	3,291,456	3,226,143
Undesignated	6,613,527	6,123,703
	\$ 9,904,983	\$ 9,349,846

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2021	2020
Restricted for a specified purpose		
Pacific Coast and Central Valley	\$ 1,605,570	\$ 1,502,879
Climate Adaptation	192,069	116,414
Emerging Projects and Partnerships	72,095	139,922
Education and Outreach	368,750	323,835
California Current	415,811	465,556
Sierra Nevada	212,771	147,218
Working Lands	765,002	312,434
Management and General	79,994	308,792
Development	150,000	-
	3,862,062	3,317,050
Restricted to passage of time	193,699	394,363
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.	504,047	361,212
	\$ 4,559,808	\$ 4,072,625

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8. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets released from restriction were as follows:

	2021	2020
Restricted for a specified purpose		
Pacific Coast and Central Valley	\$ 1,025,517	\$ 1,479,765
Emerging Projects and Partnerships	70,000	67,454
Working Lands	662,431	1,008,610
Education and Outreach	569,915	593,298
California Current	483,401	574,966
Climate Adaptation	123,201	161,577
Sierra Nevada	135,855	153,264
Management and General	324,728	53,572
	3,395,048	4,092,506
 Restricted to passage of time	 350,000	 375,000
	 \$ 3,745,048	 \$ 4,467,506

9. 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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9. 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 2021, 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 as of March 31, 2020, were held in a money market fund pending 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, 2021 there were no underwater endowment funds. As of March 31, 2020 there were underwater endowment funds totaling \$47,592. There were no appropriations from underwater endowment funds during 2020.

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9. 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, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>			<u>Total Fund</u>
		<u>Original Gift Amount</u>	<u>Accumulated Gains (Losses) and Other</u>	<u>Total With Donor Restrictions</u>	
Donor-restricted funds	\$ -	\$ 408,804	\$ 95,243	\$ 504,047	\$ 504,047
Board-designated endowment fund	<u>243,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,971</u>
	<u>\$ 243,971</u>	<u>\$ 408,804</u>	<u>\$ 95,243</u>	<u>\$ 504,047</u>	<u>\$ 748,018</u>

Endowment net asset composition by type of fund as of March 31, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>			<u>Total Fund</u>
		<u>Original Gift Amount</u>	<u>Accumulated Gains (Losses) and Other</u>	<u>Total With Donor Restrictions</u>	
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>

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9. ENDOWMENTS (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal years ended March 31, 2021 and 2020 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, 2019	\$ 199,591	\$ 408,804	\$ 9,697	\$ 418,501	\$ 618,092
Realized and unrealized gains (losses), net	(19,267)	-	(53,455)	(53,455)	(72,722)
Interest income	779	-	925	925	1,704
Distributions	-	-	(4,759)	(4,759)	(4,759)
Balance, March 31, 2020	<u>181,103</u>	<u>408,804</u>	<u>(47,592)</u>	<u>361,212</u>	<u>542,315</u>
Realized and unrealized gains (losses), net	61,448	-	140,450	140,450	201,898
Interest income, net	<u>1,420</u>	-	<u>2,385</u>	<u>2,385</u>	<u>3,805</u>
Balance, March 31, 2021	<u>\$ 243,971</u>	<u>\$ 408,804</u>	<u>\$ 95,243</u>	<u>\$ 504,047</u>	<u>\$ 748,018</u>

10. 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 2021 and 2020. Participants age 50 or over may make additional "catch-up" contributions which are limited to \$6,500 for calendar year 2021 and 2020. The Organization made a discretionary matching contribution of up to five percent of the employees' annual compensation for the 2021 and 2020 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, 2021 and 2020, the Organization's contribution to the plan amounted to \$421,573 and \$336,123, respectively.

11. 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.

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11. COMMITMENTS (continued)

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

<u>Year ending March 31,</u>	
2022	\$ 7,335
2023	7,335
2024	<u>559</u>
	<u>\$ 15,229</u>

12. 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 18% and 10% of contracts receivable is due from one governmental agency as of March 31, 2021 and 2020, respectively. Approximately 10% and 49% of the net grants and contributions receivable is comprised of amounts due from one and three grantors as of March 31, 2021 and 2020, respectively. Approximately 13% of total contract revenue is comprised of amounts from one federal agency for the year ended March 31, 2021. There was no concentration in contract revenue for the year ended March 31, 2020.

13. 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 2022 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.

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13. 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 \$504,407 and a board designated quasi-endowment totaling \$243,971. Income from the quasi-endowment is internally designated but otherwise available for general operations. As described in Note 9, 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, 2021, is \$750,000.

As of March 31, 2021 and 2020, the Organization's cash and cash equivalents covers approximately 194 and 109 days, respectively, worth of operations at current expenditure levels.

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13. LIQUIDITY AND FUNDS AVAILABLE (continued)

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

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 7,502,166	\$ 4,159,621
Restricted cash, endowment	-	10
Contracts receivable	2,329,521	2,515,805
Contributions receivable, net	670,496	1,256,547
Other receivables	13,452	7,203
Endowment investments	748,020	542,305
	11,263,655	8,481,491
Less: amounts unavailable for general expenditure within one year:		
Donor-imposed restrictions		
Restricted cash, endowment	-	(10)
Endowment investments	(504,047)	(361,202)
Other donor imposed restrictions for a specified purpose or time	(4,055,761)	(3,711,413)
	(4,559,808)	(4,072,625)
Board-designations		
Board-designated endowment investments	(243,971)	(181,103)
Other board-designated funds - cash and cash equivalents available only with board approval	(2,547,485)	(2,545,040)
	(2,791,456)	(2,726,143)
	\$ 3,912,391	\$ 1,682,723

Other amounts available under borrowings are as follows:

	2021	2020
Line of credit	\$ 750,000	\$ 750,000
Paycheck Protection Program	1,263,467	2,044,847
	\$ 2,013,467	\$ 2,794,847

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14. RISKS AND UNCERTAINTIES

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. The mandates enforced by public health and governmental authorities to contain and combat the outbreak and spread, adversely affected workforces, economies, and financial markets globally. 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. The Organization received two PPP loan through the CARES Act (see Note 6). 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.

The COVID-19 pandemic remains a rapidly evolving situation and while the disruption to the Organization did not have a material adverse financial impact during the years ended March 31, 2021 and 2020, there is uncertainty around the ultimate financial impact.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 26, 2021, 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 19, 2021, the Organization renewed its line of credit with the Bank of Marin, extending the maturity date to December 15, 2021. The floor rate on the line of credit was also changed to 3.75%.

As described in Note 6, on June 14, 2021 the Organization received notification from the SBA that they remitted full forgiveness of the Organization's first PPP loan in the amount of \$2,044,847.