

Point Reyes Bird Observatory

dba Point Blue Conservation Science

Financial Statements

March 31, 2022 and 2021



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Point Reyes Bird Observatory and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Point Reyes Bird Observatory's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Point Reyes Bird Observatory's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Point Reyes Bird Observatory's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Armanino^{LLP}
San Francisco, California

July 29, 2022

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Statements of Financial Position
March 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,637,862	\$ 7,502,166
Investments	450,487	-
Government grants and contracts receivable	2,689,988	2,253,980
Contributions receivable	516,991	501,851
Other receivables	11,333	13,452
Prepaid expenses and other current assets	178,445	196,449
Total current assets	8,485,106	10,467,898
Non-current assets		
Endowment funds	743,960	748,020
Government grants and contracts receivable, net of current portion	184,731	75,541
Contributions receivable, net	251,975	168,645
Property and equipment, net	6,178,600	5,992,081
Total non-current assets	7,359,266	6,984,287
Total assets	\$ 15,844,372	\$ 17,452,185
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 648,104	\$ 818,942
Accrued vacation	641,116	628,696
Deferred revenue	62,294	276,289
Refundable advance - Paycheck Protection Program	62,819	1,263,467
Total current liabilities	1,414,333	2,987,394
Net assets		
Without donor restrictions		
Board-designated funds	3,291,084	3,291,456
Undesignated	6,425,707	6,613,527
Total without donor restrictions	9,716,791	9,904,983
With donor restrictions	4,713,248	4,559,808
Total net assets	14,430,039	14,464,791
Total liabilities and net assets	\$ 15,844,372	\$ 17,452,185

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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support						
Government grants and contracts	\$ 7,975,174	\$ -	\$ 7,975,174	\$ 5,890,803	\$ -	\$ 5,890,803
Contributions	1,718,400	4,247,250	5,965,650	1,917,466	4,089,396	6,006,862
Paycheck Protection Program grant revenue	1,211,288	-	1,211,288	2,791,380	-	2,791,380
Interest income	2,022	3,533	5,555	2,992	2,385	5,377
Realized and unrealized gains (losses), net	(9,854)	(6,757)	(16,611)	61,448	140,450	201,898
Other income	511,910	-	511,910	211,237	-	211,237
Net assets released from restrictions	4,090,586	(4,090,586)	-	3,745,048	(3,745,048)	-
Total revenues, gains and other support	<u>15,499,526</u>	<u>153,440</u>	<u>15,652,966</u>	<u>14,620,374</u>	<u>487,183</u>	<u>15,107,557</u>
Functional expenses						
Program services	12,009,360	-	12,009,360	10,275,587	-	10,275,587
Management and general	2,222,942	-	2,222,942	2,262,577	-	2,262,577
Development	1,455,416	-	1,455,416	1,527,073	-	1,527,073
Total functional expenses	<u>15,687,718</u>	<u>-</u>	<u>15,687,718</u>	<u>14,065,237</u>	<u>-</u>	<u>14,065,237</u>
Change in net assets	(188,192)	153,440	(34,752)	555,137	487,183	1,042,320
Net assets, beginning 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>
Net assets, end of year	<u>\$ 9,716,791</u>	<u>\$ 4,713,248</u>	<u>\$ 14,430,039</u>	<u>\$ 9,904,983</u>	<u>\$ 4,559,808</u>	<u>\$ 14,464,791</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, 2022

	Pacific Coast and Central Valley	Working Lands	California Current	Education and Outreach	Ecoinformatics	Sierra Nevada	Emerging Projects & Partnerships	Total Program Services	Management and General	Development	Total
Personnel costs											
Salaries and wages	\$ 1,214,317	\$ 1,174,331	\$ 1,077,409	\$ 1,017,130	\$ 910,109	\$ 458,285	\$ 95,960	\$ 5,947,541	\$ 927,294	\$ 777,666	\$ 7,652,501
Employee benefits and payroll taxes	531,040	572,135	519,963	483,515	452,766	173,974	39,864	2,773,257	606,139	381,944	3,761,340
Interns	-	-	23,640	-	-	-	-	23,640	-	-	23,640
Total personnel costs	<u>1,745,357</u>	<u>1,746,466</u>	<u>1,621,012</u>	<u>1,500,645</u>	<u>1,362,875</u>	<u>632,259</u>	<u>135,824</u>	<u>8,744,438</u>	<u>1,533,433</u>	<u>1,159,610</u>	<u>11,437,481</u>
Professional services	152,459	134,939	389,831	140,654	430,653	235,963	54,351	1,538,850	515,446	107,191	2,161,487
Computer upgrades/internet	71,814	71,840	72,151	61,694	60,878	26,037	5,584	369,998	63,271	51,098	484,367
Travel/meetings/events	55,636	80,809	41,574	51,311	29,148	55,587	11,827	325,892	9,556	33,352	368,800
Equipment purchases	13,476	5,415	5,753	4,151	263,244	6,138	511	298,688	2,031	1,623	302,342
Project supplies and publications	14,805	21,052	78,305	46,992	35,199	16,422	814	213,589	3,297	5,024	221,910
General office	28,110	29,841	25,960	32,259	22,444	10,315	2,184	151,113	24,480	31,930	207,523
Depreciation	58,454	28,346	23,344	22,838	15,148	11,914	2,039	162,083	24,672	10,704	197,459
Facilities	13,950	13,959	12,767	11,994	19,295	9,353	1,086	82,404	12,256	9,268	103,928
Insurance	13,446	13,454	12,305	13,456	10,499	4,871	1,046	69,077	11,812	8,933	89,822
Printing and reproduction	3,558	5,494	4,876	3,112	4,777	1,336	336	23,489	4,379	30,928	58,796
Grants to others	18,200	-	-	-	3,750	-	-	21,950	-	-	21,950
Other expenses	-	543	-	205	-	-	-	748	16,618	100	17,466
Advertising and promotion	<u>1,868</u>	<u>1,468</u>	<u>1,023</u>	<u>976</u>	<u>1,214</u>	<u>405</u>	<u>87</u>	<u>7,041</u>	<u>1,691</u>	<u>5,655</u>	<u>14,387</u>
	<u>\$ 2,191,133</u>	<u>\$ 2,153,626</u>	<u>\$ 2,288,901</u>	<u>\$ 1,890,287</u>	<u>\$ 2,259,124</u>	<u>\$ 1,010,600</u>	<u>\$ 215,689</u>	<u>\$ 12,009,360</u>	<u>\$ 2,222,942</u>	<u>\$ 1,455,416</u>	<u>\$ 15,687,718</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	Ecoinformatics	Sierra Nevada	Emerging Projects & Partnerships	Total Program Services	Management and General	Development	Total
Personnel costs											
Salaries and wages	\$ 1,148,298	\$ 918,388	\$ 1,082,228	\$ 942,293	\$ 921,259	\$ 323,555	\$ 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	415,043	147,923	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	<u>1,713,174</u>	<u>1,344,754</u>	<u>1,582,858</u>	<u>1,398,306</u>	<u>1,339,530</u>	<u>471,478</u>	<u>108,886</u>	<u>7,958,986</u>	<u>1,617,759</u>	<u>1,277,080</u>	<u>10,853,825</u>
Professional services	138,188	89,342	221,818	161,941	309,960	208,316	81,742	1,211,307	520,138	102,083	1,833,528
Computer upgrades/internet	31,053	25,757	34,985	25,664	29,139	8,758	2,023	157,379	30,547	23,726	211,652
Travel/meetings/events	27,254	31,161	36,739	42,189	12,586	11,248	4,488	165,665	4,045	8,150	177,860
Equipment purchases	3,648	3,497	3,628	5,334	5,105	989	281	22,482	3,523	2,678	28,683
Project supplies and publications	8,625	7,822	61,656	70,891	10,446	8,734	1,736	169,910	3,308	5,109	178,327
General office	25,390	20,665	23,715	25,255	21,905	7,096	1,639	125,665	24,420	24,846	174,931
Depreciation	52,391	22,970	25,269	21,478	24,968	7,392	1,319	155,787	17,652	12,222	185,661
Facilities	20,559	16,542	19,250	16,960	25,339	7,632	1,339	107,621	19,901	15,710	143,232
Insurance	15,070	12,122	14,106	12,399	12,046	4,250	982	70,975	14,583	11,512	97,070
Printing and reproduction	5,140	4,803	4,007	2,842	2,109	727	168	19,796	3,626	38,388	61,810
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
Advertising and promotion	488	483	457	401	412	138	32	2,411	546	5,569	8,526
	<u>\$ 2,104,354</u>	<u>\$ 1,589,418</u>	<u>\$ 2,058,255</u>	<u>\$ 1,787,601</u>	<u>\$ 1,794,566</u>	<u>\$ 736,758</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
Statements of Cash Flows
For the Years Ended March 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (34,752)	\$ 1,042,320
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	197,459	185,661
Realized and unrealized (gains) losses, net	16,611	(201,898)
Changes in operating assets and liabilities		
Government grants and contracts receivable	(545,198)	186,284
Contributions receivable, net	(98,470)	586,051
Other receivables	2,119	(6,249)
Prepaid expenses and other current assets	18,004	27,046
Accounts payable	(176,261)	60,676
Accrued vacation	12,420	141,461
Deferred revenue	(213,995)	193,775
Refundable advance - Paycheck Protection Program	(1,200,648)	1,263,467
Net cash provided by (used in) operating activities	(2,022,711)	3,478,594
Cash flows from investing activities		
Purchase of investments	(457,486)	-
Purchase of endowment funds	(5,552)	(3,817)
Purchase of property and equipment	(378,555)	(132,242)
Net cash used in investing activities	(841,593)	(136,059)
Net increase (decrease) in cash and cash equivalents	(2,864,304)	3,342,535
Cash and cash equivalents, beginning of year	7,502,166	4,159,631
Cash and cash equivalents, end of year	\$ 4,637,862	\$ 7,502,166

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, 2022 and 2021

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
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Notes to Financial Statements
March 31, 2022 and 2021

1. THE ORGANIZATION (continued)

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.

Ecoinformatics Group

This new Group was created by combining the Informatics and IT Group and Climate Adaptation Group. Using cutting edge models and analytical approaches, this Group increases the understanding of the effects of climate change and management responses on ecosystems and communities. The focus is on science and outreach to influence shoreline and bay-land development, climate adaptation activities, ecosystem management, habitat restoration and mitigation. This Group develops tools, frameworks and techniques for managing the wealth of scientific data compiled by the Organization and its partners. It further seeks to transform these data into conservation outcomes and ecosystems knowledge that improves conservation decisions around California and the world. This Group also manages Point Blue's websites, computer hardware and network infrastructure.

Emerging Projects and Partnerships Group

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

Education and Outreach Group

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Point Reyes Bird Observatory
dba Point Blue Conservation Science
Notes to Financial Statements
March 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. For the years ended March 31, 2022 and 2021, the Organization received in-kind services totaling \$127,257 and \$29,470, respectively.

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, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants and contracts receivable

Government grants and contracts receivable represent amounts due from grants and 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. Certain contracts require a retention to be held back from amounts due until the completion of the contracts. The amount of retention that is expected to be received in over one year is reported in noncurrent assets on the statements of financial position. 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, 2022 and 2021.

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, 2022 and 2021) 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, 2022 and 2021 as all balances were considered collectible.

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 \$8,546,747 that have not been recognized at March 31, 2022 because qualifying expenditures have not yet been incurred, with an advance payment of \$56,288 recognized in the statement of financial position as a component of the deferred revenue balance.

Point Reyes Bird Observatory
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Notes to Financial Statements
March 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and endowment funds

Investments are comprised of exchange traded funds and are recorded at fair value as determined by quoted market prices in active markets. 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.

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.
- *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:

- Investments - Exchange traded funds are measured at quoted prices in active markets and are considered Level 1 inputs within the fair value hierarchy.
- 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).

Point Reyes Bird Observatory
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Notes to Financial Statements
March 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022 and 2021, 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.

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.

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3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	2022	2021
Receivable in less than one year	\$ 516,991	\$ 501,851
Receivable in one to five years	258,500	173,000
	775,491	674,851
Less discounts to net present value	(6,525)	(4,355)
	\$ 768,966	\$ 670,496

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2022	2021
Land	\$ 1,806,000	\$ 1,806,000
Buildings and improvements	6,057,371	5,924,220
Furniture and equipment	1,627,160	1,553,279
Software	475,529	304,963
	9,966,060	9,588,462
Accumulated depreciation	(3,787,460)	(3,596,381)
	\$ 6,178,600	\$ 5,992,081

5. LINE OF CREDIT

The Organization has a \$750,000 line of credit with a bank with a maturity date of December 15, 2021. The line of credit renewed on February 3, 2022, extending the maturity date through September 15, 2022. 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 was no outstanding balance on the line and there were no borrowings against the line as of and for the years ended March 31, 2022 and 2021.

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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 \$1,211,288 and \$2,791,380 as grant revenue for the years ended March 31, 2022 and 2021, respectively, based on qualifying expenditures incurred under the loans during each year. The Organization applied for forgiveness of the first PPP loan during the year ended March 31, 2022 and received notification from the SBA on June 14, 2021 that the total loan amount of \$2,044,847 had been forgiven. The Organization also applied for forgiveness of its second PPP loan as of March 31, 2022 and received notice from the SBA on April 12, 2022 (Note 14) that partial forgiveness in the amount of \$1,937,181 is being considered. The proceeds from the second PPP loan that had not been recognized as revenue as of March 31, 2022 is reported as a refundable advance liability on the statements of financial position.

7. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following:

	2022	2021
Board-designated funds		
Cash	\$ 3,047,947	\$ 3,047,485
Board-designated endowment fund	243,137	243,971
	3,291,084	3,291,456
Undesignated	6,425,707	6,613,527
	\$ 9,716,791	\$ 9,904,983

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8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2022	2021
Restricted for a specified purpose		
Pacific Coast and Central Valley	\$ 1,145,714	\$ 1,605,570
Communications	10,000	-
Ecoinformatics	343,255	192,069
Emerging Projects and Partnerships	13,120	72,095
Education and Outreach	245,240	368,750
California Current	343,186	415,811
Sierra Nevada	219,750	212,771
Working Lands	1,296,326	765,002
Management and General	147,928	79,994
Development	<u>13,800</u>	<u>150,000</u>
	<u>3,778,319</u>	<u>3,862,062</u>
 Restricted to passage of time	 <u>434,106</u>	 <u>193,699</u>
 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.	 <u>500,823</u>	 <u>504,047</u>
	<u>\$ 4,713,248</u>	<u>\$ 4,559,808</u>

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8. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets released from restriction were as follows:

	2022	2021
Restricted for a specified purpose		
Pacific Coast and Central Valley	\$ 1,207,700	\$ 1,025,517
Emerging Projects and Partnerships	58,976	70,000
Working Lands	1,010,565	662,431
Education and Outreach	594,366	569,915
California Current	585,028	483,401
Ecoinformatics	221,105	123,201
Sierra Nevada	116,097	135,855
Management and General	166,749	324,728
	3,960,586	3,395,048
 Restricted to passage of time	 130,000	 350,000
	 \$ 4,090,586	 \$ 3,745,048

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 2022, 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.

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, 2022 and 2021 there were no underwater endowment funds.

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.

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9. ENDOWMENTS (continued)

Endowment composition (continued)

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, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>			
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	Total Fund
Donor-restricted funds	\$ -	\$ 408,804	\$ 92,019	\$ 500,823	\$ 500,823
Board-designated endowment fund	<u>243,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,137</u>
	<u>\$ 243,137</u>	<u>\$ 408,804</u>	<u>\$ 92,019</u>	<u>\$ 500,823</u>	<u>\$ 743,960</u>

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>			
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	Total Fund
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>

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9. ENDOWMENTS (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal years ended March 31, 2022 and 2021 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, 2020	\$ 181,103	\$ 408,804	\$ (47,592)	\$ 361,212	\$ 542,315
Realized and unrealized gains (losses), net	61,448	-	140,450	140,450	201,898
Interest income	1,420	-	2,385	2,385	3,805
Balance, March 31, 2021	<u>243,971</u>	<u>408,804</u>	<u>95,243</u>	<u>504,047</u>	<u>748,018</u>
Realized and unrealized gains (losses), net	(2,855)	-	(6,757)	(6,757)	(9,612)
Interest income, net	<u>2,021</u>	<u>-</u>	<u>3,533</u>	<u>3,533</u>	<u>5,554</u>
Balance, March 31, 2022	<u>\$ 243,137</u>	<u>\$ 408,804</u>	<u>\$ 92,019</u>	<u>\$ 500,823</u>	<u>\$ 743,960</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 \$20,500 and \$19,500 for calendar years 2022 and 2021, respectively. Participants age 50 or over may make additional "catch-up" contributions which are limited to \$6,500 for calendar years 2022 and 2021. The Organization made a discretionary matching contribution of up to five percent of the employees' annual compensation for the 2022 and 2021 Plan years. The Organization's match may not exceed the maximum annual limit as defined in the Internal Revenue Code. For the years ended March 31, 2022 and 2021, the Organization's contribution to the plan amounted to \$375,693 and \$421,573, respectively.

11. COMMITMENTS

The Organization has operating leases for office space, intern and seasonal staff housing, a storage facility, and copiers. The leases run through May of 2023 or on a month to month basis and require annual payments ranging from approximately \$1,000 to \$11,200.

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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>	
2023	\$ 17,192
2024	<u>566</u>
	<u>\$ 17,758</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 13% and 18% of contracts receivable is due from one governmental agency as of March 31, 2022 and 2021, respectively. Approximately 23% and 10% of the net grants and contributions receivable is comprised of amounts due from two and one grantors as of March 31, 2022 and 2021, respectively. Approximately 12% and 13% of total contract revenue is comprised of amounts from one federal agency for the years ended March 31, 2022 and 2021, respectively.

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 2023 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.
- *Government grants and contracts receivable* - represent amounts due from contracts with governmental and quasi-governmental entities. These amounts are generally collected within 60 days other than those amounts classified as noncurrent.

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13. LIQUIDITY AND FUNDS AVAILABLE (continued)

- *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 \$500,823 and a board designated quasi-endowment totaling \$243,137. 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 of March 31, 2022 and 2021 , the Organization's cash and cash equivalents covers approximately 118 and 194 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:

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 4,637,862	\$ 7,502,166
Investments	450,487	-
Government grants and contracts receivable, current portion	2,689,988	2,253,980
Contributions receivable, current portion	516,991	501,851
Contributions receivable, noncurrent portion, net	251,975	168,645
Other receivables	11,333	13,452
Endowment investments	743,960	748,020
	9,302,596	11,188,114
Less: amounts unavailable for general expenditure within one year:		
Donor-imposed restrictions		
Endowment investments	(500,823)	(504,047)
Other donor imposed restrictions for a specified purpose or time	(4,212,425)	(4,055,761)
	(4,713,248)	(4,559,808)
Board-designations		
Board-designated endowment investments	(243,137)	(243,971)
Other board-designated funds - cash and cash equivalents available only with board approval	(2,547,947)	(2,547,485)
	(2,791,084)	(2,791,456)
	\$ 1,798,264	\$ 3,836,850

Other amounts available under borrowings are as follows:

	2022	2021
Line of credit	\$ 750,000	\$ 750,000
Paycheck Protection Program	-	1,263,467
	\$ 750,000	\$ 2,013,467

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14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 29, 2022, 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.

As described in Note 6, on April 12, 2022 the Organization received notification from the SBA that as of that date, they should expect to receive forgiveness for \$1,937,181 of their \$2,000,000 second PPP loan. The remaining amount of \$62,819 is classified as a refundable advance liability on the statements of financial position. This notification was not a forgiveness letter, and requested additional documents from the Organization to grant them forgiveness. There were no updates provided by the SBA to the Organization before the financial statements were available to be issued.