



**Point Reyes National Seashore Association**

Financial Statements

Year ended September 30, 2010

with

Report of Independent Auditors

Report of Independent Auditors

To the Board of Directors of the  
Point Reyes National Seashore Association

We have audited the accompanying statement of financial position of Point Reyes National Seashore Association as of September 30, 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of Point Reyes National Seashore Association. Our responsibility is to express an opinion on these financial statements based on our audit. Point Reyes National Seashore Association derived the prior year summarized comparative information from its September 30, 2009 financial statements and, in our report dated January 31, 2010; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Point Reyes National Seashore Association as of September 30, 2010, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

*Wilson Markle Stuckey Hardesty & Bott*  
Wilson Markle Stuckey Hardesty & Bott  
December 31, 2010

**POINT REYES NATIONAL SEASHORE ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 681,527	\$417,810
Investments	231,859	183,144
Grants receivable	104,507	118,396
Other receivables	14,023	6,242
Inventory	121,479	108,225
Prepaid expenses	37,083	18,723
Property and equipment, net	-	3,594
Land held for National Park Service	39,900	39,900
	<u>39,900</u>	<u>39,900</u>
 Total assets	 <u>\$1,230,378</u>	 <u>\$896,034</u>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 21,221	\$ 53,833
Accrued expenses	53,644	36,109
Deferred revenue	59,267	39,691
	<u>59,267</u>	<u>39,691</u>
 Total liabilities	 134,132	 129,633
 <b>Net Assets</b>		
Unrestricted	667,601	617,963
Temporarily restricted	423,645	143,438
Permanently restricted	5,000	5,000
	<u>5,000</u>	<u>5,000</u>
 Total net assets	 <u>1,096,246</u>	 <u>766,401</u>
 Total liabilities and net assets	 <u>\$1,230,378</u>	 <u>\$896,034</u>

See accompanying notes.

**POINT REYES NATIONAL SEASHORE ASSOCIATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010 WITH**  
**COMPARATIVE TOTALS ONLY FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Unrestricted	Temporarily restricted	Permanently restricted	2010 Totals	2009 Totals only
<b>Support and revenue</b>					
Contributions and grants	\$ 104,131	\$905,357	\$ -	\$1,009,488	\$1,495,503
Membership	187,860	-	-	187,860	177,395
School Program	76,115	-	-	76,115	74,084
Field Seminars	168,920	-	-	168,920	145,740
Summer Camp	162,183	-	-	162,183	172,050
Bookstore sales	311,835	-	-	311,835	302,687
Cost of goods sold	( 156,055)	-	-	( 156,055)	( 156,404)
Bookstore sales, net	155,780	-	-	155,780	146,283
Sales of contributed cars	10,330	-	-	10,330	21,290
Cost of cars sold	( 10,330)	-	-	( 10,330)	( 21,290)
Direct selling costs	( 4,246)	-	-	( 4,246)	( 8,885)
Sales of contributed cars, net	( 4,246)	-	-	( 4,246)	( 8,885)
Investment income (loss), net	18,847	154	-	19,001	11,181
Other	( 3,594)	-	-	( 3,594)	-
Satisfaction of restrictions	625,304	( 625,304)	-	-	-
<b>Total support and revenue</b>	<b>1,491,300</b>	<b>280,207</b>	<b>-</b>	<b>1,771,507</b>	<b>2,213,351</b>
<b>Expenses</b>					
<b>Program services</b>					
School Program	97,986	-	-	97,986	99,082
Field Seminars	218,294	-	-	218,294	200,716
Summer Camp	214,926	-	-	214,926	203,264
Bookstores	114,120	-	-	114,120	111,232
National Park Services	506,652	-	-	506,652	1,862,909
<b>Total program services</b>	<b>1,151,978</b>	<b>-</b>	<b>-</b>	<b>1,151,978</b>	<b>2,477,203</b>
<b>Support services</b>					
Management and general	116,902	-	-	116,902	156,875
Membership	76,274	-	-	76,274	100,468
Fundraising	96,508	-	-	96,508	75,215
<b>Total support services</b>	<b>289,684</b>	<b>-</b>	<b>-</b>	<b>289,684</b>	<b>332,558</b>
<b>Total expenses</b>	<b>1,441,662</b>	<b>-</b>	<b>-</b>	<b>1,441,662</b>	<b>2,809,761</b>
<b>Change in net assets</b>	<b>49,638</b>	<b>280,207</b>	<b>-</b>	<b>329,845</b>	<b>( 596,410)</b>
<b>Net assets, beginning of year</b>	<b>617,963</b>	<b>143,438</b>	<b>5,000</b>	<b>766,401</b>	<b>1,362,811</b>
<b>Net assets, end of year</b>	<b>\$ 667,601</b>	<b>\$423,645</b>	<b>\$5,000</b>	<b>\$1,096,246</b>	<b>\$ 766,401</b>

See accompanying notes.

**POINT REYES NATIONAL SEASHORE ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010 WITH**  
**COMPARATIVE TOTALS ONLY FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Program services					Support services				Total support services	2010 Totals	2009 Totals only
	School Program	Field Seminars	Summer Camp	Bookstores	National Park Service	Total program services	Management and general	Membership	Fundraising			
Expenses												
Salaries and wages	\$57,505	\$ 89,709	\$108,228	\$ 77,405	\$258,040	\$ 590,887	\$ 70,737	\$42,603	\$65,979	\$179,319	\$ 770,206	\$ 622,568
Employee benefits	3,609	5,397	4,310	4,033	6,341	23,690	2,612	2,206	1,974	6,792	30,482	65,281
Payroll taxes	5,566	8,839	18,261	10,876	33,768	77,310	7,358	3,819	6,180	17,357	94,667	59,736
Advertising	—	75	900	75	150	1,200	250	—	3,392	3,642	4,842	5,695
Bank and investment fees	—	—	29	29	—	58	2,498	12	25	2,535	2,593	1,980
Contract services	3,043	2,143	6,900	1,724	121,691	135,501	2,491	1,743	1,839	6,073	141,574	25,860
Dues	—	—	—	—	—	—	1,975	—	—	1,975	1,975	2,180
Events	—	—	—	—	500	500	569	47	3,035	3,651	4,151	12,145
Hosting	—	159	—	89	—	248	170	—	13	183	431	639
Instructor fees	825	41,629	—	—	—	42,454	—	—	—	—	42,454	37,708
Insurance	5,993	4,095	5,993	—	—	16,081	4,145	—	50	4,195	20,276	27,064
Mail house	—	2,571	523	—	—	3,094	—	4,794	1,579	6,373	9,467	10,530
Merchant service charges	—	2,549	—	6,409	—	8,958	—	976	—	976	9,934	8,701
National Park Services	—	—	—	—	54,731	54,731	—	—	—	—	54,731	1,643,273
Postage	421	5,313	1,093	780	—	7,607	820	3,118	409	4,347	11,954	18,447
Printing	315	11,173	2,805	445	942	15,680	251	11,087	3,956	15,294	30,974	52,155
Professional fees	—	—	—	—	—	—	13,500	—	1,774	15,274	15,274	32,000
Property maintenance	7,256	714	6,935	714	3,000	18,619	714	714	714	2,142	20,761	24,686
Royalties	—	—	—	—	—	—	—	—	—	—	—	182
Supplies and service	5,969	40,231	36,516	8,228	15,169	106,113	5,653	3,613	3,828	13,094	119,207	88,905
Taxes and permits	—	—	—	317	—	317	226	—	—	226	543	481
Training	592	—	250	281	—	1,123	—	—	—	—	1,123	1,192
Travel	391	1,258	15,642	25	8,181	25,497	882	38	277	1,197	26,694	14,398
Utilities	6,501	2,439	6,541	2,690	4,139	22,310	1,493	1,504	1,484	4,481	26,791	22,317
Interest	—	—	—	—	—	—	558	—	—	558	558	28,971
Depreciation	—	—	—	—	—	—	—	—	—	—	—	2,667
<b>Total expenses</b>	<b>\$97,986</b>	<b>\$218,294</b>	<b>\$214,926</b>	<b>\$114,120</b>	<b>\$506,652</b>	<b>\$1,151,978</b>	<b>\$116,902</b>	<b>\$76,274</b>	<b>\$96,508</b>	<b>\$289,684</b>	<b>\$1,441,662</b>	<b>\$2,809,761</b>

See accompanying notes.

**POINT REYES NATIONAL SEASHORE ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$329,845	(\$ 596,410)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities		
Net (gain) loss on sale of and (appreciation) depreciation from holding investments	( 14,046)	( 4,043)
Contributed investments	( 8,275)	( 5,824)
Contributed land held for National Park Service	-	( 36,000)
Contributed cars	( 10,330)	( 21,290)
Proceeds from sale of contributed cars	10,330	21,290
Land transferred to National Park Service	-	55,584
Depreciation	-	2,667
Net (gain) loss on disposal of property and equipment	3,594	-
Changes to current assets and liabilities		
Grants receivable	13,889	1,235,722
Other receivables	( 7,781)	4,661
Inventory	( 13,254)	26,397
Prepaid expenses	( 18,360)	95,533
Accounts payable	( 32,612)	( 458,017)
Accrued expenses	17,535	( 288,022)
Deferred revenue	19,576	( 10,889)
	<u>290,111</u>	<u>21,359</u>
Cash provided (used) by operating activities	290,111	21,359
Cash flows from investing activities		
Purchase of investments	( 33,911)	( 1,804)
Proceeds from sale of investments	7,517	5,515
Purchase of land held for National Park Service	-	( 3,900)
	<u>( 26,394)</u>	<u>( 189)</u>
Cash provided (used) by investing activities	( 26,394)	( 189)
Cash flows from financing activities		
Principal payments of line of credit	-	( 500,000)
Principal payments of capital lease	-	( 2,091)
	<u>-</u>	<u>( 502,091)</u>
Cash provided (used) by financing activities	-	( 502,091)
Net change in cash and cash equivalents	263,717	( 480,921)
Cash and cash equivalents, beginning of year	<u>417,810</u>	<u>898,731</u>
Cash and cash equivalents, end of year	<u>\$681,527</u>	<u>\$ 417,810</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 558</u>	<u>\$ 28,971</u>

See accompanying notes.

**Point Reyes National Seashore Association**  
Notes to Financial Statements  
September 30, 2010

Note 1 – Summary of significant accounting policies

Basis of presentation

Point Reyes National Seashore Association (PRNSA) is a nonprofit, public benefit corporation, incorporated in California on July 17, 1964, as the Muir Woods Natural History Association, Inc. Then, as now, PRNSA operates as a Cooperating Association of the U. S. Department of the Interior, National Parks Service (NPS) under a Cooperating Association Agreement (CAA) to preserve and enhance the extraordinary natural, cultural and recreational resources of the Point Reyes National Seashore (Park). PRNSA programs strive to connect the public with the Park and broader environmental issues through educational offerings that promote enjoyment, understanding and stewardship of the natural world.

PRNSA operates the Clem Miller Environmental Education Center, Point Reyes Summer Camp and Point Reyes Field Seminars at the Park and operates three bookstores at Park Visitor Centers. PRNSA also raises and manages extensive grant funding for Park environmental and research projects. During the year ended September 30, 2010, PRNSA raised over \$1,000,000 to fund Park projects, including watershed monitoring in the Giacomini Wetlands, Coho salmon and steelhead trout monitoring, ocean education and outreach and to purchase land for inclusion in the Park. PRNSA has over 2,800 active members, whose contributions enable PRNSA to support critical Park projects, including endangered species recovery, wildlife protection, habitat and wetlands restoration and preservation of cultural and historic legacies. During the year ended September 30, 2010, support from members and grants also enabled PRNSA to award scholarships to over 600 lower-income young people to attend programs at the Clem Miller Environmental Education Center and Point Reyes Summer Camp.

Programs

Clem Miller Environmental Education School Program

The Clem Miller Environmental Education Center (Center) is an 80-bed residential facility designed as a model of ecological sustainability and located within the Park. The NPS established the Center with the following goals: To promote the Park as a living classroom by providing a residential teaching facility, facilitate field based environmental and natural history education experiences that encourage participants to develop a sense of ecological stewardship and conservation, provide teachers and group leaders with the knowledge and background necessary to facilitate their own program thereby insuring that environmental

**Point Reyes National Seashore Association**  
Notes to Financial Statements  
September 30, 2010

Note 1 – Summary of significant accounting policies (continued)

concepts, principles and practices are integrated into the classroom or program and provide an affordable residential environmental education experience to schools, especially those from the densely populated urban areas of the greater San Francisco Bay region.

During the year ended September 30, 2010, the Clem Miller Environmental Education School Program hosted 31 residential educational programs, three to five days in length, for 1,521 participants, most of whom were elementary and middle school students from the greater San Francisco Bay Area. Eleven participating classes received scholarship assistance that supported the attendance of 615 participants from impoverished and underrepresented groups. In preparation for bringing their class or group to the Center, 15 teachers and group leaders attended a two-day, overnight environmental education and natural history intensive course.

Summer Camp

Summer Camp provides two residential camp experiences four to six days in length: Nature Science Camp, with separate sessions for ages 7-9, 9-11 and 10-12 and Adventure Camp with separate sessions for ages 12-14 and 14-16. Trained counselors staff the Camps and professional naturalists lead excursions in and around the Park. Camp programs emphasize marine and coastal field ecology, leave-no-trace wilderness backpacking and traditional summer camp activities. The Camp programs maintain a 3 to 1 camper to staff ratio and 54% of participants return for multiple summers. During the summer of 2010, 344 children attended the Camps, including 74 that received scholarships.

Field Seminars

PRNSA offers a wide variety of field seminars in areas such as birding, natural history, arts, crafts, photography and family programs focusing on the environment and all that the Park has to offer. These seminars provide an opportunity to connect to nature, strengthen understanding of the environment and have fun. Experts lead Field Seminars that take participants out of their everyday lives and into the natural world. Whether you are interested in flora or fauna, hiking or history, weaving or watercolor, Field Seminars offers something for everyone.

**Point Reyes National Seashore Association**  
Notes to Financial Statements  
September 30, 2010

Note 1 – Summary of significant accounting policies (continued)

During the year ended September 30, 2010, PRNSA offered 128 classes, with over 1,800 participants, in the fields of natural history, birding, photography, the arts and family fun.

Bookstores

PRNSA operates three bookstores located at various visitor centers around the Park. The Bookstores carry guides that will enhance exploration of the spectacular beaches, woodlands and coastlines. In addition, the Bookstores carry natural and cultural histories, children's books, maps, field guides and a wide range of other useful materials that enhance bird watching, hiking, whale watching or enjoying abundant wildflowers.

During the year ended September 30, 2010, Bookstore operations helped raise funds for critical Park initiatives such as endangered species recovery, wildlife protection, habitat restoration and preservation of cultural and historic legacies.

National Park Service

PRNSA, in conjunction with the NPS, coordinates grants, activities and environmental restoration projects at the Park. Current projects include watershed monitoring in the Giacomini Wetlands, Coho salmon and steelhead trout monitoring, snowy plover monitoring, purchases of parcels of land for inclusion in the Park, trail maintenance and an ocean-education outreach campaign.

Basis of accounting

PRNSA prepares its financial statements using the accrual basis of accounting. PRNSA records revenues when earned and expenses when incurring the related obligations.

Fair value

PRNSA uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs consist of unobservable inputs that reflect internal judgments and have the lowest priority. PRNSA uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, PRNSA measures fair value using Level 1 inputs be-

**Point Reyes National Seashore Association**  
Notes to Financial Statements  
September 30, 2010

Note 1 – Summary of significant accounting policies (continued)

cause they generally provide the most reliable evidence of fair value. PRNSA only uses Level 3 inputs when Level 1 or Level 2 inputs are not available.

PRNSA values all contributions at fair value when promised. PRNSA only revalues debt securities, marketable equity securities and certain CDs at least as often as it presents financial statements. For contributions valued initially at fair value but not revalued, PRNSA treats the initial fair value as cost in subsequent financial statements.

Management of PRNSA estimates that the aggregate net fair value of financial instruments recognized (including receivable, payables and accrued expenses) approximates their carrying value, as such financial instruments are short-term in nature or bear interest at current market rates.

Cash and cash equivalents

Cash and cash equivalents consist of amounts on hand and on deposit with a commercial bank, available within 90 days of demand. The carrying amount of cash approximates fair value due to its short-term nature.

Investments

Investments (Note 2) consist principally of units of a pooled investment fund (PIF) of a community foundation and bank certificates of deposit (CD) held directly and by a registered investment company. PRNSA records PIFs and CDs held directly at their contract value. Contract value represents the amount PRNSA would realize upon sale, transfer, exchange or liquidation of the investment when transacted with the custodian. Contract value of the units of the PIF is the PRNSA share of the fair value of the underlying investments, determined by the community foundation, net of certain custodial and administrative fees. Contract value of the CD held directly is cost plus accrued interest not yet withdrawn or paid. PRNSA only recognizes the loss of accrued interest not yet withdrawn or paid upon the premature sale, transfer, exchange or liquidation of the CD held directly when incurred because it is the intent of PRNSA to hold the CD held directly until maturity.

PRNSA has elected to report the fair value and changes thereto for the CD held by the registered investment company. PRNSA determines the fair value of the CD held by the registered investment company using observable inputs other than quoted prices for identical assets, a Level 2 input, specifically using a matrix based

**Point Reyes National Seashore Association**  
Notes to Financial Statements  
September 30, 2010

Note 1 – Summary of significant accounting policies (continued)

on interest rates provided by the registered investment company holding the CD and evaluated by the management of PRNSA.

Occasionally, PRNSA receives contributions of equity securities at or near the end of the year that it has sold, but not transferred the proceeds to its commercial bank accounts or has not sold. PRNSA reports the fair value of the related money market fund and equity securities using unadjusted quoted prices in active markets for identical assets, a Level 1 input, provided by the registered investment company holding those investments and evaluated by the management of PRNSA.

PRNSA reports interest, dividends, gains, losses and changes in contract value (unrealized appreciation and depreciation) as net investment income. PRNSA invested its permanently restricted net assets in a CD held directly.

The PIF of the community foundation is subject to variance power under an agreement dated May 8, 2000. The board of trustees of the community foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization, if, in the sole judgment of the board of trustees, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the needs of the community served by the community foundation.

Grants and other receivables

Grants and other receivables (Note 3) consist principally of amounts expended by PRNSA under government and foundation grants and contracts but not reimbursed by the government or foundation grantor or contractor. PRNSA initially values contributions received as grants and other receivables at fair value. The initial fair value of grants and pledges receivable is the estimated present value of expected future cash flows, taking into consideration the risk-free interest rate and expected collection timing and risk. These are Level 2 and Level 3 inputs. PRNSA records a discount representing the difference between the future cash flows promised by the grantor or pledgor and the estimated present value of the expected future cash flows. PRNSA accretes the discount, using the interest method and based on actual collections, to contribution support. As of September 30, 2010 and 2009, the discount of grants and other receivables was not material to the financial position of PRNSA.

**Point Reyes National Seashore Association**  
Notes to Financial Statements  
September 30, 2010

Note 1 – Summary of significant accounting policies (continued)

PRNSA uses the allowance method to account for uncollectible grants and other receivables. Under this method, PRNSA reviews all grants and other receivables for any problems with collectability, based on grant or contract terms. If PRNSA feels that there may be a problem with collection, it provides for an allowance. When attempts to collect a specific receivable are unsuccessful, PRNSA considers the account uncollectible and writes it off against the allowance. As of September 30, 2010 and 2009, the allowance for doubtful accounts was not material to the financial position of PRNSA.

Inventory

Inventory consists principally of books and other items available for sale at Bookstores. PRNSA states its inventory at the lower of cost or market, using the first in, first out method.

Property and equipment

Property and equipment consist of furniture, computer software and kitchen, office and computer equipment. PRNSA records property and equipment at cost or initially at fair value for contributed items. PRNSA bases the initial fair value of contributed property and equipment on comparable sales of identical or similar items in markets available to PRNSA, which is a Level 2 input. PRNSA expenses property and equipment with a cost or fair value under \$5,000 and the costs of maintenance and repairs that do not improve or extend the lives of the property and equipment. PRNSA computes depreciation using the straight-line method over the estimated useful lives of the property and equipment of five years.

Under the CAA with the NPS, PRNSA does not own any improvements to buildings or Park land and ownership of any newly constructed buildings automatically reverts to the NPS. Accordingly, PRNSA expenses the cost of any improvements to buildings, Park land or any newly constructed buildings.

Land held for the National Park Service

Periodically, PRNSA purchases or receives contributions of land, usually contiguous with the Park. Donors generally restrict such contributions as additions to the Park. PRNSA records purchases of land at cost and contributions of land at fair value, generally determined using an independent appraisal, a Level 2 input. PRNSA expenses subsequent costs required to maintain the land. Due to various requirements and restrictions the NPS puts on contributions of land, there can be a signifi-

**Point Reyes National Seashore Association**  
Notes to Financial Statements  
September 30, 2010

Note 1 – Summary of significant accounting policies (continued)

cant lag between the time PRNSA purchases or receives a contribution of land and the subsequent transfer of that land to the NPS. Accordingly, land held for the National Park Service consists of land received by PRNSA but not transferred to NPS.

Deferred revenue

Deferred revenue consists of fees received in advance of various school programs and field seminars and support and revenue received in advance of a special event. PRNSA recognizes support and revenue from these activities when they occur. PRNSA recognizes membership dues as contributions, and accordingly, not as deferred revenue.

Contributions and net assets

PRNSA recognizes contributions when a donor makes an unconditional promise to provide support. Net assets include cumulative unrestricted, temporarily restricted and permanently restricted net assets, net of cumulative expenses. Unrestricted net assets consist of support and revenue not restricted to a particular purpose or time by the donor, net of expenses. Temporarily restricted net assets consist of support restricted by the donor to a particular purpose or time. Temporarily restricted net assets become unrestricted net assets when PRNSA meets the donor purpose or time restriction. Permanently restricted net assets consist of support restricted by the donor for PRNSA to hold permanently, allowing for only use of the revenue generated by investing the support.

Contributed services

Under the CAA with the NPS, PRNSA occupies various buildings and offices located within the Park rent-free. PRNSA has not estimated the fair value of such rent-free occupancy or recognized that amount. In addition, the NPS charges PRNSA certain maintenance costs, which PRNSA expenses.

Volunteers contribute their time assisting PRNSA in carrying out its activities. Although the value of volunteer contributions is substantial to the activities of PRNSA, PRNSA does not recognize their value because they do not meet the criteria for recognition in accordance with accounting principles generally accepted in the United States (US-GAAP).

**Point Reyes National Seashore Association**  
Notes to Financial Statements  
September 30, 2010

Note 1 – Summary of significant accounting policies (continued)

Income taxes

In letters to PRNSA, the Internal Revenue Service and California Franchise Tax Board stated that PRNSA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and from California bank and corporation taxes under Section 23701(d) of the California Revenue and Taxation Code, respectively. In addition, PRNSA qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as a publicly supported organization as described in IRC Section 509(a)(1). Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by law.

The management of PRNSA believes that no activities of PRNSA jeopardized its exemption from income taxes or its classification as a “public charity.” In addition, management of PRNSA believes that no activities of PRNSA are subject to unrelated business income taxes. Accordingly, PRNSA did not provide for income taxes.

Effective October 1, 2009, PRNSA adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation Number 48 (FIN 48), “Accounting for Uncertainty in Income Taxes – An interpretation of FASB [Accounting Standards Codification (ASC) 740].”

Those provisions require management of PRNSA to consider certain tax positions taken by PRNSA. A tax position is a position taken in a previously filed tax return or a position management of PRNSA expects to take in a future tax return that figures in measuring current or deferred income tax assets and liabilities for interim or annual periods. A tax position can result in a permanent reduction in income taxes payable, a deferral of income taxes otherwise currently payable to future years or a change in the expected realizability of deferred tax assets. A tax position also encompasses, but is not limited to:

1. A decision not to file a tax return
2. An allocation or a shift of income between jurisdictions
3. The characterization of income or a decision to exclude reporting taxable income in a return
4. A decision to classify a transaction, entity or other position in a tax return as tax exempt
5. The status of an entity, including its status as a pass-through or tax-exempt entity.

**Point Reyes National Seashore Association**  
Notes to Financial Statements  
September 30, 2010

Note 1 – Summary of significant accounting policies (continued)

Evaluating a tax position requires management of PRNSA to determine, for each tax position, whether it is more likely than not that, upon examination by taxing authorities, such authorities will uphold the tax position and, for each more-likely-than-not tax position, determine the highest benefit with a more than 50% likelihood of realization upon ultimate settlement. Accordingly, it is possible that tax positions taken on tax returns and related amounts recognized herein could vary.

PRNSA files tax returns with the IRS and California. PRNSA recognizes interest and penalties related to income taxes and tax positions with interest and income tax expense, respectively. As of and for the year ended September 30, 2010, interest and penalties related to income taxes and tax positions were not material. As of September 30, 2010, management of PRNSA believes that there are no tax positions of PRNSA where it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the period ending September 30, 2011. As of September 30, 2010, open tax periods subject to future examination by taxing authorities cover periods from October 1, 2006 through September 30, 2010.

Management of PRNSA does not believe that differences between income taxes PRNSA measures using the current “tax position” method and the methods PRNSA used previously to be material to the financial position of PRNSA, except for the additional disclosures.

Allocation of functional expenses

PRNSA summarized the costs of providing its programs and other activities on a functional basis. Accordingly, PRNSA allocated certain indirect costs between program and support services based on estimates of time and usage. PRNSA bases indirect expense allocations on the employee time expended on an activity.

Use of estimates

The preparation of financial statements in conformity with US-GAAP requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimated.

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Note 1 – Summary of significant accounting policies (continued)

Concentrations, credit and market risk

Cash and cash equivalents held by the commercial bank exceeded federal deposit insurance limits at various times during the years ended September 30, 2010 and 2009.

Investments are subject to credit and market risks. Credit risk is the probability that parties holding or supporting an investment will default or otherwise fail to perform. Market risk is the inherent change in the value of an investment due to changes in conditions.

During the year ended September 30, 2010, support received from a certain family trust, totaled approximately 17% of total support and revenue.

During the years ended September 30, 2010 and 2009, support received from the State of California, the Resources Agency, Department of Fish and Game, totaled approximately 7% and 22%, respectively, of total support and revenue.

During the years ended September 30, 2010 and 2009, support received from various agencies of the U. S. Department of the Interior, totaled approximately 15% and 22%, respectively, of total support and revenue.

Reduction of any of the support sources indicated above, if it were to occur, could have an adverse impact on the activities of PRNSA.

Subsequent events

PRNSA evaluated subsequent events for recognition and disclosure through December 31, 2010 (Note 12).

Comparative totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US-GAAP. Accordingly, read such information in conjunction with the financial statements of PRNSA as of and for the year ended September 30, 2009, from which PRNSA derived the summarized information. PRNSA reclassified certain prior year amounts to conform to the current year presentation.

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Note 2 – Investments

As of September 30, 2010 and 2009, investments totaled as follows:

	<u>2010</u>	<u>2009</u>
Fair value – Level 1		
Money market fund	\$ 7,785	\$ –
Equity securities	584	–
Fair value – Level 2		
CD 0.60% Matures 12-17-2010	25,022	–
Cost		
Accrued interest	117	–
Contract value		
PIF	193,351	178,144
CD 2.96% Matures 04-20-2012	<u>5,000</u>	<u>5,000</u>
 Total investments	 <u>\$231,859</u>	 <u>\$183,144</u>

Management estimates that the fair value of investments not carried at fair value not to be materially less than the reported amounts.

During the years ended September 30, 2010 and 2009, net investment income totaled as follows:

	<u>2010</u>	<u>2009</u>
Dividends and interest	\$ 4,955	\$ 7,138
Unrealized appreciation (depreciation)		
Investments carried at fair value	( 304)	–
Investments carried at other than fair value	<u>14,350</u>	<u>4,043</u>
 Net investment income	 <u>\$19,001</u>	 <u>\$11,181</u>

Note 3 – Grants receivable

As of September 30, 2010 and 2009, grants receivable totaled as follows:

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Note 3 – Grants receivable (continued)

	<u>2010</u>	<u>2009</u>
State of California		
Department of Fish and Game	\$ 43,868	\$ 45,105
Coastal Commission	17,463	15,600
Coastal Conservancy	6,790	–
Water Resources Control Board, through Tomales Bay Watershed Council Foundation	–	33,262
U. S. Department of the Interior		
National Parks Service	<u>36,386</u>	<u>24,429</u>
Total grants receivable	<u>\$104,507</u>	<u>\$118,396</u>

Note 4 – Line of Credit

PRNSA obtained a line of credit from the community foundation that holds its PIF (Note 2) on August 6, 2007, with a limit of \$500,000. Interest (fixed at 6.75%) was due monthly and principal at extended maturity on August 8, 2009. In addition, PRNSA was to maintain at least one 30-day period with no borrowings outstanding under the line of credit. The line of credit was unsecured. PRNSA paid off the line of credit at maturity.

Note 5 – Unrestricted net assets – Board-designated

As of September 30, 2010 and 2009, the Board of Directors of PRNSA designated certain unrestricted net assets for specific purposes, totaling as follows:

	<u>2010</u>	<u>2009</u>
Programs	\$ 28,020	\$ 32,632
Emergency reserve	100,000	100,000
Endowment (Note 8)	<u>218,490</u>	<u>178,144</u>
Total designated unrestricted net assets	346,510	310,776
Total undesignated unrestricted net assets	<u>321,091</u>	<u>307,187</u>
Total unrestricted net assets	<u>\$667,601</u>	<u>\$617,963</u>

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Note 6 – Temporarily restricted net assets

During the year ended September 30, 2010, temporarily restricted net assets reconciled as follows:

<u>Activity</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
School Program and Summer Camp	\$ 62,097	\$ 67,461	(\$ 83,983)	\$ 45,575
Field Seminars	595	–	( –)	595
National Parks Service	80,246	533,812	( 538,483)	75,575
Management and general	<u>500</u>	<u>304,238</u>	<u>( 2,838)</u>	<u>301,900</u>
Totals	<u>\$143,438</u>	<u>\$905,511</u>	<u>(\$625,304)</u>	<u>\$423,645</u>

During the year ended September 30, 2009, temporarily restricted net assets reconciled as follows:

<u>Activity</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
School Program and Summer Camp	\$ 33,470	\$ 89,938	(\$ 61,311)	\$ 62,097
Field Seminars	176	595	( 176)	595
National Parks Service	597,701	1,306,926	( 1,824,381)	80,246
Management and general	<u>6,527</u>	<u>6,500</u>	<u>( 12,527)</u>	<u>500</u>
Totals	<u>\$637,874</u>	<u>\$1,403,959</u>	<u>(\$1,898,395)</u>	<u>\$143,438</u>

Note 7 – Permanently restricted net assets

As of September 30, 2010 and 2009, permanently restricted net assets totaled \$5,000 and \$5,000, respectively. In addition, the donor restricted revenue generated by the permanently restricted net assets to support scholarships for the Schools Program.

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Note 8 – Endowment funds

Endowment funds subject to both FASB ASC 958-205, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds” and the California version of UPMIFA (CA-UPMIFA) include all permanently restricted net assets (Note 7). Endowment funds subject to FASB ASC 958-205 include the board-designated endowment fund (Note 5).

PRNSA has interpreted the CA-UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. Under this interpretation, PRNSA classifies as permanently restricted net assets the original fair value of gifts to permanently restricted endowment funds, the original fair value of subsequent gifts and accumulations made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation. The remaining portions of donor-restricted endowment funds that PRNSA has not classified as permanently restricted net assets, PRNSA classifies as temporarily restricted net assets until PRNSA appropriates those amounts for expenditure in a manner consistent with the standards of prudence prescribed by the CA-UPMIFA. In accordance with the CA-UPMIFA, PRNSA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment funds
2. The purposes of PRNSA and the endowment funds
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of PRNSA
7. The investment policy of PRNSA
8. The limitation under California state law of appropriations to seven percent of the fair value of the endowment funds.

In addition, the endowment assets held by the community foundation (Note 1) are subject to the “Spending Rule” of the community foundation.

As of September 30, 2010, endowment funds totaled as follows:

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Note 8 – Endowment funds (continued)

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Totals</u>
Donor restricted	\$ –	\$4,108	\$5,000	\$9,108
Board-designated	<u>218,490</u>	<u>–</u>	<u>–</u>	<u>218,490</u>
Totals	<u>\$218,490</u>	<u>\$4,108</u>	<u>\$5,000</u>	<u>\$227,598</u>

During the year ended September 30, 2010, endowment funds reconciled as follows:

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Totals</u>
Beginning of year	\$178,144	\$3,954	\$5,000	\$187,098
Contributions	–	–	–	–
Dividends and interest	974	154	–	1,128
Unrealized appreciation (depreciation)	14,372	–	–	14,372
Appropriations for expenditure	–	–	–	–
Board designations (undesignations)	<u>25,000</u>	<u>–</u>	<u>–</u>	<u>25,000</u>
End of year	<u>\$218,490</u>	<u>\$4,108</u>	<u>\$5,000</u>	<u>\$227,598</u>

As of September 30, 2010, the contract value of investment assets related to donor restricted endowment funds was not less than the amount required to be permanently restricted by the donor or in accordance with CA-UPMIFA, absent donor restrictions.

PRNSA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that PRNSA must hold in perpetuity or for a donor-specified period and board-designated funds. Under this policy, the primary investment objective for donor-restricted funds shall be protection of capital, not maximization of return. Maintaining liquidity sufficient to meet projected expenditures shall be a priority. PRNSA should invest donor-restricted funds in low-risk investments such as money market funds, term deposits and short-term Treasury securities.

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Note 8 – Endowment funds (continued)

The primary investment objective for board-designated funds shall also be protection of capital, but with a higher tolerance for risk and a higher emphasis on return. Liquidity is not a priority since PRNSA does not expect to expend these board-designated funds on short notice. PRNSA may invest these board-designated funds in securities such as diversified stock and bond portfolios, but not in derivatives, commodities or other highly speculative investments.

When investing all endowment funds, management of PRNSA should bear in mind the “prudent investor rule.” Under the “prudent investor rule,” PRNSA has a fiduciary responsibility to our restricted fund donors similar to that of a trustee to a beneficiary. Accordingly, PRNSA is subject to the trust law concept that a trustee should invest a beneficiary’s funds as a prudent investor would invest their own funds. If there are donor-specific investment guidelines, those guidelines supersede the investment policy of PRNSA and PRNSA shall adhere to those guidelines.

In addition, the endowment assets held by the community foundation (Note 1) are subject to the “Investment Policy” of the community foundation.

Under this policy, actual returns in any given year may vary from expectations.

Unrestricted (board-designated) endowment funds are subject to redesignation at any time, including redesignation as other than endowment funds.

Note 9 – Retirement plan

PRNSA sponsors a defined contribution salary deferral plan under IRC section 403(b) for its eligible employees. Eligible employees may contribute up to 100% of their eligible salary to the plan, subject to limits imposed under the IRC. During the years ended September 30, 2010 and 2009, PRNSA did not contribute to the plan.

Note 10 – Commitments and contingencies

Under the CAA, PRNSA administration and operations occupy various buildings located within the Park and owned by the NPS. The last CAA became effective November 23, 1999 for five years, with automatic five-year renewals each November

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Note 10 – Commitments and contingencies (continued)

23. Accordingly, the current CAA renewal expires November 22, 2014. In addition, the NPS reserves the right to terminate the CAA at any time.

On May 25, 2010, PRNSA obtained an option to purchase land for \$400,000 that it intends to contribute to NPS. The option expired on December 23, 2010, and was contingent on PRNSA securing funding for the purchase. PRNSA requested an extension until January 23, 2011. As of December 31, 2010, PRNSA had not secured the extension or necessary funding.

Note 11 – Related parties

PRNSA made payments to the NPS for certain costs of the activities of PRNSA, as direct support for activities of the NPS and as indirect support for the activities of the NPS. During the years ended September 30, 2010 and 2009, PRNSA payments to the NPS totaled \$208,504 and \$198,698, respectively. In addition, during the years ended September 30, 2010 and 2009, PRNSA received support from the NPS for the activities of NPS totaling \$263,601 and \$195,034, respectively.

During the year ended September 30, 2010 and 2009, PRNSA paid one of its directors \$-0- and \$3,864, respectively, for certain project management services related to the Giacomini Wetlands Restoration Project and another director \$6,028 and \$6,010, respectively, to conduct certain Field Seminars.

Note 12 – Subsequent event

The Executive Director of PRNSA resigned effective December 31, 2010.