

**POINT LOBOS FOUNDATION**

**FINANCIAL STATEMENTS**  
**with**  
**INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED DECEMBER 31, 2017**

**McGILLOWAY, RAY, BROWN & KAUFMAN**  
**ACCOUNTANTS & CONSULTANTS**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Point Lobos Foundation  
Carmel, California

We have audited the accompanying financial statements of Point Lobos Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Point Lobos Foundation as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



McGilloway, Ray, Brown & Kaufman  
Salinas, California  
October 17, 2018

POINT LOBOS FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017

ASSETS

Cash and cash equivalents	\$	171,438
Contribution receivables		79,151
Inventory		28,715
Prepays and deposits		3,069
Investments		1,010,905
Collections (Note 3)		-
Property and equipment, net		23,620
Intangible assets, net		7,179
Intangible assets in process		41,000
Total assets	\$	<u>1,365,077</u>

LIABILITIES

Accounts payable	\$	24,640
Accrued expenses		11,084
Total liabilities		<u>35,724</u>

NET ASSETS

Unrestricted		
Unrestricted and undesignated		758,098
Board designated funds		49,846
Total unrestricted net assets		<u>807,944</u>
Temporarily restricted net assets		<u>521,409</u>
Total net assets		<u>1,329,353</u>
Total liabilities and net assets	\$	<u>1,365,077</u>

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

POINT LOBOS FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
Membership dues	\$ 86,396	\$ -	\$ 86,396
Grants and donations	135,630	241,326	376,956
In-kind donations	17,576	42,807	60,383
Information Station sales, net	21,358	-	21,358
Map sales, net	44,671	-	44,671
Investment income, net	117,879	16	117,895
Fundraising events			
Revenue from fundraising events	6,840	-	6,840
In-kind donations for fundraising events	9,620	-	9,620
	<u>439,970</u>	<u>284,149</u>	<u>724,119</u>
Net assets released from purpose restrictions	<u>242,850</u>	<u>(242,850)</u>	<u>-</u>
Total revenue and support	<u>682,820</u>	<u>41,299</u>	<u>724,119</u>
Expenses			
Program services	563,513	-	563,513
Support services			
Fundraising	115,579	-	115,579
General and administration	69,986	-	69,986
Total expenses	<u>749,078</u>	<u>-</u>	<u>749,078</u>
Change in net assets	<u>(66,258)</u>	<u>41,299</u>	<u>(24,959)</u>
Net assets, beginning of year	<u>874,202</u>	<u>480,110</u>	<u>1,354,312</u>
Net assets, end of year	<u>\$ 807,944</u>	<u>\$ 521,409</u>	<u>\$ 1,329,353</u>

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

POINT LOBOS FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services		Total
		Fundraising	General and Administration	
Personnel	\$ 193,193	\$ 55,675	\$ 44,822	\$ 293,690
Docent training and outreach	20,055	-	-	20,055
Youth programs	21,214	-	-	21,214
Educational brochures	14,391	-	-	14,391
Occupancy expense	-	-	4,516	4,516
Office expense	5,514	15,311	4,245	25,070
Equipment maintenance	2,016	-	-	2,016
Building maintenance	8,279	-	-	8,279
Utilities and telephone	3,225	126	126	3,477
Insurance	2,718	-	1,878	4,596
Reserve stewardship	238,410	-	-	238,410
General plan support	21,818	-	-	21,818
Pt. Lobos magazine	10,688	4,177	-	14,865
Membership programs	4,011	4,894	478	9,383
Conferences & board expenses	723	405	5,200	6,328
Professional fees	7,753	23,079	7,984	38,816
Fundraising events	-	10,769	-	10,769
Charitable contributions	500	-	700	1,200
Depreciation and amortization	9,005	1,143	37	10,185
Total expenses	<u>\$ 563,513</u>	<u>\$ 115,579</u>	<u>\$ 69,986</u>	<u>\$ 749,078</u>

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

POINT LOBOS FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (24,959)
Adjustments to reconcile net assets to net cash provided by operating activities	
Depreciation and amortization	10,185
Unrealized loss (gain) on investments	(53,626)
Realized loss (gain) on investments	(46,631)
Contributed stock	(14,504)
(Increase) decrease in current assets	
Contribution receivables	61,642
Inventory	(1,307)
Prepays	(450)
Increase (decrease) in current liabilities	
Accounts payable	5,275
Accrued liabilities	5,694
	<hr/>
Net cash provided (used) by operating activities	(58,681)
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of investments	(242,602)
Purchase of investments	274,980
Purchase of property and equipment	(571)
Purchase of intangible assets	(6,500)
	<hr/>
Net cash provided (used) by investing activities	25,307
	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Contributed stock restricted for long term purposes	(42,807)
	<hr/>
Net cash provided (used) by financing activities	(42,807)
	<hr/>
Net increase (decrease) in cash and cash equivalents	(76,181)
CASH AND CASH EQUIVALENTS, beginning of year	247,619
	<hr/>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 171,438</u>

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



POINT LOBOS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**1. Summary of Significant Accounting Policies**

***Organization and Nature of Activities***

Point Lobos Foundation (the Foundation) is a California non-profit public benefit corporation founded in February 1978. The Foundation is dedicated to protecting and nurturing Point Lobos State Natural Reserve, educating and inspiring visitors to preserve its unique natural and cultural resources, and strengthening the network of Carmel Area State Parks.

The primary sources of the Foundation's support are from membership dues, contributions and grants.

***Basis of Accounting***

These financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

***Basis of Presentation and Description of Net Assets***

The Foundation's financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to not-for-profit organizations. The Foundation's financial statements include three categories of net assets as follows:

Unrestricted Net Assets

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. The Board of Trustees has designated \$49,846 for funding of the General Plan with the California State Parks. (See Note 12).

Temporarily Restricted Net Assets

The portion of net assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by program expenditures. (See Note 11).

Permanently Restricted Net Assets

The portion of net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled by program expenditures. The Foundation has no permanently restricted net assets.

***Revenue Recognition***

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Membership dues are recognized during the applicable membership period.

***Donated Materials and Services***

Donated marketable securities and other noncash donations are recorded as contributions at their fair value at the date of donation.

POINT LOBOS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

No amounts have been reflected in the financial statements for donated services. The Foundation generally pays for services requiring specific expertise. However, the Foundation relies on substantial volunteer services - 2,360 hours in 2017 - to further its goals.

***Cash and Cash Equivalents***

For the purposes of the statement of cash flows, the Foundation considers all unrestricted cash held at a financial institution with an initial maturity of three months or less to be cash equivalents. The Foundation does not consider any of its investments in money market funds held with brokerage firms to be cash equivalents, regardless of their initial maturities.

***Contribution Receivables***

Management believes all contribution receivables are fully collectible; therefore, no allowance for doubtful accounts is recorded. All receivables are expected to be collected within one year.

***Inventory***

Inventory is stated at the lower of cost or market and includes maps and other materials available for sale.

***Investments***

The Foundation carries investments in marketable securities with readily determinable fair values at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the investment income in the accompanying Statement of Activities. (See Note 5).

***Fair Value Measurements***

Investments are recorded at fair value, determined in accordance with the provisions of ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 establishes a fair value hierarchal disclosure framework which prioritizes and ranks the level of market price observable inputs used in measuring investments at fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs based on quoted market prices for identical assets or liabilities in an active market. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data. Price inputs are quoted prices for identical or similar financial instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value drivers are observable in active markets.
- Level 3 – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. These inputs into the determination of fair value require significant management judgment or estimation. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally include private fund investment structures and limited interests.

POINT LOBOS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

***Collections***

The Foundation's collections are made up of artifacts and archives of historical significance, scientific specimens, and art objects that are held for educational and curatorial purposes. Collection items were acquired through contributions since the Foundation's inception and are not recognized as assets on the Statement of Financial Position. Proceeds from deaccessions or insurance recoveries, if any, are reflected as increases in the appropriate net assets classes. (See Note 3).

***Property and Equipment and Depreciation Methods***

All acquisitions of property and equipment in excess of \$2,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the 200 double declining balance and straight-line methods over the estimated useful lives of the related assets, which range from 5 to 30 years.

***Intangible Assets***

The Foundation has intangible assets in the form of website development costs. In developing assumptions about the useful life of these assets, the Foundation considers the estimated term of expected operation. Costs that increase the functionality or efficiency of the intangible assets, or otherwise extend the useful life of the assets of \$2,000 or more which are used to conduct the Foundation's business are capitalized. Intangible assets are presented at cost less accumulated amortization. Amortization is computed using the straight-line method over the estimated life of 15 years.

***Functional Allocation of Expenses***

The cost of providing the various program services and supporting activities of the Foundation are shown on the Statement of Functional Expenses. Expenses that can be identified with a specific program are allocated directly according to the function benefited. Certain costs, including occupancy, office supplies, telephone and other have been allocated between the program services and supporting activities benefited on a pro-rata basis based on the proportion of direct cost incurred by each program.

***Income Taxes***

The Foundation is a tax-exempt organization under Internal Revenue Code Section 509(a)(2) under Section 501(c)(3) and related California code sections. The Foundation may be subject to tax on unrelated business income. No estimated unrelated business income tax was recorded for the year ended December 31, 2017.

The Foundation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 for accounting for uncertainty in income taxes. Management evaluated the Foundation's tax positions and concluded that the Foundation had maintained its tax-exempt status and had not taken uncertain tax positions that required adjustment to the financial statements.

Foundation had no interest and penalties related to income taxes for the year ended December 31, 2017. The Foundation's federal returns are subject to examination generally for three years after they are filed, and its state returns are subject to examination generally for four years after they are filed.

POINT LOBOS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

***Use of Estimates***

Financial statements prepared in accordance with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. Concentration of Credit Risk**

Financial instruments that potentially subject the Foundation to concentrations of credit consist principally of cash and cash equivalents and investments. Risk associated with cash and cash equivalents and investments are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts. The Foundation has not experienced any losses in such amounts and believes it is not exposed to any significant credit risk.

Receivables consist primarily of unsecured amounts due from foundation grants. The credit risk associated with the receivables from grants is mitigated by the number of grants comprising the receivable balance. Management evaluates the collectability of receivables on a regular basis and expects the receivables to be fully collectible.

**3. The Whalers Cabin and the Whaling Station Museum Collections**

The Foundation's collections are made up of artifacts and documents of historical significance, scientific specimens and art objects that are held for educational and curatorial purposes. These items are cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The majority of the collection is on a long-term loan to California Department of Parks and Recreation, for display at The Whalers Cabin and The Whaling Station Museum buildings at Point Lobos State Natural Reserve. The objects in the collection were acquired over several years and have an appraised value of \$142,905. No collection items were deaccessioned in 2017.

**4. Cash and Cash Equivalents**

Cash and cash equivalents consist entirely of demand deposit accounts as of December 31, 2017. The Foundation invests cash and cash equivalents at well capitalized financial institutions that are insured up to \$250,000 at December 31, 2017, by the Federal Deposit Insurance Corporation (FDIC).

**5. Investments**

Investments are presented in the financial statements on a recurring basis at fair value based on quoted market prices for identical assets or liabilities in an active market (Level 1).

Investments consist of the following at December 31, 2017:

	Cost	Fair Value (Level 1)	Unrealized Appreciation (Depreciation)
Cash and money market funds	\$ 109,414	\$ 109,414	\$ -
Equities	396,141	492,348	96,207
Fixed income	392,645	372,048	(20,597)
Commodities	38,048	37,095	(953)
	<u>\$ 936,248</u>	<u>\$ 1,010,905</u>	<u>\$ 74,657</u>

POINT LOBOS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

For the year ended December 31, 2017, investment income consisted of:

Interest on cash and cash equivalents	\$ 16
Interest and dividends	26,718
Realized gain or (loss)	46,631
Unrealized gain or (loss)	53,626
Investment fees	(9,096)
Investment income	<u>\$ 117,895</u>

**6. Property and Equipment, net**

Property and equipment at December 31, 2017 consists of:

Furniture and fixtures	\$ 23,991
Machinery and equipment	88,878
Total depreciable assets	<u>112,869</u>
Less accumulated depreciation	(89,249)
Fixed assets, net	<u>\$ 23,620</u>

Depreciation expense for the year ended December 31, 2017 was \$9,365.

**7. Intangible Assets, (net)**

The following is a summary of intangible assets as of December 31, 2017:

Website development costs	\$ 12,300
Less: Accumulated amortization	(5,121)
Intangible assets, net	<u>\$ 7,179</u>

Amortization expense for the year ended December 31, 2017 was \$820. Estimated annual amortization expense for the next five years is \$820 per year.

**8. Intangible Assets in Process**

The intangible assets in process consists of website upgrading cost of \$41,000. As of December 31, 2017, the new website is still under development.

**9. Merchandise Sales, Gross Profit**

For the year ended December 31, 2017, gross profit on merchandise was as follows:

	Total	Information	
		Station	Maps
Sales	\$ 97,232	\$ 44,448	\$ 52,784
Cost of goods sold	<u>31,203</u>	<u>23,090</u>	<u>8,113</u>
Gross profit on sales	<u>\$ 66,029</u>	<u>\$ 21,358</u>	<u>\$ 44,671</u>

POINT LOBOS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**10. Net Profit on Special Events**

For the year ended December 31, 2017, net profit on fundraising special events was as follows:

Fundraising events		
Gross proceeds	\$ 6,840	
In kind donations	9,620	
Total revenues		\$ 16,460
Cash expenses	10,769	
Total expenses		10,769
Net income		<u>\$ 5,691</u>

**11. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following periods or purposes as of December 31, 2017:

Purpose:

Sister Anna Voss Memorial Fund	\$ 116,092
Restroom Improvement	17,180
Trail Improvement	178
Whalers Cabin	102,704
School outreach transportation	8,101
Intern Program	32,682
Restoration	232,448
Property Development	8,524
Discover Point Lobos	3,500
Total temporarily restricted net assets	<u>\$ 521,409</u>

**12. Board Designated Net Assets**

In 2011, the Board designated funds for funding of up to 50% for the General Plan, up to a maximum of \$250,000.

Total Designated	\$ 250,000
Expended through December 31, 2016	(178,336)
Expended in 2017	(33,355)
Refund of retainage in 2017	11,537
Board Designated as of December 31, 2017	<u>\$ 49,846</u>

The General Plan is further discussed in Note 15, Commitments – Memorandum of Understanding (MOU) California State Parks.

**13. Concentrations**

For the year ended December 31, 2017 revenue received for grants and donations was 52% of total revenue. The remaining revenue was derived as follows, 16% from investment income, 12% from membership dues, 9% from the sales of merchandise, 8% from in-kind donations, and 3% from fundraising events.

POINT LOBOS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**14. Lease Commitments**

In March of 2017, the Foundation entered into a five year noncancellable operating lease for a copier. For the year ended December 31, 2017, copier lease expense amounted to \$906.

Future minimum lease payments for the copier under this noncancellable operating lease are as follows:

<u>Year ending December 31,</u>	
2018	\$ 900
2019	900
2020	900
2021	900
2022	263
Thereafter	<u>-</u>
	<u>\$ 3,863</u>

Subsequent to the year ended December 31, 2017, the Foundation entered into a noncancellable operating lease for its administrative office for a five year term as of May 1, 2018.

Future minimum lease payments for the facility under this noncancellable operating lease are as follows:

<u>Year ending December 31,</u>	
2018	\$ 21,326
2019	31,990
2020	31,990
2021	31,990
2022	31,990
Thereafter	<u>10,663</u>
	<u>\$ 159,949</u>

**15. Commitments – Memorandum of Understanding (MOU) California State Parks**

The Foundation entered into a Memorandum of Understanding (MOU) with California State Parks (CSP) in 2011 to provide one-half of the funding for the preparation of a General Plan for the Properties, up to a maximum funding by the Foundation of \$250,000. The Properties are defined as Point Lobos State Natural Reserve, Point Lobos Ranch property, Carmel River State Beach, and the Hatton Canyon property. Under the MOU the Foundation will reimburse CSP within 30 days after receipt of an acceptable billing statement from CSP. The Board has reserved net assets as designated for this commitment. (See Note 12).

**16. Subsequent Events**

Management has evaluated events and transactions for potential recognition or disclosure through October 17, 2018, which represents the date the financial statements were available to be issued. Management has determined that, as of that date, there were no other material subsequent events to recognize or disclose.