

**POINT LOBOS FOUNDATION**

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

**YEAR ENDED DECEMBER 31, 2016**

**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, 2016, 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, 2016, 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*

McGilloway, Ray, Brown & Kaufman

Salinas, California

November 14, 2017

POINT LOBOS FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016

ASSETS

Cash and cash equivalents	\$ 247,619
Contribution receivables	140,793
Inventory	27,408
Prepays and deposits	2,619
Investments	885,715
Collections (Note 3)	-
Property and equipment, net	32,414
Intangible assets, net	7,999
Intangible assets in process	34,500
Total assets	<u>\$ 1,379,067</u>

LIABILITIES

Accounts payable	\$ 19,365
Accrued expenses	5,390
Total liabilities	<u>24,755</u>

NET ASSETS

Unrestricted	
Unrestricted and undesignated	802,538
Board designated funds	71,664
Total unrestricted net assets	<u>874,202</u>
Temporarily restricted net assets	480,110
Total net assets	<u>1,354,312</u>
Total liabilities and net assets	<u>\$ 1,379,067</u>

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

POINT LOBOS FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
Membership dues	\$ 110,494	\$ -	\$ 110,494
Grants and donations	99,811	392,389	492,200
Information Station sales, net	15,843	-	15,843
Map sales, net	42,565	-	42,565
Investment income, net	40,173	8	40,181
Fundraising events			
Revenue from fundraising events	5,510	-	5,510
In-kind donations for fundraising events	7,741	-	7,741
	<u>322,137</u>	<u>392,397</u>	<u>714,534</u>
Net assets released from purpose restrictions	<u>147,724</u>	<u>(147,724)</u>	<u>-</u>
Total revenue and support	<u>469,861</u>	<u>244,673</u>	<u>714,534</u>
Expenses			
Program services	375,466	-	375,466
Support services			
Fundraising	78,553	-	78,553
General and administration	59,851	-	59,851
Total expenses	<u>513,870</u>	<u>-</u>	<u>513,870</u>
Change in net assets	<u>(44,009)</u>	<u>244,673</u>	<u>200,664</u>
Net assets, beginning of year	<u>918,211</u>	<u>235,437</u>	<u>1,153,648</u>
Net assets, end of year	<u>\$ 874,202</u>	<u>\$ 480,110</u>	<u>\$ 1,354,312</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, 2016

	Program Services	Supporting Services		Total
		Fundraising	General and Administration	
Personnel	\$ 124,553	\$ 43,385	\$ 44,880	\$ 212,818
Docent training and outreach	30,738	-	-	30,738
Youth programs	14,228	-	-	14,228
Educational brochures	5,170	-	-	5,170
Office expense	3,019	8,514	3,332	14,865
Equipment maintenance	4,957	-	-	4,957
Building maintenance	6,724	-	-	6,724
Utilities and telephone	3,213	-	424	3,637
Insurance	2,464	-	1,974	4,438
Reserve stewardship	137,963	712	122	138,797
General plan support	4,940	-	-	4,940
General plan projects	5,321	-	49	5,370
Pt. Lobos magazine	5,298	589	-	5,887
Membership programs	4,646	2,529	-	7,175
Conferences & board expenses	961	150	1,371	2,482
Professional fees	7,080	12,343	7,250	26,673
Fundraising events	-	9,046	-	9,046
Charitable contributions	5,500	-	-	5,500
Depreciation and amortization	8,691	1,285	449	10,425
Total expenses	<u>\$ 375,466</u>	<u>\$ 78,553</u>	<u>\$ 59,851</u>	<u>\$ 513,870</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, 2016

<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 200,664
Adjustments to reconcile net assets to net cash provided by operating activities	
Depreciation and amortization	10,425
Unrealized loss (gain) on investments	(4,571)
Realized loss (gain) on investments	(21,634)
(Increase) decrease in current assets	
Contribution receivables	(101,443)
Inventory	(1,954)
Prepays	(2,358)
Increase (decrease) in current liabilities	
Accounts payable	(2,031)
Accrued liabilities	182
	<hr/>
Net cash provided (used) by operating activities	77,280
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of investments	229,588
Purchase of investments	(125,683)
Purchase of property and equipment	(7,246)
Purchase of intangible assets	(16,500)
	<hr/>
Net cash provided (used) by investing activities	80,159
	<hr/>
Net increase in cash and cash equivalents	157,439
CASH AND CASH EQUIVALENTS, beginning of year	90,180
	<hr/>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 247,619</u>

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



POINT LOBOS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**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 the advancement of visitors' enjoyment and understanding of Point Lobos State Natural Reserve, to protect its natural environment for future generations and to strengthen the Monterey County network of coastal California 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 \$71,664 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, 2016

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.

***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, 2016

***Collections***

The Foundation's collections are made up of artifacts 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 200DB 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 amount 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, 2016.

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, 2016. 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, 2016

***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.

***Subsequent Events***

Management has evaluated events and transactions for potential recognition or disclosure through November 14, 2017, which represents the date the financial statements were available to be issued. Management has determined that, as of that date, there were no material subsequent events to recognize or disclose.

**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 of historical significance, scientific specimens and art objects that are held for educational and curatorial purposes. Each of the items is 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 2016.

**4. Cash and Cash Equivalents**

Cash and cash equivalents consist entirely of demand deposit accounts as of December 31, 2016. The Foundation invests cash and cash equivalents at well capitalized financial institutions that are insured up to \$250,000 at December 31, 2016, 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).

POINT LOBOS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

Investments consist of the following at December 31, 2016:

	Cost	Fair Value (Level 1)	Unrealized Appreciation (Depreciation)
Cash and money market funds	\$ 76,046	\$ 76,046	\$ -
Equities	396,534	431,918	35,384
Fixed income	381,935	355,829	(26,106)
Commodities	26,199	21,922	(4,277)
	<u>\$ 880,714</u>	<u>\$ 885,715</u>	<u>\$ 5,001</u>

For the year ended December 31, 2016, investment income consisted of:

Interest on cash and cash equivalents	\$ 18
Interest and dividends	23,571
Realized gain or (loss)	21,634
Unrealized gain or (loss)	4,571
Investment fees	(9,613)
Investment income	<u>\$ 40,181</u>

**6. Property and Equipment, net**

Property and equipment at December 31, 2016 consists of:

Furniture and fixtures	\$ 23,991
Machinery and equipment	101,855
Total depreciable assets	<u>125,846</u>
Less accumulated depreciation	(93,432)
Fixed assets, net	<u>\$ 32,414</u>

Depreciation expense for the year ended December 31, 2016 was \$10,425.

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

The following is a summary of intangible assets as of December 31, 2016:

Website development costs	\$ 12,300
Less: Accumulated amortization	(4,301)
Net	<u>\$ 7,999</u>

Amortization expense for the year ended December 31, 2016 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 \$34,500, as of December 31, 2016, the new website is still under development.

POINT LOBOS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**9. Merchandise Sales, Gross Profit**

For the year ended December 31, 2016, gross profit on merchandise was as follows:

	Total	Information	
		Station	Maps
Sales	\$ 83,136	\$ 35,386	\$ 47,750
Cost of goods sold	<u>24,728</u>	<u>19,543</u>	<u>5,185</u>
Gross profit on sales	<u>\$ 58,408</u>	<u>\$ 15,843</u>	<u>\$ 42,565</u>

**10. Net Profit on Special Events**

For the year ended December 31, 2016, net profit on fundraising special events was as follows:

Fundraising events			
Gross proceeds	\$ 5,510		
In kind donations	<u>7,741</u>		
Total revenues			\$ 13,251
Cash expenses	<u>9,046</u>		
Total expenses			<u>9,046</u>
Net income			<u>\$ 4,205</u>

**11. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following periods or purposes as of December 31, 2016:

Purpose:

Sister Anna Voss Memorial Fund	\$ 103,257
Restroom Improvement	8,768
Trail Improvement	91,081
Whalers Cabin	109,249
School outreach transportation	9,189
Intern Program	133,535
Youth Program	7
Property Development	8,524
Cypress Study	1,000
Discover Point Lobos	10,000
Invasive Plants	<u>5,500</u>
Total temporarily restricted net assets	<u>\$ 480,110</u>

POINT LOBOS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**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, 2015	(173,396)
Expended in 2016	<u>(4,940)</u>
Board Designated as of December 31, 2016	<u><u>\$ 71,664</u></u>

The General Plan is further discussed in Note 14, Commitments – Memorandum of Understanding (MOU) California State Parks.

**13. Concentrations**

For the year ended December 31, 2016 sales of merchandise was 8% of total revenue. The remaining revenue was derived as follows, 15% from membership dues, 69% from private contributions and grants, 6% from investment income, and 2% from fundraising events.

**14. 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).