

POINT LOBOS FOUNDATION

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

YEAR ENDED DECEMBER 31, 2013

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

POINT LOBOS FOUNDATION

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YEAR ENDED DECEMBER 31, 2013

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McGILLOWAY, RAY, BROWN & KAUFMAN

Accountants & Consultants

2511 Garden Road, Suite A180
Monterey, CA 93940-5301
831-373-3337 Fax 831-373-3437
Toll Free 866-373-2511

379 West Market Street
Salinas, CA 93901
831-424-2737
Fax 831-424-7936

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, 2013, 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.

*Daniel M. McGilloway, Jr., CPA, CVA, Gerald C. Ray, CPA, Clyde W. Brown, CPA, Patricia M. Kaufman, CPA,
Larry W. Rollins, CPA, Helen Grace H. Rodriguez, CPA, CFE*

*Sarita C. Shannon, CPA, Deanna Garcia Thomas, CPA, Whitney Ernest, CPA, Devvyn MacBeth, CPA,
Jesus Montemayor, CPA, Smriti Shrestha, CPA*

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, 2013, 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.

McGalloway, Ray, Braun & Kaufman

Salinas, California

July 1, 2014

POINT LOBOS FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

Cash and cash equivalents	\$ 168,406
Inventory	23,680
Film inventory, Camera One, net	7,893
Prepays and deposits	476
Investments	1,043,518
Collections (Note 3)	-
Property and equipment, net	184,042
Intangible assets, net	<u>10,459</u>
Total assets	<u>\$ 1,438,474</u>

LIABILITIES

Accounts payable	\$ 21,370
Accrued expenses	<u>4,270</u>
Total liabilities	<u>25,640</u>

NET ASSETS

Unrestricted	
Unrestricted and undesignated	1,109,214
Board designated funds	<u>178,922</u>
Total unrestricted net assets	1,288,136
Temporarily restricted net assets	<u>124,698</u>
Total net assets	<u>1,412,834</u>
Total liabilities and net assets	<u>\$ 1,438,474</u>

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

POINT LOBOS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
Membership dues	\$ 85,781	\$ -	\$ 85,781
Grants and donations	74,627	60,866	135,493
Information Station sales, gross profit	3,923	-	3,923
Map sales, gross profit	132,224	-	132,224
Online sales, gross profit	201	-	201
Investments income	77,519	1,791	79,310
Fundraising events			
Revenue from fundraising events	6,259	-	6,259
In kind donations for fundraising events	6,174	-	6,174
	<u>386,708</u>	<u>62,657</u>	<u>449,365</u>
Net assets released from purpose restrictions	<u>43,596</u>	<u>(43,596)</u>	<u>-</u>
Total revenue and support	<u>430,304</u>	<u>19,061</u>	<u>449,365</u>
Expenses			
Program services	310,885	-	310,885
Support services			
Fundraising	58,890	-	58,890
General and administration	53,778	-	53,778
Total expenses	<u>423,553</u>	<u>-</u>	<u>423,553</u>
Change in net assets	<u>6,751</u>	<u>19,061</u>	<u>25,812</u>
Net assets, beginning of year	<u>1,281,385</u>	<u>105,637</u>	<u>1,387,022</u>
Net assets, end of year	<u>\$ 1,288,136</u>	<u>\$ 124,698</u>	<u>\$ 1,412,834</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, 2013

	Program Services	Supporting Services		Total
		Fund-raising	General and Administration	
Personnel	\$ 103,580	\$ 32,938	\$ 27,400	\$ 163,918
Docent training and outreach	17,852	-	-	17,852
Youth programs	15,030	-	-	15,030
Educational brochures	14,612	-	-	14,612
Office expense	5,605	12,109	3,676	21,390
Equipment maintenance	4,149	-	-	4,149
Building maintenance	6,473	-	-	6,473
Utilities and telephone	1,816	32	360	2,208
Insurance	2,281	-	1,398	3,679
Reserve stewardship	81,017	-	-	81,017
General plan support	3,375	-	-	3,375
General plan projects	7,500	-	-	7,500
Pt. Lobos magazine	22,307	-	-	22,307
Membership programs	2,069	4,068	1,112	7,249
Conferences & board expenses	200	2,407	1,769	4,376
Professional fees	5,800	-	18,063	23,863
Fundraising events	-	6,516	-	6,516
Depreciation and amortization	17,219	820	-	18,039
Total expenses	<u>\$ 310,885</u>	<u>\$ 58,890</u>	<u>\$ 53,778</u>	<u>\$ 423,553</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, 2013

CASHFLOWS FROM OPERATING ACTIVITIES:	
Increase (decrease) in net assets	\$ 25,812
Adjustments to reconcile net assets to net cash provided by operating activities	
Depreciation and amortization	18,039
Net realized and unrealized loss (gain) on investment	(65,734)
(Increase) decrease in current assets	
Inventory	9,511
Prepays	(110)
Increase (decrease) in current liabilities	
Accounts payable	7,451
Accrued liabilities	1,840
	<u>1,840</u>
Net cash provided (used) by operating activities	<u>(3,191)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Reinvested dividends and capital gains distributions	19,724
Proceeds from sale of investments	1,147,392
Investments withdrawals	(60,500)
Investment fees	(6,254)
Purchase of investments	(1,053,332)
Improvements to Whaler's Cabin Museum	(6,971)
	<u>(6,971)</u>
Net cash provided (used) by investing activities	<u>40,059</u>
Net increase in cash and cash equivalents	36,868
CASH AND CASH EQUIVALENTS, beginning of year	<u>131,538</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 168,406</u>

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

POINT LOBOS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Point Lobos Foundation (the Organization) is a California non-profit public benefit corporation founded in February 1978. The Organization 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.

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Presentation of Financial Statements of Not-for-Profit Organizations*. The Organization reports information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At the present, the Organization has no permanently restricted net assets.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Inventory

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

Film Inventory – Camera One

Film inventory is stated at the lower of unamortized cost or estimated fair value. Film costs are amortized using an individual-film-forecast method based on the ratio of current period actual revenues to estimated remaining total lifetime revenues. Estimates used in calculating the net realizable value of the film inventory are based upon assumptions about future demand and market conditions and are reviewed on a periodic basis.

Investments

The Organization 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.

POINT LOBOS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Collections

The Organization'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 Organization'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.

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 Organization has intangible assets in the form of website development costs. In developing assumptions about the useful life of these assets, the Organization 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 Organization'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.

Contribution 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.

Donated Materials and Services

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

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, the Organization relies on substantial volunteer services.

POINT LOBOS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d. Accordingly, it has not provided for income taxes in these financial statements.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

The Organization's Federal returns are currently open under the statute of limitations for the years ended after December 31, 2009 and the California returns are open for the years ended after December 31, 2008.

POINT LOBOS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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.

Functional Allocation of Expenses

The cost of providing the various program services and supporting activities of the Organization 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.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through July 1, 2014, 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 Organization 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 Organization has not experienced any losses in such amounts and believes it is not exposed to any significant credit risk.

3. The Whalers Cabin and The Whaling Station Museum Collections

The Organization'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 2013.

4. Cash and Cash Equivalents

Cash and cash equivalents consist entirely of demand deposit accounts as of December 31, 2013. The Organization invests cash and cash equivalents at well capitalized financial institutions that are insured up to \$250,000 at December 31, 2013, by the Federal Deposit Insurance Corporation (FDIC).

POINT LOBOS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013:

	Cost	Fair Value (Level 1)	Unrealized Appreciation (Depreciation)
Cash and money market funds	\$ 228,463	\$ 228,463	\$ -
Equities	319,060	373,932	54,872
Commodities	26,432	23,224	(3,208)
Fixed income	407,013	390,534	(16,479)
Other	30,239	27,365	(2,874)
	<u>\$ 1,011,207</u>	<u>\$ 1,043,518</u>	<u>\$ 32,311</u>

For the year ended December 31, 2013, investment income consisted of:

Interest on cash and cash equivalents	\$ 106
Dividends	19,724
Realized gain or (loss)	120,754
Unrealized gain or (loss)	(55,020)
Investment fees	(6,254)
Investment income	<u>\$ 79,310</u>

6. Film Inventory – Camera One, Net

As of December 31, 2013 film inventory consisted of:

Film inventory (production cost)	\$ 65,142
Less amortization	(57,249)
Film inventory, net	<u>\$ 7,893</u>

Camera One was contracted to produce a file master, "Point Lobos: Timeless Coast" in 2000. Amortization for the year ended December 31, 2013 was \$1,044 and is included in cost of goods sold for Information Station.

POINT LOBOS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

7. Property and Equipment, Net

Property and equipment at December 31, 2013 consists of:

Improvements	\$ 269,767
Furniture and fixtures	23,991
Machinery and equipment	<u>63,909</u>
Total depreciable assets	357,667
Less accumulated depreciation	<u>(173,625)</u>
Fixed assets, net	<u>\$ 184,042</u>

Depreciation and amortization expense for the year ended December 31, 2013 was \$18,039.

8. Intangible Assets (net)

The following is a summary of intangible assets as of December 31, 2013:

Website development costs	\$ 12,300
Less: Accumulated amortization	<u>(1,841)</u>
Net	<u>\$ 10,459</u>

Amortization expense for the year ended December 31, 2013 was \$820. Estimated annual amortization expense for the next five years is \$820 per year.

9. Merchandise Sales, Gross Profit

For the year ended December 31, 2013, gross profit on merchandise was as follows:

	Total	Information Station	Maps	Online sales
Sales	\$ 173,600	\$ 27,496	\$ 145,344	\$ 760
Cost of goods sold	<u>37,252</u>	<u>23,573</u>	<u>13,120</u>	<u>559</u>
Gross profit on sales	<u>\$ 136,348</u>	<u>\$ 3,923</u>	<u>\$ 132,224</u>	<u>\$ 201</u>

POINT LOBOS FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2013

10. Net Profit on Special Events

For the year ended December 31, 2013, net profit on fundraising special events was as follows:

Fundraising events

Gross proceeds	\$ 6,259	
In kind donations	6,174	
Total revenue		\$ 12,433
In kind expense	2,061	
Cash expenses	4,455	
Total expense		<u>6,516</u>
Net income		<u>\$ 5,917</u>

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes as of December 31, 2013:

Purpose:

Sister Anna Voss Memorial Fund	\$	58,093
Invasive Plants		5,000
Lace Lichen Trail Expansion		2,850
Trail signage		5,442
Greatest need		19,009
Restroom improvement		10,000
MINT vehicle purchase		10,000
School outreach transportation		9,076
Monterey Bay and Channel Islands Sanctuary		2,200
Whaler's Cabin Museum restoration		<u>3,028</u>
Total temporarily restricted net assets	\$	<u>124,698</u>

POINT LOBOS FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2013

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, 2012	(67,703)
Expended in 2013	(3,375)
	\$ 178,922
Board Designated as of December 31, 2013	\$ 178,922

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, 2013 gross profit on sales of merchandise was 29% of total revenue. The remaining revenue was derived as follows, 19% from Membership dues, 30% from private contributions and grants, 18% from investment income, and 4% from fundraising events.

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

The Organization 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 Organization 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 Organization 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.