

Yosemite Foundation

dba Yosemite Conservancy

Consolidated Financial Statements

December 31, 2016 and 2015



**YOSEMITE
CONSERVANCY®**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Yosemite Foundation
dba Yosemite Conservancy
San Francisco, California

We have audited the accompanying consolidated financial statements of Yosemite Foundation dba Yosemite Conservancy (a California nonprofit corporation) (the "Conservancy"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (the "U.S."); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the U.S. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Yosemite Foundation dba Yosemite Conservancy as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the U.S.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Francisco, California

May 19, 2017

Yosemite Foundation
 dba Yosemite Conservancy
 Consolidated Statements of Financial Position
 December 31, 2016 and 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,804,062	\$ 13,042,554
Pledges receivable, net	817,070	1,662,998
Other receivables, net	557,509	1,041,403
Investments	5,230,035	5,036,026
Inventory	529,898	623,367
Real estate held for sale	-	20,000
Prepaid and other current assets	221,462	249,746
Total current assets	14,160,036	21,676,094
Noncurrent assets		
Pledges receivable, net of current portion	278,546	859,136
Deposits	14,500	14,500
Land held for future use	764,200	764,200
Charitable remainder trust, net	348,928	346,892
Charitable gift annuities	131,041	159,647
Property and equipment, net	574,498	528,280
Total noncurrent assets	2,111,713	2,672,655
 Total assets	 \$ 16,271,749	 \$ 24,348,749
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 288,692	\$ 66,181
Accrued expenses	428,611	428,245
Deferred rent	104,727	113,573
Grants payable to Yosemite National Park	563,861	1,911,067
Total current liabilities	1,385,891	2,519,066
Net assets		
Unrestricted	12,811,849	10,403,348
Temporarily restricted	1,060,300	10,412,626
Permanently restricted	1,013,709	1,013,709
Total net assets	14,885,858	21,829,683
 Total liabilities and net assets	 \$ 16,271,749	 \$ 24,348,749

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

Yosemite Foundation
 dba Yosemite Conservancy
 Consolidated Statement of Activities
 For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Contributions				
Individual contributions	\$ 7,978,545	\$ 649,808	\$ -	\$ 8,628,353
Corporations	243,491	235,817	-	479,308
Foundations	148,184	292,515	-	440,699
Special events and other sources	145,850	-	-	145,850
Cause related contributions	<u>311,875</u>	<u>941,501</u>	<u>-</u>	<u>1,253,376</u>
Total contributions	<u>8,827,945</u>	<u>2,119,641</u>	<u>-</u>	<u>10,947,586</u>
Program revenues				
Retail and publishing sales	3,292,402	1,457	-	3,293,859
Cost of sales	<u>(1,834,568)</u>	<u>-</u>	<u>-</u>	<u>(1,834,568)</u>
Retail and publishing, net	1,457,834	1,457	-	1,459,291
Program service fees	<u>867,164</u>	<u>-</u>	<u>-</u>	<u>867,164</u>
Total program revenues	<u>2,324,998</u>	<u>1,457</u>	<u>-</u>	<u>2,326,455</u>
Other revenues				
Interest and dividend income	104,694	93,940	-	198,634
Gain on disposal of assets	2,000	-	-	2,000
Other revenue	<u>52,182</u>	<u>-</u>	<u>-</u>	<u>52,182</u>
Total other revenues	<u>158,876</u>	<u>93,940</u>	<u>-</u>	<u>252,816</u>
Net assets released from restriction	<u>11,567,364</u>	<u>(11,567,364)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>22,879,183</u>	<u>(9,352,326)</u>	<u>-</u>	<u>13,526,857</u>
Functional expenses				
Program services				
Project grants and administration	14,387,817	-	-	14,387,817
Retail and publishing	1,057,929	-	-	1,057,929
Visitor services and programs	<u>2,636,189</u>	<u>-</u>	<u>-</u>	<u>2,636,189</u>
Total program services	<u>18,081,935</u>	<u>-</u>	<u>-</u>	<u>18,081,935</u>
Support services				
Administration	993,104	-	-	993,104
Fundraising	<u>1,395,643</u>	<u>-</u>	<u>-</u>	<u>1,395,643</u>
Total support services	<u>2,388,747</u>	<u>-</u>	<u>-</u>	<u>2,388,747</u>
Total functional expenses	<u>20,470,682</u>	<u>-</u>	<u>-</u>	<u>20,470,682</u>
Change in net assets	2,408,501	(9,352,326)	-	(6,943,825)
Net assets, beginning of year	<u>10,403,348</u>	<u>10,412,626</u>	<u>1,013,709</u>	<u>21,829,683</u>
Net assets, end of year	<u>\$ 12,811,849</u>	<u>\$ 1,060,300</u>	<u>\$ 1,013,709</u>	<u>\$ 14,885,858</u>

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

Yosemite Foundation
 dba Yosemite Conservancy
 Consolidated Statement of Activities
 For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Contributions				
Individual contributions	\$ 6,191,878	\$ 3,397,465	\$ -	\$ 9,589,343
Corporations	86,441	452,500	-	538,941
Foundations	129,500	1,046,453	-	1,175,953
Special events and other sources	166,781	-	-	166,781
Cause related contributions	<u>346,411</u>	<u>1,034,139</u>	<u>-</u>	<u>1,380,550</u>
Total contributions	<u>6,921,011</u>	<u>5,930,557</u>	<u>-</u>	<u>12,851,568</u>
Program revenues				
Retail and publishing sales	2,704,310	1,080	-	2,705,390
Cost of sales	<u>(1,528,081)</u>	<u>-</u>	<u>-</u>	<u>(1,528,081)</u>
Retail and publishing, net	1,176,229	1,080	-	1,177,309
Program service fees	<u>735,559</u>	<u>-</u>	<u>-</u>	<u>735,559</u>
Total program revenues	<u>1,911,788</u>	<u>1,080</u>	<u>-</u>	<u>1,912,868</u>
Other revenues				
Interest and dividend income	81,392	5,325	-	86,717
Gain on disposal of assets	2,000	-	-	2,000
Other revenue	<u>13,715</u>	<u>-</u>	<u>-</u>	<u>13,715</u>
Total other revenues	<u>97,107</u>	<u>5,325</u>	<u>-</u>	<u>102,432</u>
Net assets released from restriction	<u>6,363,249</u>	<u>(6,363,249)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>15,293,155</u>	<u>(426,287)</u>	<u>-</u>	<u>14,866,868</u>
Functional expenses				
Program services				
Project grants and administration	9,379,729	-	-	9,379,729
Retail and publishing	1,056,431	-	-	1,056,431
Visitor services and programs	<u>2,771,197</u>	<u>-</u>	<u>-</u>	<u>2,771,197</u>
Total program services	<u>13,207,357</u>	<u>-</u>	<u>-</u>	<u>13,207,357</u>
Support services				
Administrative	882,782	-	-	882,782
Fundraising	<u>1,432,607</u>	<u>-</u>	<u>-</u>	<u>1,432,607</u>
Total support services	<u>2,315,389</u>	<u>-</u>	<u>-</u>	<u>2,315,389</u>
Total functional expenses	<u>15,522,746</u>	<u>-</u>	<u>-</u>	<u>15,522,746</u>
Change in net assets	(229,591)	(426,287)	-	(655,878)
Net assets, beginning of year	<u>10,632,939</u>	<u>10,838,913</u>	<u>1,013,709</u>	<u>22,485,561</u>
Net assets, end of year	<u>\$ 10,403,348</u>	<u>\$ 10,412,626</u>	<u>\$ 1,013,709</u>	<u>\$ 21,829,683</u>

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

Yosemite Foundation
dba Yosemite Conservancy
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services				Support Services			Total
	Project Grants and Administration	Retail and Publishing	Visitor Services and Programs	Total Program Services	Administration	Fundraising	Total Support Services	
Salaries and benefits	\$ 1,279,888	\$ 628,619	\$ 813,266	\$ 2,721,773	\$ 722,321	\$ 493,876	\$ 1,216,197	\$ 3,937,970
Rent and occupancy	101,468	19,932	31,701	153,101	13,256	37,040	50,296	203,397
Telephone, voice and data	16,752	25,159	20,955	62,866	8,620	5,652	14,272	77,138
Office supplies	9,111	27,973	30,826	67,910	6,647	34,027	40,674	108,584
Depreciation	21,833	6,743	7,789	36,365	9,631	4,367	13,998	50,363
Equipment lease	1,929	11,835	9,110	22,874	1,862	386	2,248	25,122
Equipment repair and maintenance	4,125	1,500	900	6,525	1,418	22,503	23,921	30,446
Equipment non-amortized	606	1,141	3,793	5,540	2,349	616	2,965	8,505
Printing and postage	3,034	13,983	126,726	143,743	21,533	295,596	317,129	460,872
Bank and merchant fees	8,131	58,928	24,330	91,389	2,432	64,768	67,200	158,589
Events, catering and rentals	389	950	143,871	145,210	56,728	14,139	70,867	216,077
Insurance	27,686	7,775	7,847	43,308	2,966	9,393	12,359	55,667
Investment advisor fees	5,447	778	1,071	7,296	5,049	1,848	6,897	14,193
Marketing promotions	-	9,515	1,007,591	1,017,106	-	29	29	1,017,135
Premiums	98	-	6,437	6,535	5,286	1,736	7,022	13,557
Service charges and fees	1,444	9,825	527	11,796	7,732	13,330	21,062	32,858
Taxes licenses and registrations	883	(295)	24	612	33	10,628	10,661	11,273
Travel and meals	4,261	10,782	61,032	76,075	42,443	18,810	61,253	137,328
Professional services	66,965	174,067	204,780	445,812	79,910	366,737	446,647	892,459
Projected commitments and aid to NPS	12,833,576	-	-	12,833,576	-	-	-	12,833,576
Sales fulfillment	-	45,798	-	45,798	-	-	-	45,798
Media and publication production	-	-	113,455	113,455	-	-	-	113,455
Miscellaneous	191	2,921	20,158	23,270	2,888	162	3,050	26,320
	<u>\$ 14,387,817</u>	<u>\$ 1,057,929</u>	<u>\$ 2,636,189</u>	<u>\$ 18,081,935</u>	<u>\$ 993,104</u>	<u>\$ 1,395,643</u>	<u>\$ 2,388,747</u>	<u>\$ 20,470,682</u>

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

Yosemite Foundation
dba Yosemite Conservancy
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services				Support Services			Total
	Project Grants and Administration	Retail and Publishing	Visitor Services and Programs	Total Program Services	Administrative	Fundraising	Total Support Services	
Salaries and benefits	\$ 1,198,666	\$ 688,107	\$ 731,154	\$ 2,617,927	\$ 675,910	\$ 458,331	\$ 1,134,241	\$ 3,752,168
Rent and occupancy	98,591	22,326	29,930	150,847	12,966	33,451	46,417	197,264
Telephone, voice and data	13,019	16,938	16,002	45,959	7,489	6,226	13,715	59,674
Office supplies	7,539	24,542	26,790	58,871	8,430	24,509	32,939	91,810
Depreciation	13,199	10,645	5,715	29,559	9,169	2,640	11,809	41,368
Equipment lease	2,429	11,050	13,219	26,698	1,972	486	2,458	29,156
Equipment repair and maintenance	3,304	5,403	873	9,580	991	36,344	37,335	46,915
Equipment non-amortized	1,977	1,080	7,607	10,664	4,265	1,091	5,356	16,020
Printing and postage	16,246	10,601	95,339	122,186	22,910	292,352	315,262	437,448
Bank and merchant fees	6,125	52,316	23,045	81,486	1,857	66,837	68,694	150,180
Events, catering and rentals	(787)	1,159	206,970	207,342	20,704	11,721	32,425	239,767
Insurance	27,432	6,628	6,772	40,832	2,939	9,308	12,247	53,079
Investment advisor fees	8,488	1,213	1,667	11,368	5,248	2,880	8,128	19,496
Marketing promotions	-	9,894	1,245,479	1,255,373	-	-	-	1,255,373
Premiums	-	-	10,841	10,841	6,279	4,043	10,322	21,163
Service charges and fees	1,727	4,697	320	6,744	1,313	29,147	30,460	37,204
Taxes licenses and registrations	856	417	2	1,275	1	10,789	10,790	12,065
Travel and meals	3,784	15,072	78,131	96,987	33,724	25,872	59,596	156,583
Professional services	58,456	145,903	236,448	440,807	65,597	348,671	414,268	855,075
Projected commitments and aid to NPS	7,918,678	-	-	7,918,678	-	-	-	7,918,678
Sales fulfillment	-	24,375	-	24,375	-	-	-	24,375
Media and publication production	-	-	27,235	27,235	-	68,142	68,142	95,377
Miscellaneous	-	4,065	7,658	11,723	1,018	(233)	785	12,508
	<u>\$ 9,379,729</u>	<u>\$ 1,056,431</u>	<u>\$ 2,771,197</u>	<u>\$ 13,207,357</u>	<u>\$ 882,782</u>	<u>\$ 1,432,607</u>	<u>\$ 2,315,389</u>	<u>\$ 15,522,746</u>

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

Yosemite Foundation
 dba Yosemite Conservancy
 Consolidated Statements of Cash Flows
 For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (6,943,825)	\$ (655,878)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation expense	50,363	41,368
Change in value of charitable remainder trust	(2,036)	(5,286)
Change in value of charitable gift annuities	28,606	18,009
Gain on disposal of assets	(2,000)	(2,000)
Unrealized (gain) loss on investments	(48,413)	50,139
Realized (gain) loss on sale of investments	(12,618)	3,391
Donated artwork	(90,000)	-
Changes in operating assets and liabilities		
Pledges receivable, net	1,426,518	682,786
Other receivables, net	483,894	(695,863)
Inventory	93,469	13,292
Prepaid and other current assets	28,284	27,711
Accounts payable	222,511	(158,107)
Accrued expenses	366	48,939
Deferred rent	(8,846)	(3,510)
Grants payable to Yosemite National Park	<u>(1,347,206)</u>	<u>3,657</u>
Net cash used in operating activities	<u>(6,120,933)</u>	<u>(631,352)</u>
Cash flows from investing activities		
Purchase of property and equipment	(6,581)	(52,504)
Proceeds from disposal of property	22,000	2,000
Proceeds from sale of marketable securities	3,471,287	11,173,330
Purchase of marketable securities	<u>(3,604,265)</u>	<u>(5,366,077)</u>
Net cash provided by (used in) investing activities	<u>(117,559)</u>	<u>5,756,749</u>
Net increase (decrease) in cash and cash equivalents	(6,238,492)	5,125,397
Cash and cash equivalents, beginning of year	<u>13,042,554</u>	<u>7,917,157</u>
Cash and cash equivalents, end of year	<u>\$ 6,804,062</u>	<u>\$ 13,042,554</u>

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

Yosemite Foundation
dba Yosemite Conservancy
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

1. NATURE OF OPERATIONS

Yosemite Foundation, doing business as Yosemite Conservancy (the "Conservancy"), which was incorporated on January 11, 1988, is a California not-for-profit public benefit corporation organized to raise funds through donations and various fund raising activities for the purpose of providing financial assistance to the National Park Service for the general preservation of Yosemite National Park and the enhancement of over 5 million visitor experiences each year.

YF Real Estate Holdings, LLC was established to hold real estate and improvements. The financial statements of YF Real Estate Holdings, LLC are consolidated with the financial statements of the Conservancy presented herein.

Park enhancements

Every year, the Conservancy provides grants to Yosemite National Park based on the highest priority needs of the park. These grants provide essential funding for trail repair, habitat restoration, cultural and historic restoration, wildlife management, scientific research, visitor services and more. To date the Conservancy has funded over 570 completed grants with \$113 million for projects that preserve, protect, and enhance Yosemite National Park.

In 2016, the Conservancy through the generous donations of individuals, corporations, and foundations was able to provide over \$18 million in cash and non-cash support to Yosemite National Park, which included over \$9 million in funding for the Restoration of the Mariposa Grove capital campaign, the signature project in 2016.

A second signature project for 2016 was Youth in Yosemite, and Yosemite Conservancy provided over \$1 million in funding for programs that offer opportunities for youth of all ages to participate in the Yosemite experience and to help encourage future stewards of Yosemite and all national parks.

Retail and publishing

This program represents sales conducted at visitor center bookstores, information centers, wilderness centers, an online store, and to wholesale vendors. In addition to the sales of maps, DVD's, Native American handcrafts, and other educational and inspirational materials related to Yosemite National Park and the Sierra Nevada, the Conservancy publishes and sells books and other literature that educates, connects, and inspires the public to visit their National Parks and lands. The financial statements reflect retail and publishing revenues net of cost of goods sold and donor discounts.

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Notes to Consolidated Financial Statements
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1. NATURE OF OPERATIONS (continued)

Park programs

The Conservancy aims to support the preservation and education roles of the National Park Service mission through a diverse portfolio of public educational programs. This program is designed to enhance the Yosemite experience with over 100 interpretive and educational programs in geology, botany, natural and cultural history, photography, backpacking, and the arts. The Conservancy also conducts educational field programs on a custom basis and by contact with travel providers. In addition, the Conservancy supports the Yosemite Art Center, Yosemite Theater programs and the Parsons Memorial Lodge Summer Series. The Conservancy also helps inspire and train the next generation of stewards through internships, Junior Ranger, and other programs, as well as helps sustain the internship program with UC Merced.

The Wilderness operations program assists the National Park Service in educating Yosemite backcountry visitors by managing the wilderness reservation system, issuing permits, sponsoring the bear canister rental program, operating the Ostrander Ski Hut, selling interpretive and orientation materials, and providing visitors with the opportunity for an enjoyable and respectful wilderness experience.

The Volunteer program provides a corps of volunteers which support Yosemite National Park through numerous week-long natural resource restoration projects and a month-long visitor information program that improves the experience of Yosemite visitors annually.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). All material intercompany transactions and account balances have been eliminated in consolidation.

Financial statement presentation

The Conservancy's consolidated financial statements are reported according to the existence or absence of donor-imposed restrictions in three classes of net assets. A description of the three classed of net assets is as follows:

- *Unrestricted net assets* - The portion of net assets that is not restricted by donor imposed stipulations and includes Board-designated funds.
- *Temporarily restricted net assets* - The portion of net assets whose use by the Conservancy is limited by donor imposed stipulations that either will be fulfilled and/or expire by passage of time.

Yosemite Foundation
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Notes to Consolidated Financial Statements
December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

- *Permanently restricted net assets* - The portion of net assets held in perpetuity by donor imposed stipulations. Investment income is available for donor stipulated purposes and is included in temporarily restricted net assets.

Donor restricted endowment

Interpretation of Relevant Law

The Board of Trustees (the "Board") of the Conservancy has interpreted the State of California's enacted version of Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring as a goal reasonable efforts to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Conservancy classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment, and (3) additions to the permanent endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Conservancy in a manner consistent with the standard of prudence prescribed by California's enacted version of UPMIFA.

Spending Policy

In accordance with the State of California's enacted version of UPMIFA, the Conservancy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Conservancy and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Conservancy
- 7) The investment policies of the Conservancy

Investment income earned on permanently restricted net assets is included in temporarily restricted net assets available for donor stipulated purposes. For endowments with donor-restricted funds, the board distribution will be an amount equal to 4% of the previous three year's rolling average of the fair market value of the donor-restricted endowment funds and will be used for donor stipulated purposes. The appropriation made from the donor-restricted endowment was \$49,300 and \$50,600 for the years ended December 31, 2016 and 2015, respectively.

Yosemite Foundation
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Notes to Consolidated Financial Statements
December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donor restricted endowment (continued)

Endowment Investment Policy, Return Objectives and Risk Parameters

The Conservancy has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under the investment policy, as approved by the Board, the endowment assets are invested in a manner that is intended to protect capital while seeking some income. The instruments to be used shall include equity investments of readily marketable securities of corporations that are actively traded on major U.S. exchanges including the over-the-counter market. Mutual funds and exchange-traded funds consistent with the risk tolerances and the investment objectives of the fund may also be employed. To achieve diversification, the portfolio concentration will be limited to no more than 5% of any one issuer, and no more than 20% in any single industry. The Finance Committee shall establish the permitted limits for investment between fixed income and equity portions of the portfolio, in consultation with investment advisors, the current limits are 25% fixed income and 75% equity.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Conservancy to retain as a fund of perpetual duration. The Conservancy accounts for such "underwater" endowment funds as a reduction of unrestricted net assets. As of December 31, 2016 and 2015, the Conservancy does not have any underwater endowments.

Contributions

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions and grants are recognized when the donor makes a promise to give to the Conservancy, that is, in substance, unconditional. Temporarily restricted contributions are reclassified to unrestricted net assets upon the fulfillment of a purpose restriction or expiration of a time restriction.

Bequests

The Conservancy may be named as a beneficiary in wills and trusts. Proceeds from estates and trusts are not recognized until the passing of the donor, as it is not always certain that the Conservancy will remain the named beneficiary.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated materials, supplies and services

Donations of services, property or products are recorded as support at their estimated fair value. Donated services were valued at \$131,618 and \$96,166 during the years ended December 31, 2016 and 2015, respectively. Donated artwork valued at \$90,000, subsequently loaned to Yosemite National Park, consisted of a painting received during the year ended December 31, 2016.

The Conservancy receives a substantial amount of services donated by individuals who assist with general activities, staffing facilities, restorative work and other services in support of the National Park Service. No amounts have been reflected in the financial statements for those services, for they do not meet the criteria for recognition under professional accounting standards. For the year ended December 31, 2016, the Conservancy had 291 volunteers who donated approximately 15,973 volunteer hours. For the year ended December 31, 2015, the Conservancy had over 320 volunteers who donated approximately 15,724 volunteer hours.

The National Park Service provides the Conservancy, at no cost, space at various locations. In return, the Conservancy provides the project commitments, volunteer hours, and other beneficial services in support of the National Park Service mission and projects. The estimated value of these contributions for donated space was not determinable and thus is not reflected in the financial statements as of December 31, 2016 and 2015.

Pledges receivable

Contributions are recognized when the donor makes a promise to give to the Conservancy that is, in substance, unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected thereafter, are recorded at the present value of their estimated future cash flows utilizing risk free interest rates. Amortization of the discounts is included in contribution revenue.

The balance in the allowance for uncollectible pledges receivable is based on management's judgment giving consideration to past experience, current economic conditions, and other factors. It is the Conservancy's policy to charge off uncollectible pledges receivable when management determines the receivable will not be collected. Allowance for uncollectible pledges receivable totaled \$24,000 and \$52,000 as of December 31, 2016 and 2015, respectively.

Investments

The Conservancy reports investment in money market funds and marketable debt and equity securities with readily determinable values at fair value in the consolidated statements of financial position. Realized and unrealized gains and losses are reported in the consolidated statements of activities.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure 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 under professional accounting standards are described as follows:

- *Level 1* - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Conservancy has the ability to access.
- *Level 2* - Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
 - If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- *Level 3* - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

- Money market funds, debt and equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.
- Real estate: Valued based on the estimated quoted prices for similar assets in active market.
- Charitable remainder trusts: Valued based on the present value of estimated future cash flow.
- Charitable gift annuities: Valued based on the present value of estimated future cash flow.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost or market value. The cost is determined by the average cost method.

Property and equipment

Property and equipment consists of building and improvements, leasehold improvements, artwork, furniture and equipment and vehicles and is stated at cost or estimated fair value if donated. The Conservancy computes depreciation on its property and equipment using the straight-line method over the estimated useful lives ranging from 3 to 27.5 years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the improvements.

Grants payable to Yosemite National Park

Grants are recognized as grant expense and a liability when the Board of Trustees or the Executive Committee approves the grants, typically in January each year. Grants are made on a project basis which may be multi-year, and are typically recognized as one year grants. Multiple year grants are shown as short and long-term as appropriate.

Income tax status

The Conservancy is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and the applicable code section of the State of California Revenue and Taxation Code. The Conservancy recognizes the financial statement benefit of an uncertain tax position only after considering the probability that a tax authority would sustain the position in an examination. For tax positions meeting a "more-likely-than-not" threshold, the amount recognized in the financial statements is the benefit expected to be realized upon settlement with the tax authority. For tax positions not meeting the threshold, no financial statement benefit is recognized. The Conservancy has had no uncertain tax positions as of December 31, 2016 and 2015.

The Conservancy's tax returns are generally subject to examination by federal and state taxing authorities for three and four years respectively.

Sales taxes

The Conservancy collects sales taxes from customers and is responsible for remitting the entire amount collected to the State. The Conservancy's accounting policy is to record sales tax collected as a liability in accordance with GAAP.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain insignificant amounts in the 2015 financial statements have been reclassified to conform with the 2016 presentation.

3. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Conservancy to concentrations of credit risk consist principally of cash and cash equivalents, receivables, and marketable securities. The Conservancy places its cash with high credit quality financial institutions. The account balances exceed the institution's federally insured limits. The Conservancy has not experienced any losses in such accounts.

Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Contributions receivable from Council members accounted for approximately 43% and 34% of the Conservancy's gross contributions receivable balance as of December 31, 2016 and 2015, respectively.

4. INVESTMENTS

Investments, stated at fair value are comprised of the following as of December 31, 2016:

	2016	
	Cost	Fair Value
Money market funds	\$ 463,528	\$ 463,528
Debt securities	3,184,402	3,170,205
Equity securities	1,242,233	1,596,302
	\$ 4,890,163	\$ 5,230,035

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4. INVESTMENTS (continued)

Investments, stated at fair value are comprised of the following as of December 31, 2015:

	2015	
	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 434,610	\$ 434,610
Debt securities	3,151,337	3,146,759
Equity securities	<u>1,158,620</u>	<u>1,454,657</u>
	<u>\$ 4,744,567</u>	<u>\$ 5,036,026</u>

Investment income consist of the following:

	<u>2016</u>	<u>2015</u>
Interest income	\$ 48,653	\$ 71,307
Dividend income	88,950	68,940
Realized gain (loss)	12,618	(3,391)
Unrealized gain (loss)	<u>48,413</u>	<u>(50,139)</u>
	<u>\$ 198,634</u>	<u>\$ 86,717</u>

5. PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 836,070	\$ 1,696,998
One to five years	<u>286,406</u>	<u>881,395</u>
	1,122,476	2,578,393
Less allowance for uncollectible amounts	(24,000)	(52,000)
Less present value discount (using rates ranging from 0.16% to 2.34%)	<u>(2,860)</u>	<u>(4,259)</u>
	<u>\$ 1,095,616</u>	<u>\$ 2,522,134</u>

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6. OTHER RECEIVABLES

Other receivables consist of the following:

	2016	2015
Amount due from California Department of Motor Vehicles for License Plate Program	\$ 163,749	\$ 172,591
Accrued dollar-a-night guest donations	100,790	104,483
Refunds due from National Park Service	-	420,678
Other receivables	292,970	343,651
	\$ 557,509	\$ 1,041,403

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2016	2015
Non-depreciable assets		
Donated artwork	\$ 138,090	\$ 48,090
Depreciable assets		
Buildings	394,531	394,531
Furniture and fixtures	428,044	438,288
Leasehold improvements	72,455	72,455
Automobiles	25,795	25,795
	920,825	931,069
Accumulated depreciation	(484,417)	(450,879)
Total	\$ 574,498	\$ 528,280

Depreciation expense totaled \$50,363 and \$41,368 for the years ended December 31, 2016 and 2015, respectively.

8. LAND HELD BY YF REAL ESTATE HOLDINGS, LLC

In November 2009, the Conservancy purchased two parcels totaling 11 acres in Mariposa, California for potential Park visitor services. The parcels are held in the subsidiary YF Real Estate Holdings, LLC. Each parcel was acquired through bargain purchases resulting in non-cash contributions of \$520,448 being recognized in 2009. Potential ideas for the land include a visitor center, museum, environmental learning center or other similar use. There are no immediate plans to develop the site. The Conservancy would like the National Park Service to eventually own the land.

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8. LAND HELD BY YF REAL ESTATE HOLDINGS, LLC (continued)

During 2014, the Conservancy received an estate gift of land. The land is located in Mendocino County, California. The land was valued at \$20,000 at the time the donation was received in 2014, and was sold for \$22,000 during the year ended December 31, 2016.

During 2014, the Conservancy purchased a house in El Portal, California to be rented as housing to Conservancy employees. The house is rented at market value. The building and improvements are recorded in property and equipment. The house sits on National Park Service land that has been officially assigned to the Conservancy through the current Cooperative Agreement.

9. CHARITABLE REMAINDER TRUSTS

The Conservancy has been named as a designated recipient of a portion of a charitable remainder trust. The Conservancy is to receive \$400,000 to be used for the Mariposa Grove Restoration Project.

The value of the Trust is reported based on the present value of the estimated future cash flows. Changes in the present value are reported in the consolidated statement of activities.

The key assumptions used in the net present value calculations are as follows:

	2016	2015
Amount of designation at fair value	\$400,000	\$400,000
Projected term of the trust based on actuarial tables (years)	5.99	6.15
Discount rate	2.3%	2.3%
Present value at December 31,	\$348,928	\$346,892

10. CHARITABLE GIFT ANNUITIES

The Conservancy has been named as the beneficiary of three charitable gift annuities. The income beneficiaries are entitled to a payment each quarter calculated from 5.4% to 8.4% of the fair market value of the assets as of the date of contribution.

The contracts are stated at present value of the projected balance of the contracts at termination, net of the amounts due to the income beneficiaries over the term of the contracts. Changes in the calculated net present value are reported in the consolidated statement of activities annually.

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10. CHARITABLE GIFT ANNUITIES (continued)

The key assumptions used in the net present value calculations are as follows:

	<u>2016</u>	<u>2015</u>
Present value	\$131,041	\$159,647
Contract value	\$156,261	\$189,429
Project term of the contract based on actuarial tables (years)	3.74 - 11.03	3.7 - 11.55
Projected growth rate net of payments to income beneficiaries	0%	0%
Risk-free discount rate	1.4% - 2.4%	1.4% - 2.4%

11. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	<u>2016</u>	<u>2015</u>
Accrued salaries and benefits	\$ 232,734	\$ 176,613
Accrued vacations	117,533	122,077
Accrued royalties	15,179	20,017
Other accrued liabilities	<u>63,165</u>	<u>109,538</u>
	<u>\$ 428,611</u>	<u>\$ 428,245</u>

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12. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Conservancy's assets at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money market funds	\$ 463,528	\$ -	\$ -	\$ 463,528
Debt securities	3,170,205	-	-	3,170,205
Equity securities	1,596,302	-	-	1,596,302
Charitable remainder trust, net	-	-	348,928	348,928
Charitable gift annuities	-	-	131,041	131,041
	<u>\$ 5,230,035</u>	<u>\$ -</u>	<u>\$ 479,969</u>	<u>\$ 5,710,004</u>

The following table sets forth by level, within the fair value hierarchy, the Conservancy's assets at fair value as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money market funds	\$ 434,610	\$ -	\$ -	\$ 434,610
Debt securities	3,146,759	-	-	3,146,759
Equity securities	1,454,657	-	-	1,454,657
Real estate held for sale	-	20,000	-	20,000
Charitable remainder trust	-	-	346,892	346,892
Charitable gift annuities	-	-	159,647	159,647
	<u>\$ 5,036,026</u>	<u>\$ 20,000</u>	<u>\$ 506,539</u>	<u>\$ 5,562,565</u>

Activity in the Level 3 investments during the year was as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 506,539	\$ 519,262
Change in value of charitable remainder trust and charitable gift annuities	(6,056)	(12,723)
Charitable gift annuities liquidated	<u>(20,514)</u>	<u>-</u>
Balance, end of year	<u>\$ 479,969</u>	<u>\$ 506,539</u>

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13. UNRESTRICTED AND BOARD-DESIGNATED NET ASSETS

The Board of Trustees has created four specific board-designated funds:

- Yosemite Legacy Fund - to hold unrestricted bequests and other gifts until they are allocated by the Board annually in the budget process to specific projects, programs, or campaigns
- Emergency Reserve - to hold six months of fixed expenses less recurring cause-related revenue
- Project Reserve - to hold 50% of new annual grants payable
- Mariposa Grove Unrestricted Fund - to hold board-designated funds for future use for Mariposa Grove projects

The four specific unrestricted board-designated funds have a short-term investment objective of capital preservation and are currently invested in bonds and cash.

Unrestricted net assets including board-designated net assets were as follows as of December 31, 2016:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Transfers</u>	<u>Releases</u>	<u>Ending Balance</u>
Available for operations	\$ 938,495	\$ 9,721,126	\$ 922,359	\$ (8,903,321)	\$ 2,678,659
Yosemite Legacy Fund	3,541,129	1,590,696	(885,278)	-	4,246,547
Emergency Reserve	1,801,000	-	415,000	-	2,216,000
Project Reserve	1,550,000	-	80,000	-	1,630,000
Mariposa Grove Unrestricted Fund	<u>2,572,724</u>	<u>-</u>	<u>(532,081)</u>	<u>-</u>	<u>2,040,643</u>
	<u>\$ 10,403,348</u>	<u>\$ 11,311,822</u>	<u>\$ -</u>	<u>\$ (8,903,321)</u>	<u>\$ 12,811,849</u>

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13. UNRESTRICTED AND BOARD-DESIGNATED NET ASSETS (continued)

Unrestricted net assets including board-designated net assets were as follows as of December 31, 2015:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Transfers</u>	<u>Releases</u>	<u>Ending Balance</u>
Available for operations	\$ 326,933	\$ 8,538,659	\$ 1,232,400	\$ (9,159,497)	\$ 938,495
Yosemite Legacy Fund	3,149,882	391,247	-	-	3,541,129
Emergency Reserve	1,960,000	-	(159,000)	-	1,801,000
Board designated					
Project Reserve	1,910,000	-	(360,000)	-	1,550,000
Mariposa Grove Unrestricted Fund	<u>3,286,124</u>	<u>-</u>	<u>(713,400)</u>	<u>-</u>	<u>2,572,724</u>
	<u>\$ 10,632,939</u>	<u>\$ 8,929,906</u>	<u>\$ -</u>	<u>\$ (9,159,497)</u>	<u>\$ 10,403,348</u>

14. TEMPORARILY RESTRICTED NET ASSETS

Temporarily net assets were restricted for the following purposes as follows as of December 31, 2016:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Transfers</u>	<u>Releases</u>	<u>Ending Balance</u>
Cultural & Historic Preservation Projects	\$ -	\$ 55,655	\$ 2,262	\$ (655)	\$ 57,262
Habitat Restoration Projects	531,277	73,797	(25,003)	(580,071)	-
Scientific Research Projects	-	31,860	31,994	(54,760)	9,094
Trail Repair & Access Projects	193,703	201,599	686,917	(840,326)	241,893
Visitor Services & Education Projects	99,265	190,890	53,774	(316,145)	27,784
Wildlife Management Projects	-	10,827	-	(10,827)	-
Mariposa Grove Fund	8,923,278	437,363	49,514	(9,380,502)	29,653
Donor restricted and other park programs	<u>665,103</u>	<u>1,213,047</u>	<u>(799,458)</u>	<u>(384,078)</u>	<u>694,614</u>
	<u>\$ 10,412,626</u>	<u>\$ 2,215,038</u>	<u>\$ -</u>	<u>\$ (11,567,364)</u>	<u>\$ 1,060,300</u>

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14. TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily net assets were restricted for the following purposes as follows as of December 31, 2015:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Transfers</u>	<u>Releases</u>	<u>Ending Balance</u>
Cultural & Historic Preservation Projects	\$ -	\$ 5,335	\$ -	\$ (5,335)	\$ -
Habitat Restoration Projects	38,004	84,367	500,000	(91,094)	531,277
Scientific Research Projects	-	43,000	-	(43,000)	-
Trail Repair & Access Projects	674,335	148,133	214,280	(843,045)	193,703
Visitor Services & Education Projects	93,229	657,198	(31,405)	(619,757)	99,265
Wildlife Management Projects	-	80,035	50,000	(130,035)	-
Mariposa Grove Fund	9,575,057	3,625,400	45,800	(4,322,979)	8,923,278
Donor restricted and other park programs	<u>458,288</u>	<u>1,293,494</u>	<u>(778,675)</u>	<u>(308,004)</u>	<u>665,103</u>
	<u>\$ 10,838,913</u>	<u>\$ 5,936,962</u>	<u>\$ -</u>	<u>\$ (6,363,249)</u>	<u>\$ 10,412,626</u>

15. DONOR RESTRICTED ENDOWMENT

The Conservancy's endowment consists of two donor-restricted endowment funds classified and reported as permanently restricted net assets. The permanently restricted endowment funds have a long-term investment objective of growth and are invested 100% in a US Equity Fund.

Endowment composition

Endowment net asset composition by type of fund as of December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Trail repair endowment	\$ -	\$ 231,745	\$ 892,918	\$ 1,124,663
Search and rescue endowment	-	519	120,791	121,310
	<u>\$ -</u>	<u>\$ 232,264</u>	<u>\$ 1,013,709</u>	<u>\$ 1,245,973</u>

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15. DONOR RESTRICTED ENDOWMENT (continued)

Endowment composition (continued)

Endowment net asset composition by type of fund as of December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Trail repair endowment	\$ -	\$ 193,703	\$ 892,918	\$ 1,086,621
Search and rescue endowment	<u>-</u>	<u>(3,220)</u>	<u>120,791</u>	<u>117,571</u>
	<u>\$ -</u>	<u>\$ 190,483</u>	<u>\$ 1,013,709</u>	<u>\$ 1,204,192</u>

Changes in endowment net assets for the fiscal year ended December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, December 31, 2015	<u>\$ -</u>	<u>\$ 190,483</u>	<u>\$ 1,013,709</u>	<u>\$ 1,204,192</u>
Investment return				
Investment income	<u>-</u>	<u>91,081</u>	<u>-</u>	<u>91,081</u>
Total investment return	<u>-</u>	<u>91,081</u>	<u>-</u>	<u>91,081</u>
Appropriation of net assets	<u>-</u>	<u>(49,300)</u>	<u>-</u>	<u>(49,300)</u>
	<u>-</u>	<u>41,781</u>	<u>-</u>	<u>41,781</u>
Balance, December 31, 2016	<u>\$ -</u>	<u>\$ 232,264</u>	<u>\$ 1,013,709</u>	<u>\$ 1,245,973</u>

Changes in endowment net assets for the fiscal year ended December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, December 31, 2014	<u>\$ -</u>	<u>\$ 236,669</u>	<u>\$ 1,013,709</u>	<u>\$ 1,250,378</u>
Investment return				
Investment income	<u>-</u>	<u>4,414</u>	<u>-</u>	<u>4,414</u>
Total investment return	<u>-</u>	<u>4,414</u>	<u>-</u>	<u>4,414</u>
Appropriation of net assets	<u>-</u>	<u>(50,600)</u>	<u>-</u>	<u>(50,600)</u>
	<u>-</u>	<u>(46,186)</u>	<u>-</u>	<u>(46,186)</u>
Balance, December 31, 2015	<u>\$ -</u>	<u>\$ 190,483</u>	<u>\$ 1,013,709</u>	<u>\$ 1,204,192</u>

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16. GRANT COMMITMENT AND AID TO NATIONAL PARK SERVICE

Every year the Conservancy makes project grants to the National Park Service to fund projects and programs within the Yosemite National Park which would not otherwise be completed without private funding. These project grants help protect Yosemite's natural resources and enhance the visitor experience. For the years ending December 31, 2016 and 2015 the total grants were \$12,833,576 and \$7,918,678, respectively. These project commitments funded over 57 and 49 individual projects and programs in 2016 and 2015, respectively.

Grant commitment and Aid to National Park Service consist of the following:

	<u>2016</u>	<u>2015</u>
Cultural & historic preservation	\$ 135,104	\$ 58,099
Habitat restoration	339,482	605,486
Scientific research	242,290	263,952
Trail repair & access	1,055,112	1,278,022
Visitor services & education	722,349	1,489,560
Wildlife management	506,187	237,501
Mariposa Grove campaign	9,314,552	3,772,538
Donor restricted and other park programs	<u>518,500</u>	<u>213,520</u>
	<u>\$ 12,833,576</u>	<u>\$ 7,918,678</u>

17. RETIREMENT PLAN

The Conservancy has a defined contribution retirement plan for all employees meeting certain eligibility requirements. Annual contributions as a percent of annual wages are determined by the Board of Trustees, currently 7%. Eligible employees have the option to make elective contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Conservancy contributed \$161,445 and \$157,881 for the years ended December 31, 2016 and 2015, respectively.

18. ALLOCATION OF JOINT COSTS

During the years ended December 31, 2016 and 2015, The Yosemite Conservancy incurred costs of \$1,329,939 and \$1,606,462, respectively, for informational materials and activities that included fundraising appeals.

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18. ALLOCATION OF JOINT COSTS (continued)

Joint costs have been allocated to the following functional expense as follows:

	2016	2015
Fundraising	\$ 659,528	\$ 812,645
Donor Education	659,305	784,805
Administrative	11,106	9,012
	\$ 1,329,939	\$ 1,606,462

19. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Conservancy's San Francisco office lease expires on October 31, 2021. The El Portal office and warehouse facilities as well as the various locations within Yosemite are assigned to the Conservancy from the National Park Service at no cost under a cooperative agreement.

The Conservancy rents several pieces of equipment under operating leases that expire in 2017.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending December 31,</u>			
2017			\$ 192,562
2018			193,867
2019			193,050
2020			195,690
2021			167,226
			\$ 942,395

Rental expense including month-to-month leases for certain equipment and for facilities for years ended December 31, 2016 and 2015 was approximately \$213,000 and \$208,000, respectively.

20. RELATED PARTY

The Conservancy had contribution revenue of approximately \$364,000 and \$953,000 from members of the Council for the years ended December 31, 2016 and 2015, respectively. The Conservancy had pledges receivable from members of the Council totaling \$488,000 and \$869,000 as of December 31, 2016 and 2015, respectively. The Conservancy's charitable remainder trust was created by a council member.

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21. SUBSEQUENT EVENTS

Management has evaluated material subsequent events through May 19, 2017, the date the financial statements were available to be issued.

On January 4, 2017, the Conservancy's Board of Trustees approved \$2,926,153 in new grants payable for 2017 Park projects and also approved \$2,078,120 for the Mariposa Grove Project.