

Yosemite Foundation and its Subsidiary

dba Yosemite Conservancy

Consolidated Financial Statements

December 31, 2018 and 2017



**YOSEMITE
CONSERVANCY®**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Yosemite Foundation and its Subsidiary dba Yosemite Conservancy (a California nonprofit corporation) (the "Conservancy"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated 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; 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 United States of America. 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 and its Subsidiary dba Yosemite Conservancy as of December 31, 2018 and 2017, 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 United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, Yosemite Foundation and its Subsidiary dba Yosemite Conservancy adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

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

Armanino^{LLP}
San Francisco, California

April 5, 2019

Yosemite Foundation and its Subsidiary
 dba Yosemite Conservancy
 Consolidated Statements of Financial Position
 December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,340,949	\$ 8,330,583
Pledges receivable, net	1,219,578	1,410,777
Other receivables, net	399,294	664,920
Investments	4,346,170	4,261,557
Inventory	657,007	485,181
Prepaid and other current assets	335,370	265,659
Total current assets	23,298,368	15,418,677
Non-current assets		
Pledges receivable, net of current portion	324,524	658,661
Deposits	14,500	14,500
Land held for future use	2,515,456	764,200
Investments, net of current portion	1,230,781	1,411,415
Charitable remainder trust, net	-	350,250
Charitable gift annuities	119,352	133,516
Property and equipment, net	595,136	568,544
Total non-current assets	4,799,749	3,901,086
Total assets	\$ 28,098,117	\$ 19,319,763
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 167,066	\$ 187,227
Accrued expenses	511,492	383,742
Grants payable to Yosemite National Park	3,192,100	1,154,298
Total current liabilities	3,870,658	1,725,267
Net assets		
Without donor restrictions	16,809,250	12,483,228
With donor restrictions	7,418,209	5,111,268
Total net assets	24,227,459	17,594,496
Total liabilities and net assets	\$ 28,098,117	\$ 19,319,763

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

Yosemite Foundation and its Subsidiary
 dba Yosemite Conservancy
 Consolidated Statement of Activities
 For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions			
Individuals	\$ 13,415,232	\$ 2,823,820	\$ 16,239,052
Corporations	205,340	246,945	452,285
Foundations	612,250	1,417,022	2,029,272
Cause related contributions	372,434	945,876	1,318,310
Special events and other sources	<u>147,920</u>	<u>-</u>	<u>147,920</u>
Total contributions	<u>14,753,176</u>	<u>5,433,663</u>	<u>20,186,839</u>
Program revenues			
Retail and publishing sales	3,254,881	-	3,254,881
Cost of sales	<u>(1,707,570)</u>	<u>-</u>	<u>(1,707,570)</u>
Retail and publishing, net	1,547,311	-	1,547,311
Program service fees	<u>721,843</u>	<u>-</u>	<u>721,843</u>
Total program revenues	<u>2,269,154</u>	<u>-</u>	<u>2,269,154</u>
Other revenue			
Investment income (loss), net	(33,031)	(49,630)	(82,661)
Other revenue	<u>15,832</u>	<u>-</u>	<u>15,832</u>
Total other revenue	<u>(17,199)</u>	<u>(49,630)</u>	<u>(66,829)</u>
Net assets released from restriction	<u>3,077,092</u>	<u>(3,077,092)</u>	<u>-</u>
Total support and revenue	<u>20,082,223</u>	<u>2,306,941</u>	<u>22,389,164</u>
Functional expenses			
Program services			
Project grants and administration	8,232,356	-	8,232,356
Retail and publishing	1,155,015	-	1,155,015
Visitor services and programs	<u>2,591,206</u>	<u>-</u>	<u>2,591,206</u>
Total program services	<u>11,978,577</u>	<u>-</u>	<u>11,978,577</u>
Support services			
Administration	1,161,343	-	1,161,343
Fundraising	<u>2,616,281</u>	<u>-</u>	<u>2,616,281</u>
Total support services	<u>3,777,624</u>	<u>-</u>	<u>3,777,624</u>
Total functional expenses	<u>15,756,201</u>	<u>-</u>	<u>15,756,201</u>
Change in net assets	4,326,022	2,306,941	6,632,963
Net assets, beginning of year	<u>12,483,228</u>	<u>5,111,268</u>	<u>17,594,496</u>
Net assets, end of year	<u>\$ 16,809,250</u>	<u>\$ 7,418,209</u>	<u>\$ 24,227,459</u>

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

Yosemite Foundation and its Subsidiary
 dba Yosemite Conservancy
 Consolidated Statement of Activities
 For the Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions			
Individuals	\$ 7,940,242	\$ 3,331,909	\$ 11,272,151
Corporations	214,018	531,423	745,441
Foundations	92,535	322,405	414,940
Cause related contributions	340,652	991,064	1,331,716
Special events and other sources	<u>174,562</u>	<u>-</u>	<u>174,562</u>
Total contributions	<u>8,762,009</u>	<u>5,176,801</u>	<u>13,938,810</u>
Program revenues			
Retail and publishing sales	3,056,463	-	3,056,463
Cost of sales	<u>(1,729,234)</u>	<u>-</u>	<u>(1,729,234)</u>
Retail and publishing, net	1,327,229	-	1,327,229
Program service fees	<u>837,327</u>	<u>-</u>	<u>837,327</u>
Total program revenues	<u>2,164,556</u>	<u>-</u>	<u>2,164,556</u>
Other revenues			
Investment income (loss), net	201,189	213,888	415,077
Other revenue	<u>19,516</u>	<u>-</u>	<u>19,516</u>
Total other revenues	<u>220,705</u>	<u>213,888</u>	<u>434,593</u>
Net assets released from restriction	<u>2,353,430</u>	<u>(2,353,430)</u>	<u>-</u>
Total support and revenue	<u>13,500,700</u>	<u>3,037,259</u>	<u>16,537,959</u>
Functional expenses			
Program services			
Project grants and administration	7,216,838	-	7,216,838
Retail and publishing	1,140,023	-	1,140,023
Visitor services and programs	<u>2,323,719</u>	<u>-</u>	<u>2,323,719</u>
Total program services	<u>10,680,580</u>	<u>-</u>	<u>10,680,580</u>
Support services			
Administration	990,348	-	990,348
Fundraising	<u>2,158,393</u>	<u>-</u>	<u>2,158,393</u>
Total support services	<u>3,148,741</u>	<u>-</u>	<u>3,148,741</u>
Total functional expenses	<u>13,829,321</u>	<u>-</u>	<u>13,829,321</u>
Change in net assets	(328,621)	3,037,259	2,708,638
Net assets, beginning of year	<u>12,811,849</u>	<u>2,074,009</u>	<u>14,885,858</u>
Net assets, end of year	<u>\$ 12,483,228</u>	<u>\$ 5,111,268</u>	<u>\$ 17,594,496</u>

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

Yosemite Foundation and its Subsidiary
 dba Yosemite Conservancy
 Consolidated Statement of Functional Expenses
 For the Year Ended December 31, 2018

	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	\$ 1,258,596	\$ 780,655	\$ 868,973	\$ 2,908,224	\$ 765,120	\$ 591,739	\$ 1,356,859	\$ 4,265,083
Rent and occupancy	105,657	21,855	30,855	158,367	12,798	45,738	58,536	216,903
Telephone, voice and data	12,493	26,942	31,529	70,964	4,745	2,755	7,500	78,464
Office supplies	5,748	23,578	32,195	61,521	12,614	29,438	42,052	103,573
Depreciation	20,666	10,640	9,644	40,950	8,386	4,133	12,519	53,469
Equipment lease	2,699	3,085	1,901	7,685	959	540	1,499	9,184
Equipment repair and maintenance	12,731	-	2,572	15,303	7,145	20,465	27,610	42,913
Equipment non-amortized	2,896	3,613	865	7,374	38,656	355	39,011	46,385
Printing and postage	5,877	13,703	200,563	220,143	9,349	1,275,807	1,285,156	1,505,299
Bank and merchant fees	5,403	80,852	18,068	104,323	1,637	71,723	73,360	177,683
Events, catering and rentals	-	616	124,870	125,486	56,794	10,096	66,890	192,376
Insurance	29,543	8,703	8,253	46,499	1,529	9,961	11,490	57,989
Marketing promotions	-	6,267	743,162	749,429	-	35,000	35,000	784,429
Premiums	-	-	1,466	1,466	5,932	2,358	8,290	9,756
Service charges and fees	2,575	6,866	688	10,129	7,894	11,893	19,787	29,916
Taxes, licenses and registrations	979	1,330	1,772	4,081	14,303	9,954	24,257	28,338
Travel and meals	3,933	10,066	80,792	94,791	57,968	37,515	95,483	190,274
Professional services	85,219	121,706	326,448	533,373	155,291	454,769	610,060	1,143,433
Projected commitments and aid to NPS	6,676,983	-	-	6,676,983	-	-	-	6,676,983
Sales fulfillment	-	32,600	-	32,600	-	-	-	32,600
Media and publication production	-	-	82,982	82,982	-	-	-	82,982
Miscellaneous	358	1,938	23,608	25,904	223	2,042	2,265	28,169
	<u>\$ 8,232,356</u>	<u>\$ 1,155,015</u>	<u>\$ 2,591,206</u>	<u>\$ 11,978,577</u>	<u>\$ 1,161,343</u>	<u>\$ 2,616,281</u>	<u>\$ 3,777,624</u>	<u>\$ 15,756,201</u>

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

Yosemite Foundation and its Subsidiary
 dba Yosemite Conservancy
 Consolidated Statement of Functional Expenses
 For the Year Ended December 31, 2017

	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	\$ 1,220,512	\$ 689,821	\$ 830,147	\$ 2,740,480	\$ 689,780	\$ 466,220	\$ 1,156,000	\$ 3,896,480
Rent and occupancy	103,449	23,948	31,012	158,409	14,969	42,639	57,608	216,017
Telephone, voice and data	16,659	29,211	23,831	69,701	8,908	4,231	13,139	82,840
Office supplies	11,902	26,184	40,041	78,127	6,660	30,472	37,132	115,259
Depreciation	26,079	6,906	8,667	41,652	10,605	5,216	15,821	57,473
Equipment lease	2,265	9,962	5,331	17,558	1,744	453	2,197	19,755
Equipment repair and maintenance	7,821	155	1,412	9,388	2,346	22,973	25,319	34,707
Equipment non-amortized	1,253	-	2,148	3,401	376	679	1,055	4,456
Printing and postage	6,667	11,073	158,440	176,180	11,418	984,653	996,071	1,172,251
Bank and merchant fees	6,120	73,132	13,387	92,639	1,838	49,930	51,768	144,407
Events, catering and rentals	(195)	236	48,842	48,883	60,779	24,013	84,792	133,675
Insurance	28,721	7,939	6,787	43,447	3,077	9,745	12,822	56,269
Marketing promotions	-	20,194	703,313	723,507	-	2,670	2,670	726,177
Premiums	540	-	2,011	2,551	3,702	4,623	8,325	10,876
Service charges and fees	1,478	6,604	543	8,625	8,818	23,996	32,814	41,439
Taxes, licenses and registrations	911	(50)	11	872	6	10,976	10,982	11,854
Travel and meals	4,429	10,161	121,290	135,880	42,353	46,178	88,531	224,411
Professional services	65,216	170,346	218,237	453,799	122,792	415,932	538,724	992,523
Projected commitments and aid to NPS	5,712,989	-	-	5,712,989	-	-	-	5,712,989
Sales fulfillment	-	49,058	-	49,058	-	-	-	49,058
Media and publication production	-	-	104,222	104,222	-	10,000	10,000	114,222
Miscellaneous	22	5,143	4,047	9,212	177	2,794	2,971	12,183
	<u>\$ 7,216,838</u>	<u>\$ 1,140,023</u>	<u>\$ 2,323,719</u>	<u>\$ 10,680,580</u>	<u>\$ 990,348</u>	<u>\$ 2,158,393</u>	<u>\$ 3,148,741</u>	<u>\$ 13,829,321</u>

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

Yosemite Foundation and its Subsidiary
 dba Yosemite Conservancy
 Consolidated Statements of Cash Flows
 For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 6,632,963	\$ 2,708,638
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	53,469	57,473
Change in value of charitable gift annuities	14,164	(2,475)
Unrealized loss on investments	298,619	327,442
Realized loss (gain) on sale of investments	8,756	(553,232)
Changes in operating assets and liabilities		
Pledges receivable, net	525,336	(973,822)
Other receivables, net	265,626	(107,411)
Inventory	(171,826)	44,717
Prepaid and other current assets	(69,711)	(44,197)
Charitable remainder trust	350,250	(1,322)
Accounts payable	(20,161)	(101,465)
Accrued expenses	127,750	(149,596)
Grants payable to Yosemite National Park	<u>2,037,802</u>	<u>590,437</u>
Net cash provided by operating activities	<u>10,053,037</u>	<u>1,795,187</u>
Cash flows from investing activities		
Purchase of property and equipment	(80,061)	(51,519)
Purchase of land held for future use	(1,751,256)	-
Proceeds from sale of investments	1,314,215	6,089,741
Purchase of investments	<u>(1,525,569)</u>	<u>(6,306,888)</u>
Net cash used in investing activities	<u>(2,042,671)</u>	<u>(268,666)</u>
Net increase in cash and cash equivalents	8,010,366	1,526,521
Cash and cash equivalents, beginning of year	<u>8,330,583</u>	<u>6,804,062</u>
Cash and cash equivalents, end of year	<u>\$ 16,340,949</u>	<u>\$ 8,330,583</u>

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

Yosemite Foundation and its Subsidiary
dba Yosemite Conservancy
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

1. NATURE OF OPERATIONS

Yosemite Foundation, doing business as Yosemite 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 fundraising 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 4.3 million visitor experiences each year.

YF Real Estate Holdings, LLC, ("Subsidiary"), was established to hold real estate and improvements. The financial statements of YF Real Estate Holdings, LLC are consolidated with the financial statements of Yosemite Conservancy. Yosemite Conservancy and YF Real Estate Holdings, LLC will collectively be referred to as the "Conservancy."

Park enhancements

Every year, the Conservancy provides grants to Yosemite National Park, ("Yosemite"), based on the highest priority needs of the park. These grants provide essential funding for trail repair, habitat restoration, cultural and historic preservation, wildlife management, scientific research, visitor services and more. To date the Conservancy has provided \$125 million in grants for more than 640 completed projects to preserve Yosemite and enrich the visitor experience.

Through the generous donations of individuals, corporations and foundations, the Conservancy provided over \$12 million in cash and non-cash support to Yosemite in 2018, including over \$800,000 to support the restoration of Bridalveil Falls.

As part of its total support to the park in 2018, Yosemite Conservancy provided nearly \$1 million in funding for Youth in Yosemite programs, which help young people connect with Yosemite and inspire the future stewards of national parks.

Retail and publishing

This program represents sales conducted at visitor center bookstores, information centers and wilderness centers, through an online store, and to wholesale vendors. In addition to selling maps, guides, Native American handcrafts, apparel and other items related to Yosemite and the Sierra Nevada, the Conservancy publishes and sells books that educate people and inspire them to connect with and care for national parks and public lands.

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1. NATURE OF OPERATIONS (continued)

Park programs

The Conservancy supports the preservation- and education-related roles of the National Park Service mission through a diverse portfolio of public educational programs. The Conservancy's Outdoor Adventures enhances the Yosemite experience for park visitors through dozens of interpretive and educational day hikes, backpacking trips and other 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 contract with travel providers. In addition, the Conservancy supports art programs at Happy Isles Art and Nature Center, Yosemite Theater programs and the Parsons Memorial Lodge Summer Series. The Conservancy also helps inspire and train the next generation of stewards by supporting internships, Junior Ranger activities, and other youth programs in the park, and helps sustain Yosemite-focused leadership programming and educational outreach with University of California, Merced.

The Conservancy's Wilderness operations program assists the National Park Service in ensuring that Yosemite backcountry visitors are educated about and prepared for wilderness travel. Conservancy wilderness staff manage the wilderness reservation system, issue permits, sponsor the bear-proof food canister rental program, operate the Ostrander Ski Hut, sell interpretive and orientation materials, and provide visitors with the opportunity for an enjoyable and respectful wilderness experience.

The Conservancy's Volunteer program recruits, trains and manages volunteers who support Yosemite through numerous week-long natural resource restoration projects and through a month-long "visitor information assistant" program that improves the experience of hundreds of thousands of park 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 accounting principles generally accepted in the United States of America ("U.S. GAAP"). All material intercompany transactions and account balances have been eliminated in consolidation.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation

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

- *Without donor restrictions* - Those net assets and activities which represent the portion of expendable funds available to support operations that are not subject to donor imposed stipulations. A portion of these net assets may be designated by the Board of Trustees ("Board") for specific purposes. Board-designated net assets were \$15,852,125 and \$8,327,903 at December 31, 2018 and 2017, respectively.
- *With donor restrictions* - 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 or the portion of net assets held in perpetuity by donor-imposed stipulations, for which the income from these contributions is available to support the activities of the Conservancy as designated by the donor.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

The Conservancy considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents.

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 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 \$32,000 and \$30,000 as of December 31, 2018 and 2017, respectively.

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December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Conservancy reports investments 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. Investment income is reported net of investment advisor fees.

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.

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dba Yosemite Conservancy
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

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.

Inventory

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

Property and equipment

Property and equipment consists of buildings and improvements, leasehold improvements, artwork, furniture, 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 lives of the improvements.

Grants payable to Yosemite National Park

Grants are recognized as an expense and a liability when the Board 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donor-restricted endowment

Interpretation of Relevant Law

The Board 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 net assets with donor restriction (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts donated to the endowment, (3) additions to the endowment in accordance with donor directions, and (4) the remaining portion of the donor-restricted endowment fund whose use is restricted 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 endowment assets is included in net assets with donor restrictions and is 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 \$51,800 and \$48,800 for the years ended December 31, 2018 and 2017, respectively.

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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 net assets with donor restriction. As of December 31, 2018 and 2017, the Conservancy does not have any underwater endowments.

Contributions

Contributions and grants received are recorded as with donor restriction and without donor restriction 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. Donor-restricted or time-restricted contributions are reclassified to being without donor restriction 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 \$89,717 and \$116,507 during the years ended December 31, 2018 and 2017, respectively.

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, 2018, the Conservancy had 293 volunteers who donated approximately 14,170 volunteer hours. For the year ended December 31, 2017, the Conservancy had 269 volunteers who donated approximately 14,940 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's 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 and for the years ended December 31, 2018 and 2017.

Functional expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated amongst program services and support services based on management estimates.

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 U.S. GAAP.

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, 2018 and 2017.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

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

New accounting standard

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The Conservancy adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and funds available (Note 21).

3. PLEDGES RECEIVABLE

Pledges receivable consisted of the following:

	2018	2017
Less than one year	\$ 1,244,578	\$ 1,417,777
One to five years	<u>339,575</u>	<u>688,908</u>
	1,584,153	2,106,685
Less allowance for uncollectible amounts	(32,000)	(30,000)
Less present value discount (using rates from 1.11% to 2.38%)	<u>(8,051)</u>	<u>(7,247)</u>
	<u>\$ 1,544,102</u>	<u>\$ 2,069,438</u>

4. OTHER RECEIVABLES

Other receivables consisted of the following:

	2018	2017
Amount due from California Department of Motor Vehicles for License Plate Program	\$ 152,146	\$ 163,062
Accrued dollar-a-night guest donations	97,556	314,779
Refunds due from National Park Service	-	70,295
Other receivables	<u>149,592</u>	<u>116,784</u>
	<u>\$ 399,294</u>	<u>\$ 664,920</u>

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5. INVESTMENTS

Investments, stated at fair value are comprised of the following as of December 31, 2018:

	2018	
	Cost	Fair Value
Money market funds	\$ 146,417	\$ 146,417
Debt securities	3,555,907	3,517,242
Equity securities	2,160,815	1,913,292
	\$ 5,863,139	\$ 5,576,951

Investments, stated at fair value are comprised of the following as of December 31, 2017:

	2017	
	Cost	Fair Value
Money market funds	\$ 23,354	\$ 23,354
Debt securities	3,592,928	3,583,815
Equity securities	2,044,260	2,065,803
	\$ 5,660,542	\$ 5,672,972

Investment income consisted of the following:

	2018	2017
Interest income	\$ 89,347	\$ 59,072
Dividend income	167,326	150,616
Realized gain (loss)	(8,756)	553,232
Unrealized loss	(298,619)	(327,442)
Investment advisor fees	(31,959)	(20,401)
	\$ (82,661)	\$ 415,077

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6. 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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money market funds	\$ 146,417	\$ -	\$ -	\$ 146,417
Debt securities	3,517,242	-	-	3,517,242
Equity securities	1,913,292	-	-	1,913,292
Charitable gift annuities, net	<u>-</u>	<u>-</u>	<u>119,352</u>	<u>119,352</u>
	<u>\$ 5,576,951</u>	<u>\$ -</u>	<u>\$ 119,352</u>	<u>\$ 5,696,303</u>

The following table sets forth by level, within the fair value hierarchy, the Conservancy's assets at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money market funds	\$ 23,354	\$ -	\$ -	\$ 23,354
Debt securities	3,583,815	-	-	3,583,815
Equity securities	2,065,803	-	-	2,065,803
Charitable remainder trust, net	-	-	350,250	350,250
Charitable gift annuities, net	<u>-</u>	<u>-</u>	<u>133,516</u>	<u>133,516</u>
	<u>\$ 5,672,972</u>	<u>\$ -</u>	<u>\$ 483,766</u>	<u>\$ 6,156,738</u>

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

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 483,766	\$ 479,969
Collection of charitable remainder trust	(350,250)	-
Change in value of charitable gift annuities	<u>(14,164)</u>	<u>3,797</u>
Balance, end of year	<u>\$ 119,352</u>	<u>\$ 483,766</u>

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7. LAND HELD BY YF REAL ESTATE HOLDINGS, LLC

In November 2009, the Conservancy purchased two parcels of land totaling 11 acres in Mariposa, California for potential park visitor services. The parcels are held in the Subsidiary. Each parcel was acquired through a bargain purchase 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.

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 cooperating agreement.

During 2018, the Conservancy purchased land amounting to \$1,751,256 near Yosemite with the purpose of constructing housing for park employees in the future.

8. CHARITABLE REMAINDER TRUSTS

In 2017, the Conservancy held a receivable for a charitable remainder trust. Subsequent to its termination in 2017, the Conservancy received the full amount of \$400,000 in 2018, as well as additional gifts totaling \$752,433.

9. 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 8.2% 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.

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

	<u>2018</u>	<u>2017</u>
Present value	\$119,352	\$133,516
Contract value	\$140,697	\$159,232
Projected term of the contract based on actuarial tables (years)	3.40 - 10.30	3.70 - 10.90
Projected growth rate net of payments to income beneficiaries	0%	0%
Risk-free discount rate	1.4% - 2.4%	1.4% - 2.4%

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10. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2018	2017
Non-depreciable assets		
Donated artwork	\$ 138,090	\$ 138,090
Depreciable assets		
Buildings	404,063	399,478
Furniture and fixtures	410,202	438,281
Leasehold improvements	90,287	72,455
Automobiles	96,619	25,795
	1,001,171	936,009
Accumulated depreciation	(544,125)	(505,555)
	\$ 595,136	\$ 568,544

Depreciation expense totaled \$53,469 and \$57,473 for the years ended December 31, 2018 and 2017, respectively.

11. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	2018	2017
Accrued salaries and benefits	\$ 161,251	\$ 64,483
Accrued vacation	158,324	134,632
Accrued royalties	19,346	24,411
Deferred rent	71,023	90,543
Other accrued expenses	101,548	69,673
	\$ 511,492	\$ 383,742

12. 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 Yosemite 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, 2018 and 2017 the total grants were \$6,676,983 and \$5,712,989, respectively. These project commitments funded over 37 and 39 individual projects and programs in 2018 and 2017, respectively.

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12. GRANT COMMITMENT AND AID TO NATIONAL PARK SERVICE (continued)

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

	2018	2017
Cultural and historic preservation	\$ 147,549	\$ 183,611
Habitat restoration	303,654	460,489
Scientific research	249,767	176,402
Trail repair and access	659,617	692,506
Visitor services and education	1,237,503	730,237
Wildlife management	267,225	441,589
Mariposa Grove campaign	272,546	1,442,747
Bridalveil Falls campaign	849,136	360,447
Donor restricted and other park programs	2,689,986	1,224,961
	\$ 6,676,983	\$ 5,712,989

13. NET ASSETS WITHOUT DONOR RESTRICTIONS

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.
- Real Estate, Property & Equipment Fund to hold board-designated funds for future use for the construction of housing for park employees and property and equipment, net of depreciation.
- Mariposa Grove Unrestricted Fund to hold board-designated funds for future use for Mariposa Grove projects.
- Project Reserve to hold 50% of new annual grants payable. In 2017, the board approved a new methodology to inform the level of project funds in advance and eliminated the Project Reserve as it is no longer necessary.

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

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13. NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)

Net assets without donor restrictions including board-designated net assets were as follows as of December 31, 2018:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Transfers</u>	<u>Releases</u>	<u>Ending Balance</u>
Available for operations	\$ 4,155,325	\$ 7,761,614	\$ 1,751,256	\$(12,711,070)	\$ 957,125
Yosemite Legacy Fund	5,911,903	6,164,886	(1,751,256)	-	10,325,533
Emergency Reserve	2,416,000	-	-	-	2,416,000
Real Estate, Property & Equipment Fund	<u>-</u>	<u>3,110,592</u>	<u>-</u>	<u>-</u>	<u>3,110,592</u>
	<u>\$ 12,483,228</u>	<u>\$ 17,037,092</u>	<u>\$ -</u>	<u>\$(12,711,070)</u>	<u>\$ 16,809,250</u>

Net assets without donor restrictions including board designated net assets were as follows as of December 31, 2017:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Transfers</u>	<u>Releases</u>	<u>Ending Balance</u>
Available for operations	\$ 2,678,659	\$ 10,074,816	\$ 2,902,243	\$(11,500,393)	\$ 4,155,325
Yosemite Legacy Fund	4,246,547	1,096,956	568,400	-	5,911,903
Emergency Reserve	2,216,000	-	200,000	-	2,416,000
Mariposa Grove Unrestricted Fund	2,040,643	-	(2,040,643)	-	-
Project Reserve	<u>1,630,000</u>	<u>-</u>	<u>(1,630,000)</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,811,849</u>	<u>\$ 11,171,772</u>	<u>\$ -</u>	<u>\$(11,500,393)</u>	<u>\$ 12,483,228</u>

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14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes as follows as of December 31, 2018:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Transfers</u>	<u>Releases</u>	<u>Ending Balance</u>
Cultural and Historic Preservation Projects	\$ -	\$ 41,255	\$ -	\$ (40,278)	\$ 977
Habitat Restoration Projects	-	37,825	124,761	(162,586)	-
Scientific Research Projects	18,704	152,182	-	(150,885)	20,001
Trail Repair and Access Projects	380,931	314,260	328,300	(655,576)	367,915
Visitor Services and Education Projects	55,298	374,911	-	(355,349)	74,860
Wildlife Management Projects	-	42,587	150,000	(192,587)	-
Mariposa Grove Fund	28,801	802,623	46,700	(272,551)	605,573
Bridalveil Falls	2,763,879	2,454,878	-	(849,136)	4,369,621
Donor restricted and other park programs	849,946	1,163,512	(649,761)	(398,144)	965,553
Trail Repair Endowment	892,918	-	-	-	892,918
Search and Rescue Endowment	<u>120,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,791</u>
	<u>\$ 5,111,268</u>	<u>\$ 5,384,033</u>	<u>\$ -</u>	<u>\$ (3,077,092)</u>	<u>\$ 7,418,209</u>

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14. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions were restricted for the following purposes as follows as of December 31, 2017:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Transfers</u>	<u>Releases</u>	<u>Ending Balance</u>
Cultural and Historic Preservation Projects	\$ 57,262	\$ 67,050	\$ (7,309)	\$ (117,003)	\$ -
Habitat Restoration Projects	-	139,744	-	(139,744)	-
Scientific Research Projects	9,094	9,610	-	-	18,704
Trial Repair and Access Projects	241,893	360,927	387,132	(609,021)	380,931
Visitor Services and Education Projects	27,784	273,510	43,592	(289,588)	55,298
Wildlife Management Projects	-	23,697	200,000	(223,697)	-
Mariposa Grove Fund	29,653	88,803	44,000	(133,655)	28,801
Bridalveil Falls	-	3,124,328	-	(360,449)	2,763,879
Donor restricted and other park programs	694,614	1,303,020	(667,415)	(480,273)	849,946
Trail Repair Endowment	892,918	-	-	-	892,918
Search and Rescue Endowment	<u>120,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,791</u>
	<u>\$ 2,074,009</u>	<u>\$ 5,390,689</u>	<u>\$ -</u>	<u>\$ (2,353,430)</u>	<u>\$ 5,111,268</u>

15. DONOR RESTRICTED ENDOWMENT

The Conservancy's endowment consists of two donor-restricted endowment funds classified and reported as net assets with donor restrictions. The funds have a long-term investment objective of growth and are invested 15% in fixed income and 85% in equity.

Endowment composition

Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Trail repair endowment	\$ -	\$ 213,859	\$ 892,918	\$ 1,106,777
Search and rescue endowment	<u>-</u>	<u>3,213</u>	<u>120,791</u>	<u>124,004</u>
	<u>\$ -</u>	<u>\$ 217,072</u>	<u>\$ 1,013,709</u>	<u>\$ 1,230,781</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, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Trail repair endowment	\$ -	\$ 376,425	\$ 892,918	\$ 1,269,343
Search and rescue endowment	-	21,281	120,791	142,072
	<u>\$ -</u>	<u>\$ 397,706</u>	<u>\$ 1,013,709</u>	<u>\$ 1,411,415</u>

Changes in endowment net assets for the fiscal year ended December 31, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, December 31, 2017	<u>\$ -</u>	<u>\$ 397,706</u>	<u>\$ 1,013,709</u>	<u>\$ 1,411,415</u>
Investment loss				
Net investment loss	-	(128,834)	-	(128,834)
Total investment loss	-	(128,834)	-	(128,834)
Appropriation of net assets	-	(51,800)	-	(51,800)
	-	(180,634)	-	(180,634)
Balance, December 31, 2018	<u>\$ -</u>	<u>\$ 217,072</u>	<u>\$ 1,013,709</u>	<u>\$ 1,230,781</u>

Changes in endowment net assets for the fiscal year ended December 31, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, December 31, 2016	<u>\$ -</u>	<u>\$ 232,264</u>	<u>\$ 1,013,709</u>	<u>\$ 1,245,973</u>
Investment return				
Net investment gain	-	214,242	-	214,242
Total investment return	-	214,242	-	214,242
Appropriation of net assets	-	(48,800)	-	(48,800)
	-	165,442	-	165,442
Balance, December 31, 2017	<u>\$ -</u>	<u>\$ 397,706</u>	<u>\$ 1,013,709</u>	<u>\$ 1,411,415</u>

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16. ALLOCATION OF JOINT COSTS

During the years ended December 31, 2018 and 2017, the Conservancy incurred costs of \$2,016,734 and \$1,691,616, respectively, for informational materials and activities that included fundraising appeals.

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

	2018	2017
Fundraising	\$ 1,096,170	\$ 900,105
Donor education	912,032	782,872
Administrative	8,532	8,639
	\$ 2,016,734	\$ 1,691,616

17. 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 statements of financial position.

Contributions receivable from Council members accounted for approximately 31% and 74% of the Conservancy's gross contributions receivable balance as of December 31, 2018 and 2017, respectively.

One donor made contributions totaling \$3,123,000, representing 15% of total contributions received during the year ended December 31, 2018.

18. RELATED PARTY TRANSACTIONS

The Conservancy had contribution revenue of approximately \$369,000 and \$2,123,000 from members of the Council for the years ended December 31, 2018 and 2017, respectively. The Conservancy had pledges receivable from members of the Council totaling \$588,900 and \$1,561,000 as of December 31, 2018 and 2017, respectively. The Conservancy's charitable remainder trust was created by a Council member.

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19. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Conservancy's San Francisco office lease expires in October 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 cooperating agreement.

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

<u>Year ending December 31,</u>	
2019	\$ 200,220
2020	195,690
2021	<u>167,226</u>
	<u>\$ 563,136</u>

Rental expense including month-to-month leases for certain equipment and for facilities for the years ended December 31, 2018 and 2017 was approximately \$215,000 and \$224,000 respectively.

20. 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, and are 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 \$178,879 and \$160,962 for the years ended December 31, 2018 and 2017, respectively.

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21. LIQUIDITY

Under the Conservancy's liquidity management plan, the Conservancy manages its financial assets to be available as its general expenditures, liabilities and grant commitments come due. The Conservancy also actively manages cash flow to fund large multi-year capital campaign projects in anticipation of the grant expenditure plan.

Pursuant to the liquidity management plan, the Conservancy has structured its short-term investments to equal at least six months of fixed expenses less recurring cause-related revenue. The Conservancy reduces the uncertainty of funding grant commitments in the succeeding year by determining the maximum amount of grant commitments based on financial performance that has already been generated. The Conservancy determines financial performance for each year for the 12-month period ended June 30th excluding campaign contributions, bequests and grant expense. This surplus, consisting of how much the Conservancy would have made, if no grants were made in that period, plus 25% of the Legacy Fund, would be deemed available for grant spending the following year. The Conservancy has chosen June 30th, because this provides the Conservancy's Grant Review Committee with the known amount available for the following year for its meeting with the National Park Service.

At December 31, 2018, cash and cash equivalents of \$16,340,949 include \$6,525,136 earmarked for donor-restricted projects. The Conservancy may access \$9,815,813 to support general operations, subject to board approval. As of December 31, 2017, cash and cash equivalents of \$8,330,583 include \$4,097,550 subject for use to satisfy donor restrictions.

At December 31, 2018 contributions receivable were \$1,544,102 compared to \$2,069,438 at December 31, 2017, and consist mostly of commitments to fund a capital campaign to restore Bridalveil Falls.

At December 31, 2018, investments of \$5,576,951 include \$1,230,781 from donor-restricted endowments. Because of this restriction, \$4,346,170 is available for operations as necessary. As of December 31, 2017, investments of \$5,672,972 include \$1,411,415 from donor-restricted endowments. The Conservancy does not intend to liquidate such investments due to its strong cash position.

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21. LIQUIDITY (continued)

The following is a quantitative disclosure which describes the Conservancy's financial assets available within one year of December 31, 2018 and December 31, 2017 to fund general expenditures and other obligations as they become due:

	2018	2017
<u>Financial Assets</u>		
Cash and cash equivalents	\$ 16,340,949	\$ 8,330,583
Pledges receivable, net	1,544,102	2,069,438
Other receivables, net	399,294	664,920
Investments	5,576,951	5,672,972
Charitable remainder trust, net	-	350,250
Charitable gift annuities	119,352	133,516
Deferred compensation	136,400	60,000
Total financial assets	24,117,048	17,281,679
<u>Less: amounts unavailable for general expenditure within one year:</u>		
Contractual:		
Deferred compensation asset	(136,400)	(60,000)
Donor-imposed restrictions:		
Charitable remainder trusts and annuities	(119,352)	(483,766)
Purpose restricted projects	(6,525,136)	(4,097,550)
Endowment investments	(1,013,709)	(1,013,709)
Board designations:		
Legacy fund	(10,325,533)	(5,911,903)
Emergency fund	(2,416,000)	(2,416,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,580,918	\$ 3,298,751

22. SUBSEQUENT EVENTS

Management has evaluated material subsequent events through April 5, 2019, the date the financial statements were available to be issued.

On January 3, 2019, the Conservancy's Executive Committee approved \$3,355,895 in new grants payable for 2019 park projects.

On February 14, 2019 the Conservancy's Executive Committee approved an additional \$945,000 in new grants payable for 2019 park projects.