

Yosemite Foundation and its Subsidiary

dba Yosemite Conservancy

Consolidated Financial Statements

December 31, 2019 and 2018



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, 2019 and 2018, 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, 2019 and 2018, 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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, and ASU 2018-08, *Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

As discussed in Note 21 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.



Armanino^{LLP}
San Francisco, California

April 10, 2020

Yosemite Foundation and its Subsidiary
 dba Yosemite Conservancy
 Consolidated Statements of Financial Position
 December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 17,590,940	\$ 16,340,949
Pledges receivable, net	533,700	1,219,578
Other receivables, net	635,688	399,294
Investments	4,755,703	4,346,170
Inventory	498,971	657,007
Prepaid and other current assets	439,107	335,370
Total current assets	24,454,109	23,298,368
Non-current assets		
Pledges receivable, net of current portion	122,875	324,524
Deposits	16,150	14,500
Land held for future use	3,075,400	2,515,456
Investments, net of current portion	1,545,093	1,230,781
Charitable gift annuities	124,099	119,352
Property and equipment, net	569,427	595,136
Total non-current assets	5,453,044	4,799,749
Total assets	\$ 29,907,153	\$ 28,098,117
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 348,631	\$ 167,066
Accrued expenses	512,411	511,492
Grants payable to Yosemite National Park	2,334,392	3,192,100
Total current liabilities	3,195,434	3,870,658
Net assets		
Without donor restrictions	20,116,445	16,809,250
With donor restrictions	6,595,274	7,418,209
Total net assets	26,711,719	24,227,459
Total liabilities and net assets	\$ 29,907,153	\$ 28,098,117

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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions			
Individuals	\$ 9,882,546	\$ 1,331,396	\$ 11,213,942
Corporations	294,951	190,324	485,275
Foundations	403,329	2,284,940	2,688,269
Cause related contributions	406,310	1,005,735	1,412,045
Special events and other sources	<u>155,886</u>	<u>-</u>	<u>155,886</u>
Total contributions	<u>11,143,022</u>	<u>4,812,395</u>	<u>15,955,417</u>
Program revenues			
Retail and publishing sales	4,225,670	-	4,225,670
Cost of sales	<u>(2,230,829)</u>	<u>-</u>	<u>(2,230,829)</u>
Retail and publishing, net	1,994,841	-	1,994,841
Program service fees	<u>751,791</u>	<u>-</u>	<u>751,791</u>
Total program revenues	<u>2,746,632</u>	<u>-</u>	<u>2,746,632</u>
Other revenues			
Investment income, net	434,874	262,606	697,480
Other revenue	<u>158,445</u>	<u>-</u>	<u>158,445</u>
Total other revenues	<u>593,319</u>	<u>262,606</u>	<u>855,925</u>
Net assets released from restriction	<u>5,897,936</u>	<u>(5,897,936)</u>	<u>-</u>
Total support and revenue	<u>20,380,909</u>	<u>(822,935)</u>	<u>19,557,974</u>
Functional expenses			
Program services			
Project grants and administration	9,228,873	-	9,228,873
Retail and publishing	1,299,705	-	1,299,705
Visitor services and programs	<u>2,856,460</u>	<u>-</u>	<u>2,856,460</u>
Total program services	<u>13,385,038</u>	<u>-</u>	<u>13,385,038</u>
Support services			
Administration	1,244,594	-	1,244,594
Fundraising	<u>2,444,082</u>	<u>-</u>	<u>2,444,082</u>
Total support services	<u>3,688,676</u>	<u>-</u>	<u>3,688,676</u>
Total functional expenses	<u>17,073,714</u>	<u>-</u>	<u>17,073,714</u>
Change in net assets	3,307,195	(822,935)	2,484,260
Net assets, beginning of year	<u>16,809,250</u>	<u>7,418,209</u>	<u>24,227,459</u>
Net assets, end of year	<u>\$ 20,116,445</u>	<u>\$ 6,595,274</u>	<u>\$ 26,711,719</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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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 revenues			
Investment income, net	(33,031)	(49,630)	(82,661)
Other revenue	<u>15,832</u>	<u>-</u>	<u>15,832</u>
Total other revenues	<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 Functional Expenses
 For the Year Ended December 31, 2019

	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	\$ 1,325,048	\$ 864,185	\$ 1,001,236	\$ 3,190,469	\$ 803,870	\$ 590,593	\$ 1,394,463	\$ 4,584,932
Rent and occupancy	111,202	26,171	32,359	169,732	13,537	47,739	61,276	231,008
Telephone, voice and data	10,853	27,291	35,496	73,640	3,380	2,419	5,799	79,439
Office supplies	3,138	30,236	31,335	64,709	19,986	23,138	43,124	107,833
Depreciation	18,876	15,730	12,111	46,717	7,783	4,567	12,350	59,067
Equipment repair and maintenance	14,071	1,922	2,503	18,496	11,287	21,988	33,275	51,771
Equipment non-amortized	1,012	7,088	18,977	27,077	5,608	3,737	9,345	36,422
Printing and postage	8,162	11,943	134,052	154,157	9,572	1,303,803	1,313,375	1,467,532
Bank and merchant fees	42	99,920	13,282	113,244	10,146	53,865	64,011	177,255
Events, catering and rentals	9,269	-	168,239	177,508	58,227	592	58,819	236,327
Insurance	30,276	9,917	8,705	48,898	2,136	10,193	12,329	61,227
Marketing promotions	-	10,308	790,574	800,882	-	-	-	800,882
Premiums	-	-	1,823	1,823	2,284	3,094	5,378	7,201
Service charges and fees	62	7,560	3,181	10,803	24,392	39,854	64,246	75,049
Taxes, licenses and registrations	801	809	-	1,610	18,694	11,545	30,239	31,849
Travel and meals	5,415	6,860	86,036	98,311	63,448	21,963	85,411	183,722
Professional services	76,815	155,899	410,096	642,810	189,209	304,992	494,201	1,137,011
Projected commitments and aid to NPS	7,613,831	-	-	7,613,831	-	-	-	7,613,831
Sales fulfillment	-	23,552	-	23,552	-	-	-	23,552
Media and publication production	-	-	92,383	92,383	-	-	-	92,383
Miscellaneous	-	314	14,072	14,386	1,035	-	1,035	15,421
	<u>\$ 9,228,873</u>	<u>\$ 1,299,705</u>	<u>\$ 2,856,460</u>	<u>\$ 13,385,038</u>	<u>\$ 1,244,594</u>	<u>\$ 2,444,082</u>	<u>\$ 3,688,676</u>	<u>\$ 17,073,714</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 Statements of Cash Flows
 For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 2,484,260	\$ 6,632,963
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	59,067	53,469
Change in value of charitable gift annuities	(4,747)	14,164
Unrealized loss (gain) on investments	(542,586)	298,619
Realized loss (gain) on sale of investments	(4,221)	8,756
Changes in operating assets and liabilities		
Pledges receivable, net	887,527	525,336
Other receivables, net	(236,394)	265,626
Inventory	158,036	(171,826)
Prepaid and other current assets	(103,737)	(69,711)
Deposits	(1,650)	-
Charitable remainder trust	-	350,250
Accounts payable	181,565	(20,161)
Accrued expenses	919	127,750
Grants payable to Yosemite National Park	(857,708)	2,037,802
Net cash provided by operating activities	2,020,331	10,053,037
Cash flows from investing activities		
Purchase of property and equipment	(33,358)	(80,061)
Purchase of land held for future use	(559,944)	(1,751,256)
Proceeds from sales of investments	2,067,802	1,314,215
Purchases of investments	(2,244,840)	(1,525,569)
Net cash used in investing activities	(770,340)	(2,042,671)
Net increase in cash and cash equivalents	1,249,991	8,010,366
Cash and cash equivalents, beginning of year	16,340,949	8,330,583
Cash and cash equivalents, end of year	\$ 17,590,940	\$ 16,340,949

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, 2019 and 2018

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 4.4 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 \$130 million in grants for more than 680 completed projects to preserve Yosemite and enrich the visitor experience.

Through the generous donations of individuals, corporations and foundations, the Conservancy provided over \$15 million in cash and non-cash support to Yosemite in 2019, including over \$2.4 million to support the restoration of Bridalveil Fall.

As part of its total support to Yosemite in 2019, Yosemite Conservancy provided over \$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.

Yosemite Foundation and its Subsidiary
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Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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.

Yosemite Foundation and its Subsidiary
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Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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 \$18,542,135 and \$15,852,125 at December 31, 2019 and 2018, 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 the consolidated 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 \$19,000 and \$32,000 as of December 31, 2019 and 2018, respectively.

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Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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.

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 gift annuities: Valued based on the present value of estimated future cash flow.

Yosemite Foundation and its Subsidiary
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Notes to Consolidated Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory is 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.

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 the preservation of 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donor-restricted endowment (continued)

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 \$54,100 and \$51,800 for the years ended December 31, 2019 and 2018, respectively.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donor-restricted endowment (continued)

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, 2019 and 2018, the Conservancy does not have any underwater endowment funds.

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. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. 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.

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 \$98,563 and \$89,717 during the years ended December 31, 2019 and 2018, 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, as they do not meet the criteria for recognition under professional accounting standards. For the year ended December 31, 2019, the Conservancy had 390 volunteers who donated approximately 17,180 volunteer hours. For the year ended December 31, 2018, the Conservancy had 293 volunteers who donated approximately 14,170 volunteer hours.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated materials, supplies and services (continued)

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 consolidated financial statements as of and for the years ended December 31, 2019 and 2018.

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, 2019 and 2018.

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

Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 consolidated financial statement presentation.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Conservancy adopted ASU 2014-09 with a date of the initial application of January 1, 2019, using the full retrospective method.

The adoption of ASU 2014-09 did not have a significant impact on the Conservancy's financial position, result of operations, or cash flows. The majority of the Conservancy's program revenue arrangements consist of a single performance obligation to transfer promised goods or services. Based on the Conservancy's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenue as a result of the adoption of this standard.

In June 2018, the FASB issued ASU 2018-08, Contributions Received and Contributions Made, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Conservancy adopted ASU 2018-08 with a date of the initial application of January 1, 2019, using the modified prospective method.

The adoption of ASU 2018-08 did not have a significant impact on the Conservancy's financial position, result of operations, or cash flows. The Conservancy has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

3. PLEDGES RECEIVABLE

Pledges receivable consisted of the following:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 549,700	\$ 1,244,578
One to five years	<u>129,158</u>	<u>339,575</u>
	678,858	1,584,153
Less allowance for uncollectible amounts	(19,000)	(32,000)
Less present value discount (using rates from 1.77% to 2.52%)	<u>(3,283)</u>	<u>(8,051)</u>
	<u>\$ 656,575</u>	<u>\$ 1,544,102</u>

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4. OTHER RECEIVABLES

Other receivables consisted of the following:

	2019	2018
Amount due from California Department of Motor Vehicles for License Plate Program	\$ 143,516	\$ 152,146
Accrued dollar-a-night guest donations	360,063	97,556
Other receivables	132,109	149,592
	\$ 635,688	\$ 399,294

5. INVESTMENTS

Investments, stated at fair value are comprised of the following as of December 31, 2019:

	2019	
	Cost	Fair Value
Money market funds	\$ 53,304	\$ 53,304
Debt securities	3,734,513	3,792,439
Equity securities	2,256,651	2,455,053
	\$ 6,044,468	\$ 6,300,796

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

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5. INVESTMENTS (continued)

Investment income (loss), net, consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest income	\$ 72,496	\$ 89,347
Dividend income	107,199	167,326
Realized gain (loss)	4,221	(8,756)
Unrealized gain (loss)	542,586	(298,619)
Investment advisor fees	<u>(29,022)</u>	<u>(31,959)</u>
	<u>\$ 697,480</u>	<u>\$ (82,661)</u>

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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money market funds	\$ 53,304	\$ -	\$ -	\$ 53,304
Debt securities	3,792,439	-	-	3,792,439
Equity securities	2,455,053	-	-	2,455,053
Charitable gift annuities, net	<u>-</u>	<u>-</u>	<u>124,099</u>	<u>124,099</u>
	<u>\$ 6,300,796</u>	<u>\$ -</u>	<u>\$ 124,099</u>	<u>\$ 6,424,895</u>

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>

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6. FAIR VALUE MEASUREMENTS (continued)

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

	2019	2018
Balance, beginning of year	\$ 119,352	\$ 483,766
Collection of charitable remainder trust	-	(350,250)
Change in value of charitable gift annuities	4,747	(14,164)
Balance, end of year	\$ 124,099	\$ 119,352

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 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.

During 2014, the Conservancy purchased a house in the amount of \$243,752 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 in Yosemite West with the purpose of constructing housing for park employees in the future. In 2019, additional land in the same area was purchased amounting to \$559,944.

8. 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 6.6% 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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8. CHARITABLE GIFT ANNUITIES (continued)

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

	<u>2019</u>	<u>2018</u>
Present value	\$124,099	\$119,352
Contract value	\$148,954	\$140,697
Projected term of the contract based on actuarial tables (years)	6.2 - 14.8	3.4 - 10.3
Projected growth rate net of payments to income beneficiaries	0.0%	0.0%
Risk-free discount rate	2.0% - 2.4%	1.4% - 2.4%

9. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>
Non-depreciable assets		
Donated artwork	<u>\$ 138,090</u>	<u>\$ 138,090</u>
Depreciable assets		
Buildings	408,128	404,063
Furniture and fixtures	436,729	410,202
Leasehold improvements	90,287	90,287
Automobiles	<u>99,385</u>	<u>96,619</u>
	1,034,529	1,001,171
Accumulated depreciation	<u>(603,192)</u>	<u>(544,125)</u>
	<u>\$ 569,427</u>	<u>\$ 595,136</u>

Depreciation expense totaled \$59,067 and \$53,469 for the years ended December 31, 2019 and 2018, respectively.

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10. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	2019	2018
Accrued salaries and benefits	\$ 213,701	\$ 161,251
Accrued vacation	145,325	158,324
Accrued royalties	22,346	19,346
Deferred rent	49,723	71,023
Other accrued expenses	81,316	101,548
	\$ 512,411	\$ 511,492

11. 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, 2019 and 2018 the total grants were \$7,613,831 and \$6,676,983, respectively. These project commitments funded over 42 and 37 individual projects and programs in 2019 and 2018, respectively.

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

	2019	2018
Campaigns:		
Bridalveil Fall Restoration	\$ 2,361,913	\$ 2,986,681
Mariposa Grove Restoration	138,242	272,546
Cultural and historic preservation	296,368	147,549
Habitat restoration	354,958	303,654
Scientific research	115,621	249,767
Trail repair and access	1,239,493	659,617
Visitor services and education	2,211,158	1,237,503
Wildlife management	344,317	267,225
Donor restricted and other park programs	551,761	552,441
	\$ 7,613,831	\$ 6,676,983

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12. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board has created three specific board-designated funds:

- Yosemite Legacy Fund to hold bequests without donor restriction 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.

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

Net assets without donor restrictions including board-designated net assets were as follows as of December 31, 2019:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Transfers</u>	<u>Releases</u>	<u>Ending Balance</u>
Available for operations	\$ 957,125	\$ 12,234,985	\$ (413,000)	\$(11,204,800)	\$ 1,574,310
Board-designated:					
Yosemite Legacy Fund	10,325,533	1,742,776	-	-	12,068,309
Emergency Reserve	2,416,000	-	413,000	-	2,829,000
Real Estate, Property & Equipment Fund	<u>3,110,592</u>	<u>534,234</u>	<u>-</u>	<u>-</u>	<u>3,644,826</u>
	<u>15,852,125</u>	<u>2,277,010</u>	<u>413,000</u>	<u>-</u>	<u>18,542,135</u>
	<u>\$ 16,809,250</u>	<u>\$ 14,511,995</u>	<u>\$ -</u>	<u>\$(11,204,800)</u>	<u>\$ 20,116,445</u>

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
Board-designated:					
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>8,327,903</u>	<u>9,275,478</u>	<u>(1,751,256)</u>	<u>-</u>	<u>15,852,125</u>
	<u>\$ 12,483,228</u>	<u>\$ 17,037,092</u>	<u>\$ -</u>	<u>\$(12,711,070)</u>	<u>\$ 16,809,250</u>

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13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes as of December 31, 2019:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Transfers</u>	<u>Releases</u>	<u>Ending Balance</u>
Campaigns:					
Bridalveil Fall Restoration	\$ 4,369,621	\$ 1,716,800	\$ -	\$ (3,141,015)	\$ 2,945,406
Mariposa Grove Restoration	605,573	1,013	13,984	(138,242)	482,328
Cultural and Historic Preservation Projects	977	149,289	-	(148,236)	2,030
Habitat Restoration Projects	-	121,575	203,478	(325,053)	-
Scientific Research Projects	20,001	71,100	-	(91,101)	-
Trail Repair and Access Projects	367,915	398,123	425,000	(573,013)	618,025
Visitor Services and Education Projects	74,860	855,468	-	(746,073)	184,255
Wildlife Management Projects	-	546,503	-	(315,580)	230,923
Donor restricted and other park programs	965,553	1,209,280	(642,462)	(419,623)	1,112,748
Trail Repair Endowment	892,918	5,850	-	-	898,768
Search and Rescue Endowment	<u>120,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,791</u>
	<u>\$ 7,418,209</u>	<u>\$ 5,075,001</u>	<u>\$ -</u>	<u>\$ (5,897,936)</u>	<u>\$ 6,595,274</u>

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13. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Transfers</u>	<u>Releases</u>	<u>Ending Balance</u>
Campaigns:					
Bridalveil Fall Restoration	\$ 2,763,879	\$ 2,454,878	\$ -	\$ (849,136)	\$ 4,369,621
Mariposa Grove Restoration	28,801	802,623	46,700	(272,551)	605,573
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
Trial 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)	-
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>

14. 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.

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14. DONOR RESTRICTED ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of December 31, 2019 is as follows:

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Unappropriated Earnings</u>	<u>Original Amount</u>	
Trail repair endowment	\$ 491,255	\$ 898,768	\$ 1,390,023
Search and rescue endowment	<u>34,279</u>	<u>120,791</u>	<u>155,070</u>
	<u>\$ 525,534</u>	<u>\$ 1,019,559</u>	<u>\$ 1,545,093</u>

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

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Unappropriated Earnings</u>	<u>Original Amount</u>	
Trail repair endowment	\$ 213,859	\$ 892,918	\$ 1,106,777
Search and rescue endowment	<u>3,213</u>	<u>120,791</u>	<u>124,004</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, 2019 is as follows:

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Unappropriated Earnings</u>	<u>Original Amount</u>	
Balance, December 31, 2018	\$ 217,072	\$ 1,013,709	\$ 1,230,781
Net investment gain	362,562	-	362,562
Contributions	-	5,850	5,850
Appropriation of net assets	<u>(54,100)</u>	<u>-</u>	<u>(54,100)</u>
Net change	<u>308,462</u>	<u>5,850</u>	<u>314,312</u>
Balance, December 31, 2019	<u>\$ 525,534</u>	<u>\$ 1,019,559</u>	<u>\$ 1,545,093</u>

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14. DONOR RESTRICTED ENDOWMENT (continued)

Endowment composition (continued)

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

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Unappropriated Earnings</u>	<u>Original Amount</u>	
Balance, December 31, 2017	\$ 397,706	\$ 1,013,709	\$ 1,411,415
Net investment loss	(128,834)	-	(128,834)
Appropriation of net assets	<u>(51,800)</u>	<u>-</u>	<u>(51,800)</u>
Net change	<u>(180,634)</u>	<u>-</u>	<u>(180,634)</u>
Balance, December 31, 2018	<u>\$ 217,072</u>	<u>\$ 1,013,709</u>	<u>\$ 1,230,781</u>

15. ALLOCATION OF JOINT COSTS

During the years ended December 31, 2019 and 2018, the Conservancy incurred costs of \$2,087,488 and \$2,016,734, respectively, for informational materials and activities that included fundraising appeals.

Joint costs have been allocated to the following functions:

	<u>2019</u>	<u>2018</u>
Fundraising	\$ 1,156,195	\$ 1,096,170
Donor education	923,290	912,032
Administration	<u>8,003</u>	<u>8,532</u>
	<u>\$ 2,087,488</u>	<u>\$ 2,016,734</u>

16. 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.

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16. CONCENTRATIONS OF CREDIT RISK (continued)

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 14% and 31% of the Conservancy's gross pledges receivable balance as of December 31, 2019 and 2018, respectively.

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

17. RELATED PARTY TRANSACTIONS

The Conservancy had contribution revenue of approximately \$448,000 and \$440,000 from members of the Council for the years ended December 31, 2019 and 2018, respectively. The Conservancy had pledges receivable from members of the Council totaling \$161,067 and \$588,900 as of December 31, 2019 and 2018, respectively.

18. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Conservancy's San Francisco office lease expires in October 2021. The Conservancy also maintains a lease for office equipment that expires in April 2024. 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>			
2020	\$	197,838	
2021		169,374	
2022		2,148	
2023		2,148	
2024		716	
		716	
	\$	372,224	

Rental expense including month-to-month leases for certain equipment and for facilities for the years ended December 31, 2019 and 2018 was approximately \$218,000 and \$215,000, respectively.

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19. 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 \$178,970 and \$178,879 for the years ended December 31, 2019 and 2018, respectively.

20. LIQUIDITY AND FUNDS AVAILABLE

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, 2019, cash and cash equivalents of \$17,590,940 include \$5,576,555 earmarked for donor-restricted projects. The Conservancy may access \$12,014,385 to support general operations, subject to Board approval. As of December 31, 2018, cash and cash equivalents of \$16,340,949 include \$6,404,500 subject for use to satisfy donor restrictions.

At December 31, 2019, pledges receivable were \$656,575 compared to \$1,544,102 at December 31, 2018, and consist mostly of commitments to fund a capital campaign to restore Bridalveil Fall.

At December 31, 2019, investments of \$6,300,796 include \$1,545,093 from donor-restricted endowments. Because of this restriction, \$4,755,703 is available for operations as necessary. As of December 31, 2018, investments of \$5,576,951 include \$1,230,781 from donor-restricted endowments. The Conservancy does not intend to liquidate such investments due to its strong cash position.

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20. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes the Conservancy's financial assets available within one year of December 31, 2019 and December 31, 2018 to fund general expenditures and other obligations as they become due:

	2019	2018
<u>Financial Assets</u>		
Cash and cash equivalents	\$ 17,590,940	\$ 16,340,949
Pledges receivable, net	656,575	1,544,102
Other receivables, net	635,688	399,294
Investments	6,300,796	5,576,951
Charitable gift annuities	124,099	119,352
Deferred compensation	213,700	136,400
Total financial assets	25,521,798	24,117,048

Less: amounts unavailable for general expenditure within one year:

Contractual:		
Deferred compensation asset	(213,700)	(136,400)
Donor-imposed restrictions:		
Charitable gift annuities	(124,099)	(119,352)
Purpose restricted projects	(5,575,715)	(6,404,500)
Endowment investments	(1,019,559)	(1,013,709)
Board designations:		
Legacy fund	(12,068,309)	(10,325,533)
Emergency fund	(2,829,000)	(2,416,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,691,416	\$ 3,701,554

21. SUBSEQUENT EVENTS

Management has evaluated material subsequent events through April 10, 2020, the date the financial statements were available to be issued.

On January 2, 2020, the Conservancy's Executive Committee approved \$8,380,379 in new grants payable for 2020 park projects.

On January 10, 2020 the Conservancy's Executive Committee approved \$300,000 to purchase a home for employees in El Portal.

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21. SUBSEQUENT EVENTS (continued)

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where the Conservancy is headquartered, have declared a state of emergency.

Potential impacts to the Conservancy's operations include disruptions or restrictions on the employees' ability to work and the fluctuation in investment balances due to the negative effect of this pandemic on the financial markets. COVID-19 also affects the public's ability to visit Yosemite, thereby affecting retail store sales and related program service fees at the park. The Conservancy's donor base may also be affected in a variety of ways, potentially limiting the amount of contributions that might be received during this time. Any of the foregoing could harm the Conservancy's operations and the ways in which health epidemics such as COVID-19 could adversely impact the business cannot be anticipated. Although the Conservancy is continuing to monitor and assess the effects of the COVID-19 pandemic on their business, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.