NATUREBRIDGE

Combined Financial Statements
June 30, 2009 and 2008

With

Report of Independent Auditors

NATUREBRIDGE

June 30, 2009

INDEX

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors,
NatureBridge

We have audited the accompanying combined statements of financial position of NatureBridge (Organization) as of June 30, 2009 and 2008, and the related combined statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above, present fairly, in all material respects, the combined financial position of NatureBridge as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

PMB Helin Donovan, LLP

San Francisco, California
December 29, 2009

NatureBridge
Combined Statements of Financial Position
As of June 30, 2009 and 2008

ASSETS

		2009	2008
Current assets:			
Cash and cash equivalents	$	4,081,825	3,752,300
Accounts receivable, net		184,948	306,018
Pledges receivable, current portion, net		1,004,229	266,981
Inventory		39,662	87,287
Prepaid expenses		37,461	44,946
Future leasehold rights - current portion		145,775	530,592
Total current assets		5,493,900	4,988,124
Pledges receivable, net of current portion		1,779,301	164,209
Deposits receivable		13,303	11,050
Investments at fair value		1,864,214	1,555,948
Property, equipment, and improvements, net		8,096,350	6,886,030
Future leasehold rights, net of current portion		4,270,493	4,416,269
Total assets	$	21,517,561	18,021,630

LIABILITIES AND NET ASSETS

		2009	2008
Current liabilities:			
Accounts payable and accrued expenses	$	1,351,303	881,269
Capital lease payable, current portion		10,927	9,882
Deferred revenue		1,214,773	1,239,512
Deposits payable		21,030	20,259
Total current liabilities		2,598,033	2,150,922
Capital lease payable, net of current portion		3,893	14,820
Total liabilities		2,601,926	2,165,742
Net assets:			
Unrestricted net assets			
Undesignated		5,970,140	5,848,555
Board-designated		-	70,565
Total unrestricted net assets		5,970,140	5,919,120
Temporarily restricted net assets		12,322,147	9,314,020
Permanently restricted net assets		623,348	622,748
Total net assets		18,915,635	15,855,888
Total liabilities and net assets	$	21,517,561	18,021,630

The accompanying notes are an integral part of these financial statements

NatureBridge
Combined Statement of Activities
For the Year Ended June 30, 2009
(With combined comparative totals for the year ended June 30, 2008)

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Total 2008
REVENUE AND SUPPORT						
Program Revenue:						
Field science programs	$	8,981,272	-	-	8,981,272	8,408,354
Conferences and adult programs		1,156,085	-	-	1,156,085	913,936
Summer program revenue		326,383	-	-	326,383	315,067
Other income		312,156	74,000	-	386,156	335,452
Total program revenue		10,775,896	74,000	-	10,849,896	9,972,809
Other revenue:						
Retail sales, net of cost of goods sold		12,318	-	-	12,318	34,234
Investment loss		3,073	(102,958)	-	(99,885)	(116,729)
Accretion of discount on future leasehold rights		-	155,826	-	155,826	177,067
Miscellaneous income		-	-	-	-	2,393
Total other revenue		15,391	52,868	-	68,259	96,965
Public support:						
Donations and grants		722,738	4,913,182	600	5,636,520	2,016,427
Donated services		247,662	-	-	247,662	177,500
Total public support		970,400	4,913,182	600	5,884,182	2,193,927
Net assets released from restrictions		2,031,923	(2,031,923)	-	-	-
Total revenue and support		13,793,610	3,008,127	600	16,802,337	12,263,701
EXPENSES						
Program services		11,059,986	-	-	11,059,986	9,983,535
General and administrative		1,796,313	-	-	1,796,313	1,498,761
Fundraising and development		886,291	-	-	886,291	675,780
Total operating expenses		13,742,590	-	-	13,742,590	12,158,076
Change in net assets		51,020	3,008,127	600	3,059,747	105,625
Net assets at beginning of year		5,919,120	9,314,020	622,748	15,855,888	15,750,263
Net assets at end of year	$	5,970,140	12,322,147	623,348	18,915,635	15,855,888

The accompanying notes are an integral part of these financial statements

NatureBridge
Combined Statement of Activities
For the Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Program Revenue:				
Field science programs	$ 8,408,354	-	-	8,408,354
Conferences and adult programs	913,936	-	-	913,936
Summer program revenue	315,067	-	-	315,067
Other income	253,729	81,723	-	335,452
Total program revenue	9,891,086	81,723	-	9,972,809
Other revenue:				
Retail sales, net of cost of goods sold	34,234	-	-	34,234
Investment loss	(16,205)	(100,524)	-	(116,729)
Accretion of discount on future leasehold rights	-	177,067	-	177,067
Miscellaneous income	2,393	-	-	2,393
Total other revenue	20,422	76,543	-	96,965
Public support:				
Donations and grants	158,637	1,849,720	8,070	2,016,427
Donated services	177,500	-	-	177,500
Total public support	336,137	1,849,720	8,070	2,193,927
Net assets released from restrictions	2,493,489	(2,493,489)	-	-
Total revenue and support	12,741,134	(485,503)	8,070	12,263,701
EXPENSES				
Program services	9,983,535	-	-	9,983,535
General and administrative	1,498,761	-	-	1,498,761
Fundraising and development	675,780	-	-	675,780
Total operating expenses	12,158,076	-	-	12,158,076
Change in net assets	583,058	(485,503)	8,070	105,625
Net assets at beginning of year	5,336,062	9,799,523	614,678	15,750,263
Net assets at end of year	$ 5,919,120	9,314,020	622,748	15,855,888

The accompanying notes are an integral part of these financial statements

NatureBridge
Combined Statements of Cash Flows
For the Years Ended June 30, 2009 and 2008

CASH FLOWS FROM OPERATING ACTIVITIES		2009	2008
Changes in net assets	$	3,059,747	105,625
Adjustments to reconcile changes in net assets to net cash used/provided in operating activities:			
Contributions restricted for non-operating use		(843,525)	(298,620)
Depreciation		460,283	393,673
Disposal of property, equipment and improvements		128,214	-
Amortization of prepaid rent expense		686,419	851,404
Accretion of discount on future leasehold rights		(155,826)	(177,067)
Depreciation in investments		174,340	210,455
Provision for bad debts		(21,680)	30,055
Changes in operating assets and liabilities:			
Inventory		47,625	(3,695)
Prepaid expenses		7,485	(30,230)
Accounts receivable		142,750	(170,021)
Pledges receivable		(2,352,340)	203,814
Deposits receivable		(2,253)	(3,004)
Accounts payable and accrued expenses		470,034	306,803
Capital lease payable		(9,882)	(8,938)
Deferred revenue		(24,739)	145,492
Deposits payable		771	3,125
Net cash provided by operating activities		1,767,423	1,558,871
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of investments		1,405,430	53,059
Investments in securities and time deposit		(1,888,038)	(60,594)
Purchases of property, equipment and improvements		(1,798,815)	(1,483,819)
Net cash used in investing activities		(2,281,423)	(1,491,354)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of funds restricted for capital projects		841,000	290,550
Receipt of permanently restricted funds		2,525	8,070
Net cash provided by financing activities		843,525	298,620
Net increase in cash and cash equivalents		329,525	366,137
Cash and cash equivalents, beginning of year		3,752,300	3,386,163
Cash and cash equivalents, end of year	$	4,081,825	3,752,300
SUPPLEMENTAL INFORMATION			
Cash paid for interest	$	2,043	2,988
Donated services	$	247,662	177,500

The accompanying notes are an integral part of these financial statements

NatureBridge
Combined Statements of Functional Expenses
For the Years Ended June 30, 2009 and 2008

	Program Services	General and Administrative	Fund-raising	Total 2009	Program Services	General and Administrative	Fund-raising	Total 2008
Personnel	$ 5,419,497	1,134,765	640,175	7,194,436	5,299,561	859,411	554,598	6,713,570
Occupancy and supplies	1,833,120	165,898	74,783	2,073,801	1,781,403	86,185	56,798	1,924,386
Food	1,357,893	563	-	1,358,456	1,292,010	-	-	1,292,010
Scholarships	1,306,117	-	-	1,306,117	748,854	-	-	748,854
Contracted transportation	252,142	-	-	252,142	146,675	-	-	146,675
Outside services	25,666	276,385	104,084	406,135	20,701	379,441	3,656	403,798
Insurance	126,779	7,599	-	134,378	129,513	8,170	-	137,683
Depreciation	405,621	54,662	-	460,283	341,094	52,579	-	393,673
Provision for doubtful accounts	8,011	-	-	8,011	45,976	-	-	45,976
Loss on disposal of fixed assets	106,696	21,518	-	128,214	-	-	-	-
Other expenses	218,444	134,923	67,249	420,616	177,748	112,975	60,728	351,451
Total expenses	$ 11,059,986	1,796,313	886,291	13,742,590	9,983,535	1,498,761	675,780	12,158,076

The accompanying notes are an integral part of these financial statements

1. Organization and Summary of Significant Accounting Policies

Organization – NatureBridge (Organization) is a nonprofit, group exempt public benefit corporation which provides field-based science and environmental education programs at its three affiliated incorporated institutes: Yosemite Institute (YI) in Yosemite National Park (California), Headlands Institute (HI) in the Golden Gate National Recreation Area (California), and Olympic Park Institute (OPI) in Olympic National Park (Washington). The Organization is governed by a Board of Directors who serve without the benefit of compensation. NatureBridge's major sources of income are program fees, grants, and donations. The Organization works in partnership with the National Park Service and operates under cooperative agreements with the United States Department of the Interior. Since 1971, hundreds of thousands of youth and adult students alike have participated in these experiential learning adventures in "Nature's Classroom," with approximately 30,000 students attending in 2009, coupled with another 10,000 attending the valuable conferences offered. In October 2008, the Organization amended its Articles of Incorporation changing its name from Yosemite National Institutes to NatureBridge to better reflect the activities of the organization**.**

Basis of Presentation – The combined financial statements are presented for accounting and reporting purposes into three classes of net assets, according to externally imposed restrictions:

Unrestricted net assets – Net assets that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions have been met.

Temporarily restricted net assets – Net assets resulting from (a) contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, (b) other asset enhancements and diminishments that are subject to the same kind of stipulations, and (c) reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the organization pursuant to those stipulations.

Permanently restricted net assets – Net assets resulting from (a) contributions and other inflows of assets whose use by the organization is limited by donor-imposed restrictions that neither expire by passage of time nor can be fulfilled nor otherwise removed by actions of the organization, (b) other asset enhancement and diminishments that are subject to the same kinds of stipulations, and (c) reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

1. Organization and Summary of Significant Accounting Policies - continued

Basis of Accounting – The financial statements of the Organization are prepared using the accrual method of accounting, which reflects revenue when earned and expenses as incurred.

Cash and Cash Equivalents – For the purposes of the statement of cash flows, cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments acquired within three months of their maturity so that the risk of changes in value due to changes in interest rates is negligible.

Contributions – Contributions are recognized when a donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Restrictions on contributions for capital projects over one million dollars are reclassified to unrestricted over the life of the capital asset.

Donated Services – Contributions of donated assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Inventory – Costs of retail items held for sale as well as foodstuffs are included in inventory, which is stated at the lower of cost (determined on the first-in, first-out basis) or market.

Property, Equipment, and Improvements – The Organization records property, equipment, and improvements in excess of $1,500 at historical cost, or if donated, at fair market value at the date of donation. Depreciation is determined on the straight-line method over the lesser of the estimated useful lives or lease terms as follows: 2 to 10 years for equipment (including vehicles) and 2 to 27 years for leasehold improvements.

Functional Allocations of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

1. Organization and Summary of Significant Accounting Policies - continued

Allowance for Doubtful Accounts – Accounts receivable includes trade accounts receivable and pledges receivable, are shown net of the allowance for doubtful accounts.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Examples of management's use of estimates include fixed assets useful lives, accounts receivables allowance for doubtful accounts, and imputed interest rates used to arrive at net present value calculations.

Investments – The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities and represent the change in the fair value of investments from one year to another.

Fair Value of Financial Instruments – On January 1, 2008, NatureBridge adopted Financial Accounting Standards Board No.157 (SFAS 157), *Fair Value Measurements*. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements.

In February 2008, the FASB issued Staff Position (FSP) No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, excluding those assets that are recognized or disclosed at fair value on a recurring basis for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years.

On January 1, 2008, the Organization adopted Financial Accounting Standards Board No.159 (SFAS 159), *The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115*. SFAS 159 permits an entity to measure financial instruments and certain other items at estimated fair value. Most of the provisions of SFAS No. 159 are elective; however, the amendment to SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, applies to all entities that own trading and available-for-sale securities. The fair value option created by SFAS No. 159 permits an entity to measure eligible items at fair value as of specified election dates. The fair value option (a) may generally be applied

1. Organization and Summary of Significant Accounting Policies - continued

instrument by instrument, (b) is irrevocable unless a new election date occurs, and (c) must be applied to the entire instrument and not to only a portion of the instrument. The adoption of SFAS No. 159 did not have a significant impact on the Organization's results of operations and financial condition.

The Organization's financial instruments consist principally of cash and cash equivalents, prepaid expenses, notes receivables, investments, other assets, accounts payable, and accrued expenses. The Organization believes all of the financial instruments' recorded values approximate fair value.

<u>Recent Accounting Pronouncements</u> - In August 2008, FASB issued FASB Staff Position (FSP) FAS 117-1, *Endowments for Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds.* FSP 117-1 responds to accounting questions raised by the model Uniform Prudent Management of Institutional Funds Act (UPMIFA) that was approved by the Uniform Law Commission in July 2006 to modernize the Uniform Management of Institutional Funds Act of 1972 (UMIFA) for governing the investment and management of donor-restricted endowment funds by not-for-profit organizations. Effective September 30, 2008, the State of California enacted UPMIFA. Among UPMIFA's more significant changes is the elimination of UMIFA's concept of historic dollar threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending. The provisions of FSP 117-1 expand disclosures about an organization's endowment funds (both donor-restricted and board-designated). In addition, FSP 117-1 requires that the portion of a donor-restricted endowment fund that is not classified as permanently restricted net asset be classified as temporarily restricted net assets until appropriated for expenditure. The Organization adopted the provisions under FSP 117-1 as of July 1, 2008.

2. Cooperative Agreements with the National Park Service

Beginning in 1984, The Organization entered into cooperative agreements with the U.S. Department of the Interior, National Park Service, with regard to land and facilities use and educational programs at three National Parks: Yosemite, Marin Headlands (Golden Gate National Recreation Area) and Olympic National Park. Under the terms of these agreements, the Organization will occupy certain buildings and grounds through 2031. During that time NatureBridge will provide various educational programs as approved by the Park Service and comply with its rules, regulations and directives.

2. Cooperative Agreements with the National Park Service - continued

Under the agreements, NatureBridge will also provide capital improvements and maintenance to the facilities, all of which remain the property of the government. The Organization will not have a right of possessory interest to most of these assets.

Any substantive changes in the cooperative agreements could have significant effects on how the Organization conducts its activities and services.

3. Accounts Receivable

Accounts receivable consist primarily of amounts due from the Organization's participant user groups and such amounts are expected to be received in the current year.

		2009	2008
Gross accounts receivable	$	201,173	335,468
Less allowance for doubtful account		(16,225)	(29,450)
Account receivable, net	$	184,948	306,018

4. Pledges Receivable

Pledges receivable consist primarily of amounts associated with capital projects, education programs, and other projects. Pledges not expected to be paid within one year are discounted to net present value using discount rates ranging between 2.25% to 3.15% depending upon of the year the pledge occurred. Total amount of pledges receivable at June 30, 2009 is as follows:

Receivable in less than one year	$	1,004,229
Receivable in one to five years		1,885,000
Total pledges receivable		2,889,229
Less discount to net present value		(105,699)
Net pledges receivable	$	2,783,530

5. Conditional Promises

During 2009 NatureBridge received two conditional grants totaling $5,500,000. The first grant of $5,000,000 is conditioned upon the progress of campus development at Yosemite National Park. In 2009, NatureBridge recorded $750,000 in donation support under this $5,000,000 grant. The second grant of $500,000 is conditioned upon receipt of a "Record of Decision" from the United States Parks Department. Grant proceeds will be used to fund the Yosemite Capital Project. No amounts under this conditional grant have been recognized as June 30, 2009.

In 2006 the Organization received a conditional grant of $400,000. Funding of the grant is conditioned upon the yearly progress of programs to provide scholarship assistance for low-income students participating in field science and youth leadership. The Organization has recorded $100,000 and $250,000 in donation support for the years ended June 30, 2009 and 2008, respectively.

6. Investments

Investments, which are carried at fair value, consist of the following at June 30, 2009 and 2008.

		2009		2008	
		Cost	Fair Value	Cost	Fair Value
Marketable securities	$	-	-	912,230	865,140
Bond mutual funds		1,372,703	1,368,912	256,770	211,960
Time deposit		493,962	493,962	476,843	476,843
Other		6,500	1,340	6,500	2,005
Total	$	1,873,165	1,864,214	1,652,343	1,555,948

The following summarizes the investment loss for the year ended June 30:

		2009	2008
Interest and dividend income	$	74,455	93,726
Depreciation in investments		(174,340)	(210,455)
Total	$	(99,885)	(116,729)

7. Fair Value of Financial Instruments

As defined in SFAS 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price methodology). SFAS 157 establishes a framework for measuring fair value that includes a hierarchy used to classify inputs used in measuring fair value. The hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels which are either observable or unobservable. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect an entity's view of market assumptions in the absence of observable market information.

The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy defined by SFAS 157 are as follows:

Level 1: Fair value is based on unadjusted quoted prices in active markets that are accessible to NatureBridge for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. These generally provide the most reliable evidence and are used to measure fair value whenever available. The Organization's Level 1 assets and liabilities include money market funds, mutual funds and marketable securities. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Level 2: Fair value is based upon significant inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable for substantially the full term of the asset or liability through corroboration with observable market data as of the reporting date. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, model-derived valuations whose inputs are observable or whose significant value drivers are observable and other observable inputs.

Level 3: Fair value is based on significant unobservable inputs which reflect the entity's or third party pricing service assumptions about the assumptions market participants would use in pricing an asset or liability. Valuations are estimated based on non-binding broker prices or internally developed valuation models or methodologies, discounted cash flow models and other similar techniques.

7. Fair Value of Financial Instruments - continued

The following table sets forth the Organization's assets and liabilities that are measured at fair value on a recurring basis as of the June 30, 2009 and 2008:

Description		Level 1	Level 2	Level 3	2009
Bond mutual fund	$	1,368,912	-	-	1,368,912
Time deposit		-	493,962	-	493,962
Other		1,340	-	-	1,340
Total	$	1,370,252	493,962	-	1,864,214

Description		Level 1	Level 2	Level 3	2008
Marketable securities	$	865,140	-	-	865,140
Bond mutual fund		211,960	-	-	211,960
Time deposit		-	476,843	-	476,843
Other		2,005	-	-	2,005
Total	$	1,079,105	476,843	-	1,555,948

8. Future Leasehold Rights

Future leasehold rights represents the value of the future use of National Park Service facilities contributed to NatureBridge in the form of cooperative agreements. These contributions are recognized at their net present values at the time the agreements are originated or modified at a discount rate of 3.15%. The leasehold rights which expire through October 2031 were valued on the basis of management's analysis of comparable rents in each of the three local markets after taking into consideration improvements made by the Organization.

9. Permanently Restricted Net Assets

These funds are investments in perpetuity, the income from which is expendable for operations. Certain of the endowment funds of NatureBridge are subject to donor restrictions requiring that the income be used only for specified purposes. While income from the remaining endowments may be used for the general purposes of the Organization, management has elected to treat the income on all endowments as temporarily restricted. Such endowments at June 30, 2009 were as follows:

		2009	2008
Bishop/Marcus Memorial Fellowship Fund	$	241,798	241,798
Sharpe Memorial Fund		117,304	116,804
Duncan Environmental Education Ventures Fund		100,250	100,250
NatureBridge Endowment		60,608	60,608
BFF Endowment		60,477	60,477
Moser Endowment		10,000	10,000
Avery Memorial Fund		9,000	9,000
Groff Memorial Scholarship Fund		7,950	7,850
Green Memorial Fund		6,961	6,961
Menzter Memorial Fund		5,000	5,000
Kelly Memorial Endowment		4,000	4,000
Total	$	623,348	622,748

The Organization’s endowment consists of eleven funds established for a variety of purposes and includes donor-restricted funds. Net assets associated with this endowment are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of NatureBridge has interpreted the 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 Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets that is not classified as permanently restricted net assets

9. Permanently Restricted Net Assets - continued

is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, NatureBridge considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of June 30, 2009, endowment net asset composition by type of fund was as follows:

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	$	(19,920)	42,014	623,348	645,442

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 or Board of Directors requires the Organization to retain as a fund of perpetual duration. The Organization has no net deficiencies of this nature as of June 30, 2009.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to preserve the purchasing power of the Endowment Fund and at the same time provide a regular and growing distribution of funds for the use of the Organization, consistent with the terms of the Endowment Fund Distribution Policy and the terms governing each of the individual endowment funds. A balanced approach is to be taken between risk, preservation of capital, income and growth.

9. Permanently Restricted Net Assets - continued

Strategies Employed for Achieving Objectives

To satisfy its investment policy objectives, NatureBridge relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) through equity-based investments and current yield (interest and dividends) through fixed income investments. NatureBridge targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

NatureBridge has a policy of appropriating for distribution each year an amount of five percent of its investment portfolio's average asset based on an eighteen month trailing average of accumulated contributions and earnings within the fund. The Board of Directors may request all, a portion, or none of the appropriation be distributed in accordance with the endowment fund's purpose as defined by the endowment agreement or applicable board resolution. Any portion of the distribution not appropriated by the Board shall be kept in the endowment fund, be governed by the endowment investment policy, and be available for future distribution in accordance with the distribution policy.

10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

		2009	2008
Trade accounts payable	$	468,174	334,114
Accrued salaries and wages		214,450	170,157
Accrued vacation		309,907	267,467
Other		358,772	109,531
Total	$	1,351,303	881,269

11. Donated goods and services

Donated goods and services for the years ended June 30, 2009 and 2008 consisted of the following.

		2009	2008
Executive search	$	-	80,000
Legal fees		18,873	22,500
Marketing		-	75,000
On-line surveys		6,000	-
Rent		211,421	-
Software		9,968	-
Web design		1,400	-
Total	$	247,662	177,500

12. Capital Lease

NatureBridge has entered into a capital lease agreement for a wireless network system with a net book value of $31,749 and $38,099 at June 30, 2009 and 2008, respectively. Terms of the lease call for monthly payments of $994 through October 1, 2010 at an interest rate of 9%. Future minimum lease payments are as follows:

2010	$	11,926
2011		3,975
Total minimum lease payments		15,901
Less amount representing interest		(1,081)
Present value of net minimum lease payments		14,820
Less current portion		(10,927)
Long-term portion	$	3,893

Interest paid during the years ended June 30, 2009 and 2008 was $2,043 and $2,988 respectively.

13. Property, Equipment and Improvements

Property, equipment, and improvements at June 30, 2009 and 2008 consist of the following:

	Yosemite Institute	Headlands Institute	Olympic Park Institute	National Office	2009
Capitalized development costs	$ 3,995,370	503,215	-	31,404	4,529,989
Buildings and improvements	1,260,445	2,058,210	2,718,604	215,583	6,252,842
Equipment and furniture	400,698	450,154	270,159	293,364	1,414,375
Vehicles	108,200	121,055	129,490	-	358,745
Total	5,764,713	3,132,634	3,118,253	540,351	12,555,951
Less: accumulated depreciation	(961,967)	(1,802,463)	(1,418,836)	(276,335)	(4,459,601)
Net property and equipment	$ 4,802,746	1,330,171	1,699,417	264,016	8,096,350

	Yosemite Institute	Headlands Institute	Olympic Park Institute	National Office	2008
Capitalized development costs	$ 2,782,347	359,353	-	-	3,141,700
Buildings and improvements	1,275,653	2,059,389	2,717,068	186,443	6,238,553
Equipment and furniture	427,918	526,089	302,687	320,591	1,577,285
Vehicles	116,668	121,055	156,636	-	394,359
Total	4,602,586	3,065,886	3,176,391	507,034	11,351,897
Less: accumulated depreciation	(975,561)	(1,801,136)	(1,359,126)	(330,044)	(4,465,867)
Net property and equipment	$ 3,627,025	1,264,750	1,817,265	176,990	6,886,030

13. Property, Equipment, and Improvements - continued

Capitalized development costs were incurred in planning, designing, and obtaining approval for projects within National Parks. Substantially all of the property and equipment is installed on government property and the Organization's use of it may be limited or denied by the National Park Service under broad contractual and statutory provisions. Depreciation expense for the years ended June 30, 2009 and 2008 was $460,283 and $393,673 respectively.

14. Deferred Revenue

Deferred revenue, which is expected to be recognized as income in the following fiscal year consisted of program deposits which totaled $1,214,773 and $1,239,512 at June 30, 2009 and 2008, respectively.

15. Net Assets

Unrestricted Net Assets – NatureBridge maintains certain investment and money market accounts as a Board-designated quasi-endowment. These funds, which are unrestricted, are intended by the Board to be maintained intact, with only portions of the income to be used for operations. Total unrestricted net assets, including $0 Board-designated fund, totaled $5,970,140 and the Board-designated amount of $70,565, totaled $5,919,120 at June 30, 2009 and 2008, respectively.

Temporarily Restricted Net Assets – These are contributions which were received with donor stipulations that limit the use of the assets for specific purposes and/or for specific time periods. Temporarily restricted net assets also include amounts of interest and gains or losses transferred from permanently restricted net assets, and were held for the following uses at June 30, 2009 and 2008:

		2009	2008
Future leasehold rights	$	4,416,268	4,946,861
Capital projects		5,795,615	2,374,115
Diversity initiative		1,055,074	739,826
Other programs		1,055,190	1,253,218
Total	$	12,322,147	9,314,020

16. Net Assets Released from Restrictions

NatureBridge fulfilled the time and/or use restrictions of the following temporarily restricted items and they were released to unrestricted net assets:

		2009	2008
Use of parklands and facilities	$	686,419	851,404
Capital projects		-	267,576
Diversity initiative		778,857	479,176
Other programs		566,647	895,333
Total	$	2,031,923	2,493,489

17. Other income

Other income for the years ended June 30, 2009 and 2008 consist of the following:

		2009	2008
Ancillary services	$	-	20,554
Scholarship fees		81,447	81,724
Forfeited deposits		92,560	61,396
Other income		194,889	157,303
Rental income		17,260	14,475
	$	386,156	335,452

18. Retail Sales

NatureBridge sells gift and promotional items to the general public. The results of these sales were as follows:

		2009	2008
Retail sales	$	24,826	95,327
Less: cost of goods sold		(12,508)	(61,093)
Net retail sales	$	12,318	34,234

In accordance with the cooperative agreements with the National Park Service, the Organization is required to restrict the proceeds from retail sales to its Scholarship Program.

19. Income Taxes

NatureBridge is exempt from federal and state taxes by a group exemption under section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California Revenue and Taxation Code, and is considered by the Internal Revenue Service to be an organization other than a private foundation.

As of July 1, 2007, the Organization adopted FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement 109* ("FIN 48"). This standard addresses the accounting for uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in the tax returns. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosure. There was no material impact to the Organization's financial statements as a result of the adoption of FIN 48.

20. National Geographic Society

In December 2003, NatureBridge and the Education Foundation Division of the National Geographic Society executed a Memorandum of Agreement to create the Yosemite National Institute Geography Education Fund, which is a permanently restricted endowment. The Organization contributed $615,000, which was matched by the National Geographic Society. The $1,230,000 is invested by the National Geographic Society and any income generated will be used to support programs by NatureBridge or other charitable organizations similar to the Organization to improve geography education at Yosemite National Park, Olympic National Park, the Golden Gate National Recreation Area, or such other locations as shall be mutually agreed upon. If certain terms of the agreement are breached, the funds will be returned to NatureBridge. During the years ended June 30, 2009 and 2008, $93,303 and $82,872 were received from this fund respectively.

21. Tax-deferred 403(b) Plan

NatureBridge has a 403(b) contributory tax-deferred pension plan covering all eligible employees. After one year of service, NatureBridge provides a matching contribution of 100% of the employee's contribution, up to the greater of 3% of annual salary or $1,200 in 2009 and matches 100% of employee contributions up to $1,000 in 2008. Pension plan expense amounted to $86,630 in 2009 and $71,100 in 2008.

22. Operating Leases

NatureBridge leases office space in California and Washington State under operating lease agreements that expire through 2014. Obligations under these lease agreements are as follows:

June 30 of year ending :		
2010	$	126,982
2011		133,461
2012		138,321
2013		143,176
2014		75,985
Total	$	617,925

Rent expense amounted to $971,534 and $865,439 for the years ended June 30, 2009 and 2008, respectively.

23. Concentrations

At June 30, 2009, NatureBridge had exceeded the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation limits on two of its accounts. At June 30, 2009, the Organization had approximately $3,673,064 of uninsured cash in two financial institutions, including approximately $3,505,572 at Wells Fargo bank, and $167,492 at Bank of America.

24. Lines of Credit

On August 10, 2009, NatureBridge entered into two credit line agreements available for $2,000,000 and $500,000 with New Resource Bank. Interest on the $2,000,000 credit line is based upon the bank's prime rate of interest plus 1.5% and expires on September 30, 2012. Interest on the $500,000 credit line is based upon the bank's prime rate of interest minus 0.25% and expires on October 31, 2010. Both credit lines are secured by a blanket lien on the Organization's assets. No advances have been taken under either credit line as of June 30, 2009.

25. Reclassification

Cost reimbursement revenue and retail sales in the previously issued financial statements have been reclassified to unrestricted revenues from temporarily restricted revenues. Also certain endowment funds in the permanently restricted net assets in the previously issued financial statements have been reclassified to temporarily restricted net assets to conform to the current year presentation. Such reclassifications have no effect on changes in net assets as previously presented.

26. Subsequent Events

The Organization has evaluated all subsequent events through December 29, 2009, the date of this report, and determined there are no material recognized or unrecognized subsequent events.