
NATUREBRIDGE

Combined Financial Statements
June 30, 2010 and 2009

With

Report of Independent Auditors

NATUREBRIDGE

June 30, 2010

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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, 2010 and 2009, 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, 2010 and 2009, 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

PMB Helin Donovan, LLP

San Francisco, California
November 5, 2010

NatureBridge
Combined Statements of Financial Position
As of June 30, 2010 and 2009

ASSETS			
Current assets:		2010	2009
Cash and cash equivalents	\$	4,195,956	4,081,825
Accounts receivable, net		235,917	184,948
Pledges receivable, current portion, net		870,980	1,004,229
Inventory		94,418	39,662
Prepaid expenses		80,982	37,461
Future leasehold rights - current portion		309,061	145,775
Total current assets		5,787,314	5,493,900
Pledges receivable, net of current portion		1,561,592	1,779,301
Deposits receivable		13,023	13,303
Investments at fair value		1,972,918	1,864,214
Property, equipment, and improvements, net		11,299,552	8,096,350
Future leasehold rights, net of current portion		4,237,149	4,270,493
Total assets	\$	24,871,548	21,517,561
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses	\$	1,245,940	1,351,303
Capital lease payable, current portion		3,893	10,927
Deferred revenue		1,243,444	1,214,773
Deposits payable		20,233	21,030
Total current liabilities		2,513,510	2,598,033
Capital lease payable, net of current portion		-	3,893
Total liabilities		2,513,510	2,601,926
Net assets:			
Unrestricted net assets		6,397,276	5,970,140
Temporarily restricted net assets		15,336,514	12,322,147
Permanently restricted net assets		624,248	623,348
Total net assets		22,358,038	18,915,635
Total liabilities and net assets	\$	24,871,548	21,517,561

The accompanying notes are an integral part of these financial statements

NatureBridge
Combined Statement of Activities
For the Year Ended June 30, 2010
(With combined comparative totals for the year ended June 30, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	Total 2009
REVENUE AND SUPPORT					
Program Revenue:					
Field science programs	\$ 8,807,665	-	-	8,807,665	8,981,272
Conferences and adult programs	1,140,161	-	-	1,140,161	1,156,085
Summer program revenue	363,971	-	-	363,971	326,383
Other income	311,398	-	-	311,398	386,156
Total program revenue	<u>10,623,195</u>	<u>-</u>	<u>-</u>	<u>10,623,195</u>	<u>10,849,896</u>
Other revenue:					
Retail sales, net of cost of goods sold	13,024	-	-	13,024	12,318
Investment gain/(loss)	40,605	84,816	-	125,421	(99,885)
Accretion of discount on future leasehold rights	-	139,112	-	139,112	155,826
Total other revenue	<u>53,629</u>	<u>223,928</u>	<u>-</u>	<u>277,557</u>	<u>68,259</u>
Public support:					
Donations and grants	636,132	4,744,820	900	5,381,852	5,636,520
Donated goods and services	832,416	275,717	-	1,108,133	247,662
Total public support	<u>1,468,548</u>	<u>5,020,537</u>	<u>900</u>	<u>6,489,985</u>	<u>5,884,182</u>
Net assets released from restrictions	<u>2,230,098</u>	<u>(2,230,098)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>14,375,470</u>	<u>3,014,367</u>	<u>900</u>	<u>17,390,737</u>	<u>16,802,337</u>
EXPENSES					
Program services	11,111,477	-	-	11,111,477	11,059,986
General and administrative	1,746,244	-	-	1,746,244	1,796,313
Fundraising and development	1,090,613	-	-	1,090,613	886,291
Total operating expenses	<u>13,948,334</u>	<u>-</u>	<u>-</u>	<u>13,948,334</u>	<u>13,742,590</u>
Change in net assets	427,136	3,014,367	900	3,442,403	3,059,747
Net assets at beginning of year	5,970,140	12,322,147	623,348	18,915,635	15,855,888
Net assets at end of year	<u>\$ 6,397,276</u>	<u>15,336,514</u>	<u>624,248</u>	<u>22,358,038</u>	<u>18,915,635</u>

The accompanying notes are an integral part of these financial statements

NatureBridge
Combined Statement of Activities
For the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Program Revenue:				
Field science programs	\$ 8,981,272	-	-	8,981,272
Conferences and adult programs	1,156,085	-	-	1,156,085
Summer program revenue	326,383	-	-	326,383
Other income	312,156	74,000	-	386,156
Total program revenue	10,775,896	74,000	-	10,849,896
Other revenue:				
Retail sales, net of cost of goods sold	12,318	-	-	12,318
Investment loss	3,073	(102,958)	-	(99,885)
Accretion of discount on future leasehold rights	-	155,826	-	155,826
Total other revenue	15,391	52,868	-	68,259
Public support:				
Donations and grants	722,738	4,913,182	600	5,636,520
Donated goods and services	247,662	-	-	247,662
Total public support	970,400	4,913,182	600	5,884,182
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
EXPENSES				
Program services	11,059,986	-	-	11,059,986
General and administrative	1,796,313	-	-	1,796,313
Fundraising and development	886,291	-	-	886,291
Total operating expenses	13,742,590	-	-	13,742,590
Change in net assets	51,020	3,008,127	600	3,059,747
Net assets at beginning of year	5,919,120	9,314,020	622,748	15,855,888
Net assets at end of year	\$ 5,970,140	12,322,147	623,348	18,915,635

The accompanying notes are an integral part of these financial statements

NatureBridge

Combined Statements of Cash Flows

For the Years Ended June 30, 2010 and 2009

CASH FLOWS FROM OPERATING ACTIVITIES	2010	2009
Changes in net assets	\$ 3,442,403	3,059,747
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributions restricted for non-operating use	(3,264,950)	(843,525)
Depreciation	444,792	460,283
Disposal of property, equipment and improvements	43,360	128,214
Amortization of prepaid rent expense	9,170	686,419
Accretion of discount on future leasehold rights	(139,112)	(155,826)
(Appreciation)/depreciation in investments	(46,210)	174,340
Provision for bad debts	(5,086)	(21,680)
Changes in operating assets and liabilities:		
Inventory	(54,756)	47,625
Prepaid expenses	(43,521)	7,485
Accounts receivable	(45,883)	142,750
Pledges receivable	350,958	(2,352,340)
Deposits receivable	280	(2,253)
Accounts payable and accrued expenses	(105,363)	470,034
Capital lease payable	(10,927)	(9,882)
Deferred revenue	28,671	(24,739)
Deposits payable	(797)	771
Net cash provided by operating activities	603,029	1,767,423
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,347,434	1,405,430
Investments in securities and time deposit	(1,409,928)	(1,888,038)
Purchases of property, equipment and improvements	(3,691,354)	(1,798,815)
Net cash used in investing activities	(3,753,848)	(2,281,423)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of funds restricted for capital projects	3,264,050	841,000
Receipt of permanently restricted funds	900	2,525
Net cash provided by financing activities	3,264,950	843,525
Net increase in cash and cash equivalents	114,131	329,525
Cash and cash equivalents, beginning of year	4,081,825	3,752,300
Cash and cash equivalents, end of year	\$ 4,195,956	4,081,825
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 7,087	2,043
Donated services	\$ 1,108,133	247,662

The accompanying notes are an integral part of these financial statements

NatureBridge
Combined Statements of Functional Expenses
For the Years Ended June 30, 2010 and 2009

	Program	General and Administrative	Fund- raising	Total 2010	Program	General and Administrative	Fund- raising	Total 2009
	Services				Services			
Personnel	\$ 5,422,145	894,117	683,593	6,999,855	5,419,497	1,134,765	640,175	7,194,437
Occupancy and supplies	1,915,832	197,708	159,155	2,272,695	1,833,120	165,898	74,783	2,073,801
Food	1,354,161	27	1,303	1,355,491	1,357,893	563	-	1,358,456
Scholarships	1,314,187	-	-	1,314,187	1,306,117	-	-	1,306,117
Contracted transportation	141,005	-	-	141,005	252,142	-	-	252,142
Outside services	237,564	386,906	174,067	798,537	25,666	276,385	104,084	406,135
Insurance	134,535	7,670	-	142,205	126,779	7,599	-	134,378
Depreciation	373,224	71,568	-	444,792	405,621	54,662	-	460,283
Provision for doubtful accounts	4,360	-	2,296	6,656	8,011	-	-	8,011
Loss on disposal of fixed assets	2,004	41,356	-	43,360	106,696	21,518	-	128,214
Other expenses	212,460	146,892	70,199	429,551	218,444	134,923	67,249	420,616
Total expenses	\$ <u>11,111,477</u>	<u>1,746,244</u>	<u>1,090,613</u>	<u>13,948,334</u>	<u>11,059,986</u>	<u>1,796,313</u>	<u>886,291</u>	<u>13,742,590</u>

The accompanying notes are an integral part of these financial statements

NATUREBRIDGE

Notes to Combined Financial Statements

June 30, 2010 and 2009

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 four affiliated incorporated institutes: Yosemite Institute (YI) in Yosemite National Park (California), Headlands Institute (HI) in the Golden Gate National Recreation Area (California), Olympic Park Institute (OPI) in Olympic National Park (Washington) and Santa Monica Mountains Institute (SMM) in Santa Monica Mountains National Recreation Area. The Organization is governed by a Board of Directors who serves 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 2010, coupled with another 10,000 attending the valuable conferences offered.

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.

NATUREBRIDGE
Notes to Combined Financial Statements
June 30, 2010 and 2009

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 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 lesser of 2 to 27 years or for lease term 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.

NATUREBRIDGE
Notes to Combined Financial Statements
June 30, 2010 and 2009

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. After review of the accounts receivable aging, management estimated necessary reserves of \$21,311 and \$16,225 at June 30, 2010 and 2009, respectively.

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, 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, the Organization adopted Accounting Standards Codification 820, 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 Staff Position (FSP) delayed the effective dates of Accounting Standard Codification 820 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 October 1, 2008, the Organization adopted Accounting Standards Codification 825, The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of Accounting Standards Codification 320. A provision of Codification 825 permits an entity to measure financial instruments and certain other items at estimated fair value. Most of the provisions of Codification 825 are elective; however, the amendment to Accounting Standards Codification 320, 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 Accounting Standards Codification 825 permits an entity to measure eligible items at fair value as of specified election dates. The fair value option (a) may generally be applied instrument by instrument, (b) is irrevocable unless a new election date occurs, and (c) must be

NATUREBRIDGE

Notes to Combined Financial Statements

June 30, 2010 and 2009

applied to the entire instrument and not to only a portion of the instrument. The adoption of Accounting Standards Codification 825 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.

Endowment - In August 2008, FASB issued Accounting Standards Codification 958, Endowments for Not-for-Profit Foundation: 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. Accounting Standards Codification 958 responds to accounting questions raised by the model Uniform Prudent Management of Institutional Funds Act (UPMIFA) that was approved by the Uniform Law Commission 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 Foundation. 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 a Foundation could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending. The provisions of Accounting Standards Codification 958 expand disclosures about the organization's endowment funds (both donor-restricted and board-designated). In addition, Accounting Standards Codification 958 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.

Recent Accounting Pronouncements - In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06, "*Fair Value Measurements and Disclosures — Improving Disclosures about Fair value Measurements*" ("ASU 2010-06"), that amends ASC Subtopic 820-10, "Fair Value Measurements and Disclosures — Overall", and requires reporting entities to disclose (1) the amount of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers, and (2) separate information about purchases, sales, issuance and settlements in the reconciliation of fair value measurements using significant unobservable inputs (Level 3). ASU 2010-06 also requires reporting entities to provide fair value measurement disclosures for each class of assets and liabilities and disclose the inputs and valuation techniques for fair value measurements that fall within Levels 2 and 3 of the fair value hierarchy. These disclosures and clarification are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuance, and settlements in the roll-forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Organization

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Notes to Combined Financial Statements
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does not expect the provisions of ASU 2010-06 to have a material impact on its financial statements.

In June of 2009, the FASB issued guidance now codified as FASB ASC Topic 105, "Generally Accepted Accounting Principles," as the single source of authoritative nongovernmental U.S. GAAP. FASB ASC Topic 105 does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the FASB Codification will be considered non-authoritative. These provisions of FASB ASC Topic 105 are effective for interim and annual periods ending after September 15, 2009 and, accordingly, are effective for the Organization for the current fiscal reporting period. The adoption of this pronouncement did not have an impact on the Organization's financial condition or results of operations, but will impact the financial reporting process by eliminating all references to pre-codification standards.

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.

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.

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Notes to Combined Financial Statements
June 30, 2010 and 2009

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.

	2010	2009
Gross accounts receivable	\$ 257,228	201,173
Less allowance for doubtful account	(21,311)	(16,225)
Account receivable, net	\$ 235,917	184,948

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, 2010 and 2009 is as follows:

	2010	2009
Receivable in less than one year	\$ 870,980	\$ 1,004,229
Receivable in one to five years	1,640,273	1,885,000
Total pledges receivable	2,511,253	2,889,229
Less discount to net present value	(78,681)	(105,699)
Net pledges receivable	\$ 2,432,572	\$ 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 2010 and 2009, NatureBridge recorded \$2,500,000 and \$750,000, respectively, in donation support under this \$5,000,000 grant. The second grant of \$500,000 was conditioned upon receipt of a "Record of Decision" from the United States Parks Department. During 2010, the donor informed Naturebridge that all or a portion of the grant may be provided once project plans are finalized. However, there is sufficient uncertainty as to the timing or amount, that Management no longer believes it is prudent to consider this commitment a conditional pledge. All grant proceeds will be used to fund the Yosemite Capital Project.

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Notes to Combined Financial Statements
June 30, 2010 and 2009

6. Investments

Investments, which are carried at fair value, consist of the following at June 30, 2010 and 2009.

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Bond mutual funds	\$ 1,452,946	1,472,968	1,372,703	1,368,912
Time deposit	498,645	498,645	493,962	493,962
Other	6,500	1,305	6,500	1,340
Total	<u>\$ 1,958,091</u>	<u>1,972,918</u>	<u>1,873,165</u>	<u>1,864,214</u>

The following summarizes the investment income/(loss) for the year ended June 30:

	2010	2009
Interest and dividend income	\$ 79,127	74,455
Appreciation/(depreciation) in investments	46,294	(174,340)
Total	<u>\$ 125,421</u>	<u>(99,885)</u>

7. Fair Value of Financial Instruments

As defined in ASC 820, 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). ASC 820 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 ASC 820 are as follows:

Level 1: Fair value is based on unadjusted quoted prices in active markets that are accessible to The Organization 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 exchange traded equities.

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Notes to Combined Financial Statements
June 30, 2010 and 2009

7. Fair Value of Financial Instruments - continued

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.

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, 2010 and 2009:

Description		Level 1	Level 2	Level 3	2010
Bond mutual fund	\$	1,472,968	-	-	1,472,968
Time deposit		-	498,645	-	498,645
Other		1,305	-	-	1,305
Total	\$	<u>1,474,273</u>	<u>498,645</u>	<u>-</u>	<u>1,972,918</u>

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	\$	<u>1,370,252</u>	<u>493,962</u>	<u>-</u>	<u>1,864,214</u>

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June 30, 2010 and 2009

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, 2010 and 2009 were as follows:

	2010	2009
Bishop/Marcus Memorial Fellowship Fund	\$ 241,798	241,798
Sharpe Memorial Fund	118,004	117,304
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	8,050	7,950
Green Memorial Fund	7,061	6,961
Menzter Memorial Fund	5,000	5,000
Kelly Memorial Endowment	4,000	4,000
Total	\$ 624,248	623,348

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10. Endowment Fund

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 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

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10. Endowment Fund - continued

As of June 30, 2010, endowment net asset composition by type of fund was as follows:

Donor-restricted Endowment Funds	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Bishop/Marcus Memorial Fellowship Fund	\$ (8,213)	-	241,798	233,585
Green Memorial Fund	-	882	7,061	7,943
Sharpe Memorial Fund	-	16,774	118,004	134,778
Avery Memorial Fund	-	3,483	9,000	12,483
Duncan Environmental Education Ventures Funds	-	29,299	100,250	129,549
Kelly Memorial Endowment	-	750	4,000	4,750
Mentzer Memorial Fund	-	1,588	5,000	6,588
Moser Endowment	-	1,495	10,000	11,495
BFF Endowment	-	10,450	60,477	70,927
Groff Memorial Scholarship Fund	-	2,747	8,050	10,797
NatureBridge Endowment	-	2,696	60,608	63,304
Total	\$ (8,213)	70,164	624,248	686,199

Changes in endowment net assets for the year ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, Beginning of year	\$ (19,920)	42,014	623,348	645,442
<u>Investment Return:</u>				
Investment income	8,509	16,095	-	24,604
Net appreciation	8,965	12,727	-	21,692
Total investment return	17,474	28,822	-	46,296
Contributions	-	-	900	900
Appropriation of endowment assets for expenditures	(5,767)	(672)	-	(6,439)
Endowment net assets, ending of year	\$ (8,213)	70,164	624,248	686,199

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10. Endowment Fund - 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 or Board of Directors requires the Organization to retain as a fund of perpetual duration. The Bishop/Marcus Memorial Fellowship Fund had a net deficiency of this nature as of June 30, 2010.

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.

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.

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11. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

	2010	2009
Trade accounts payable	\$ 579,611	468,174
Accrued salaries and wages	199,791	214,450
Accrued vacation	337,509	309,907
Other	129,029	358,772
Total	\$ <u>1,245,940</u>	<u>1,351,303</u>

12. Donated goods and services

Donated goods and services for the years ended June 30, 2010 and 2009 consisted of the following.

	2010	2009
Rent	\$ 923,322	211,421
Legal fees	5,528	18,873
Branding professional services	63,500	-
Logo merchandise	32,130	-
Event & services goods	13,761	-
On-line surveys	5,000	6,000
Marketing	8,250	-
Software	52,904	9,968
Other	3,738	1,400
Total	\$ <u>1,108,133</u>	<u>247,662</u>

13. Capital Lease

Foundation has entered into a capital lease agreement for a telephone system with a net book value of \$25,399 and \$31,749 at June 30, 2010 and 2009, 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:

2011	\$ 3,975
Total minimum lease payments	3,975
Less amount representing interest	(82)
Present value of net minimum lease payments	3,893
Less current portion	3,893
Long-term portion	\$ <u>-</u>

Interest paid during the years ended June 30, 2010 and 2009 was \$7,087 and \$2,043, respectively.

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14. Property, Equipment and Improvements

Property, equipment, and improvements at June 30, 2010 and 2009 consist of the following:

	Yosemite Institute	Headlands Institute	Olympic Park Institute	Santa Monica Mountains Institute	National Office	2010
Capitalized development costs	\$ 7,380,164	545,750	829	-	68,268	7,995,011
Buildings and improvements	1,235,133	1,587,866	2,816,987	-	37,778	5,678,164
Equipment and furniture	377,223	398,270	194,385	18,408	352,928	1,341,214
Vehicles	107,016	54,847	129,489	48,111	-	339,463
Total	9,099,936	2,586,733	3,141,690	66,519	458,974	15,353,852
Less: accumulated depreciation	(1,013,390)	(1,347,826)	(1,458,607)	(19,246)	(206,231)	(4,054,300)
Net property and equipment	\$ <u>8,086,546</u>	<u>1,229,907</u>	<u>1,683,083</u>	<u>47,273</u>	<u>252,743</u>	<u>11,299,552</u>

	Yosemite Institute	Headlands Institute	Olympic Park Institute	Santa Monica Mountains 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	\$ <u>4,802,746</u>	<u>1,330,171</u>	<u>1,699,417</u>	<u>-</u>	<u>264,016</u>	<u>8,096,350</u>

NATUREBRIDGE
Notes to Combined Financial Statements
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14. 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, 2010 and 2009 was \$444,792 and \$460,283 respectively.

15. Deferred Revenue

Deferred revenue, which is expected to be recognized as income in the following fiscal year consisted of program deposits which totaled \$1,243,444 and \$1,214,773 at June 30, 2010 and 2009, respectively.

16. Net Assets

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, 2010 and 2009:

	2010	2009
Future leasehold rights	\$ 4,546,210	4,416,268
Capital projects	8,920,486	5,795,615
Diversity initiative	745,819	1,055,074
Other programs	1,123,999	1,055,190
Total	\$ 15,336,514	12,322,147

17. 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:

	2010	2009
Use of parklands and facilities	\$ 284,888	686,419
Capital projects	206,000	-
Diversity initiative	1,082,705	778,857
Other programs	656,505	566,647
Total	\$ 2,230,098	2,031,923

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18. Other income

Other income for the years ended June 30, 2010 and 2009 consist of the following:

	2010	2009
Billed services	\$ 110,884	103,110
Forfeited deposits	96,377	92,560
Other income	10,029	91,779
Rental income	14,946	17,260
Scholarship fees	79,162	81,447
	<u>\$ 311,398</u>	<u>386,156</u>

19. Retail Sales

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

	2010	2009
Retail sales	\$ 26,281	24,826
Less: cost of goods sold	(13,257)	(12,508)
Net retail sales	<u>\$ 13,024</u>	<u>12,318</u>

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.

20. 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 the Accounting Standards Codification 740, *Accounting for Uncertainty in Income Taxes*. 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. The Accounting Standards Codification 740 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 Accounting Standards Codification 740.

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21. 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, 2010 and 2009, \$88,578 and \$93,303, respectively, were received from this fund.

22. 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. Pension plan expense amounted to \$77,311 in 2010 and \$86,630 in 2009.

23. 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 :		
2011	\$	160,225
2012		160,697
2013		165,852
2014		<u>85,569</u>
Total	\$	<u><u>572,344</u></u>

Rent expense amounted to \$1,119,959 and \$971,534 for the years ended June 30, 2010 and 2009, respectively.

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24. Concentrations

At June 30, 2010, NatureBridge had exceeded the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation limits on two of its accounts. At June 30, 2010, the Organization had approximately \$362,352 of uninsured cash in two institutions, including approximately \$305,213 at Wells Fargo bank, and \$57,139 at Bank of America.

25. Lines of Credit

On August 10, 2009, NatureBridge entered into two credit line agreements 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, 2010. Interest on the \$500,000 credit line is based upon the bank's prime rate of interest minus 0.25% and has been extended through October 31, 2011 under an automatic one year extension. 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, 2010 and 2009.

26. Subsequent Events

The Organization evaluates events that occur subsequent to the balance sheet date of periodic reports, but before financial statements are issued for periods ending on such balance sheet dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Organization's financial statements are issued. For the financial statements as of and for the year ending June 30, 2010, this date was November 5, 2010.