

**Yosemite Foundation dba
Yosemite Conservancy and its Subsidiary**
(A California Not-for-Profit Corporation)

Consolidated Financial Statements

December 31, 2015 and 2014



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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Yosemite Foundation
San Francisco, California

We have audited the accompanying 2015 consolidated financial statements of Yosemite Foundation (dba Yosemite Conservancy), a California not-for-profit corporation, and its Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 2015 financial statements referred to above present fairly, in all material respects, the financial position of Yosemite Foundation (dba Yosemite Conservancy) and its Subsidiary as of December 31, 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements of Yosemite Foundation (dba Yosemite Conservancy) as of December 31, 2014, were audited by other auditors whose report dated May 12, 2015, expressed an unmodified opinion on those statements.

Armanino LLP

Armanino^{LLP}
San Francisco, California

April 15, 2016

YOSEMITE FOUNDATION
 dba YOSEMITE CONSERVANCY AND ITS SUBSIDIARY
 Consolidated Statements of Financial Position
 December 31, 2015 and 2014

	<u>ASSETS</u>	
	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 13,042,554	\$ 7,917,157
Pledges receivable, net	1,662,998	1,381,244
Other receivables	1,041,403	345,540
Investments	5,036,026	10,896,809
Inventory	623,367	636,659
Real estate held for sale	20,000	20,000
Prepaid expenses and other current assets	<u>249,746</u>	<u>277,457</u>
Total current assets	21,676,094	21,474,866
Pledges receivable, net	859,136	1,823,676
Deposits	14,500	14,500
Land held for future use	764,200	764,200
Charitable remainder trusts	346,892	341,606
Charitable gift annuities	159,647	177,656
Property and equipment, net	<u>528,280</u>	<u>517,144</u>
Total assets	<u>\$ 24,348,749</u>	<u>\$ 25,113,648</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current		
Accounts payable	\$ 66,181	\$ 224,288
Accrued liabilities	428,245	379,306
Deferred rent	113,573	117,083
Grants payable to Yosemite National Park	<u>1,911,067</u>	<u>1,907,410</u>
Total current liabilities	<u>2,519,066</u>	<u>2,628,087</u>
Net assets		
Unrestricted	10,403,348	10,632,939
Temporarily restricted	10,412,626	10,838,913
Permanently restricted	<u>1,013,709</u>	<u>1,013,709</u>
Total net assets	<u>21,829,683</u>	<u>22,485,561</u>
Total liabilities and net assets	<u>\$ 24,348,749</u>	<u>\$ 25,113,648</u>

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

YOSEMITE FOUNDATION
dba YOSEMITE CONSERVANCY AND ITS SUBSIDIARY
Consolidated Statement of Activities
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Individual contributions	\$ 6,191,878	\$ 3,397,465	\$ -	\$ 9,589,343
Corporations	86,441	452,500	-	538,941
Foundations	129,500	1,046,453	-	1,175,953
Special events and other sources, net	166,781	-	-	166,781
Cause-related contributions	346,411	1,034,139	-	1,380,550
Total contributions	<u>6,921,011</u>	<u>5,930,557</u>	<u>-</u>	<u>12,851,568</u>
Retail and publishing, net	1,176,229	1,080	-	1,177,309
Program services fees	735,559	-	-	735,559
Total program revenues	<u>1,911,788</u>	<u>1,080</u>	<u>-</u>	<u>1,912,868</u>
Investment income	81,392	5,325	-	86,717
Gain on disposal of assets	2,000	-	-	2,000
Other revenue	13,715	-	-	13,715
Total revenue	<u>8,929,906</u>	<u>5,936,962</u>	<u>-</u>	<u>14,866,868</u>
Net assets released from restrictions	6,363,249	(6,363,249)	-	-
Total support and revenue	<u>15,293,155</u>	<u>(426,287)</u>	<u>-</u>	<u>14,866,868</u>
Expenses				
Program expenses				
Project grants	7,918,678	-	-	7,918,678
Project administration	1,461,051	-	-	1,461,051
Retail and publishing	1,056,431	-	-	1,056,431
Visitor services and programs	2,771,197	-	-	2,771,197
Total program expenses	<u>13,207,357</u>	<u>-</u>	<u>-</u>	<u>13,207,357</u>
Supporting services				
Administrative expenses	882,782	-	-	882,782
Fundraising expenses	1,432,607	-	-	1,432,607
Total supporting services	<u>2,315,389</u>	<u>-</u>	<u>-</u>	<u>2,315,389</u>
Total expenses	<u>15,522,746</u>	<u>-</u>	<u>-</u>	<u>15,522,746</u>
Change in net assets	(229,591)	(426,287)	-	(655,878)
Net assets, beginning of year	<u>10,632,939</u>	<u>10,838,913</u>	<u>1,013,709</u>	<u>22,485,561</u>
Net assets, end of year	<u>\$ 10,403,348</u>	<u>\$ 10,412,626</u>	<u>\$ 1,013,709</u>	<u>\$ 21,829,683</u>

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

YOSEMITE FOUNDATION
dba YOSEMITE CONSERVANCY AND ITS SUBSIDIARY
Consolidated Statement of Activities
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Individual contributions	\$ 6,080,774	\$ 2,726,483	\$ -	\$ 8,807,257
Corporations	129,396	370,756	-	500,152
Foundations	117,000	4,984,152	-	5,101,152
Special events and other sources, net	312,389	-	-	312,389
Cause-related contributions	346,721	791,302	-	1,138,023
Total contributions	<u>6,986,280</u>	<u>8,872,693</u>	<u>-</u>	<u>15,858,973</u>
Retail and publishing, net	1,136,198	13,681	-	1,149,879
Program services fees	679,084	-	-	679,084
Total program revenues	<u>1,815,282</u>	<u>13,681</u>	<u>-</u>	<u>1,828,963</u>
Investment income	133,924	24,044	-	157,968
Loss on disposal of assets	(729)	-	-	(729)
Other revenue	27,147	-	-	27,147
Total revenue	<u>8,961,904</u>	<u>8,910,418</u>	<u>-</u>	<u>17,872,322</u>
Net assets released from restrictions	2,377,435	(2,377,435)	-	-
Total support and revenue	<u>11,339,339</u>	<u>6,532,983</u>	<u>-</u>	<u>17,872,322</u>
Expenses				
Program expenses				
Project grants	5,833,248	-	-	5,833,248
Project administration	1,150,328	-	-	1,150,328
Retail and publishing	1,057,534	-	-	1,057,534
Visitor services and programs	2,173,289	-	-	2,173,289
Total program expenses	<u>10,214,399</u>	<u>-</u>	<u>-</u>	<u>10,214,399</u>
Supporting services				
Administrative expenses	818,375	-	-	818,375
Fundraising expenses	2,504,256	-	-	2,504,256
Total supporting services	<u>3,322,631</u>	<u>-</u>	<u>-</u>	<u>3,322,631</u>
Total expenses	<u>13,537,030</u>	<u>-</u>	<u>-</u>	<u>13,537,030</u>
Change in net assets	(2,197,691)	6,532,983	-	4,335,292
Net assets, beginning of year	12,830,630	4,305,930	1,013,709	18,150,269
Net assets, end of year	<u>\$ 10,632,939</u>	<u>\$ 10,838,913</u>	<u>\$ 1,013,709</u>	<u>\$ 22,485,561</u>

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

YOSEMITE FOUNDATION
dba YOSEMITE CONSERVANCY AND ITS SUBSIDIARY
Consolidated Statement of Functional Expenses
December 31, 2015

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

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

YOSEMITE FOUNDATION
 dba YOSEMITE CONSERVANCY AND ITS SUBSIDIARY
 Consolidated Statement of Functional Expenses
 December 31, 2014

	Program Services				Supporting Services			
	Project Grants and Administration	Retail and Publishing	Visitor Services and Programs	Total	Administration	Fundraising	Total	Total
Salaries and benefits	\$ 860,526	\$ 727,587	\$ 738,077	\$ 2,326,190	\$ 557,744	\$ 792,007	\$ 1,349,751	\$ 3,675,941
Rent and occupancy	100,336	20,212	26,611	147,159	14,399	34,673	49,072	196,231
Telephone, voice and data	5,405	11,787	12,578	29,770	7,752	11,589	19,341	49,111
Office supplies, dues and subscriptions	6,355	23,414	26,362	56,131	10,540	23,385	33,925	90,056
Depreciation	7,570	18,587	5,050	31,207	16,181	6,990	23,171	54,378
Equipment lease	1,905	5,105	14,110	21,120	3,788	2,389	6,177	27,297
Equipment repair and maintenance	1,830	2,277	1,419	5,526	1,485	34,683	36,168	41,694
Equipment non-amortized	776	1,332	7,906	10,014	1,983	929	2,912	12,926
Printing and postage	8,547	6,764	186,668	201,979	6,894	1,020,899	1,027,793	1,229,772
Bank and merchant fees	4,505	58,001	18,914	81,420	2,942	67,531	70,473	151,893
Events, catering and rentals	9,994	2,633	325,790	338,417	61,658	25,942	87,600	426,017
Insurance	26,643	4,424	7,077	38,144	3,532	9,039	12,571	50,715
Investment advisor fees	4,256	608	836	5,700	4,483	1,444	5,927	11,627
Marketing promotions	-	5,261	469,687	474,948	154	39	193	475,141
Premiums	99	-	8,900	8,999	11,461	11,830	23,291	32,290
Service charges and fees	890	5,964	629	7,483	646	29,662	30,308	37,791
Taxes licenses and registrations	36	6	7	49	4	10,580	10,584	10,633
Travel and meals	4,820	13,951	67,533	86,304	27,946	24,999	52,945	139,249
Professional services	106,308	126,999	249,799	483,106	84,197	398,763	482,960	966,066
Project commitments and aid to NPS	5,833,248	-	-	5,833,248	-	-	-	5,833,248
Sales fulfillment	-	22,206	-	22,206	-	-	-	22,206
Miscellaneous	(473)	416	5,336	5,279	586	(3,117)	(2,531)	2,748
Total expenses	\$ 6,983,576	\$ 1,057,534	\$ 2,173,289	\$ 10,214,399	\$ 818,375	\$ 2,504,256	\$ 3,322,631	\$ 13,537,030

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

YOSEMITE FOUNDATION
 dba YOSEMITE CONSERVANCY AND ITS SUBSIDIARY
 Consolidated Statements of Cash Flows
 December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (655,878)	\$ 4,335,292
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	41,368	54,378
Change in value of charitable reminder trust	(5,286)	(893)
Change in value of charitable gift annuities	18,009	5,558
(Gain) loss on disposal of assets	(2,000)	731
Unrealized (gain) loss on investments	50,139	(42,411)
Donated property	-	(20,000)
Realized (gain) loss on sale of investments	3,391	(1,699)
Change in operating assets and liabilities		
Pledges receivable	682,786	(1,816,004)
Other receivables	(695,863)	22,913
Inventory	13,292	101,840
Prepaid expenses and other current assets	27,711	(145,142)
Accounts payable	(158,107)	81,894
Accrued liabilities	48,939	28,772
Deferred rent	(3,510)	1,828
Grants payable to Yosemite National Park	3,657	1,054,875
Net cash provided by (used in) operating activities	(631,352)	3,661,932
Cash flows from investing activities		
Purchase of property and equipment	(52,504)	(394,949)
Proceeds from disposal of assets	2,000	-
Proceeds from sale of marketable securities	11,173,330	6,651,195
Purchase of marketable securities	(5,366,077)	(11,807,073)
Net cash provided by (used in) investing activities	5,756,749	(5,550,827)
Net increase (decrease) in cash	5,125,397	(1,888,895)
Cash, beginning of year	7,917,157	9,806,052
Cash, end of year	\$ 13,042,554	\$ 7,917,157
<u>Supplemental disclosure of cash flow information</u>		
Non-cash investing and financing activities		
Donated property	\$ -	\$ 20,000

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

YOSEMITE FOUNDATION
dba YOSEMITE CONSERVANCY AND ITS SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

1. Nature of Business and Summary of Significant Accounting Policies

Nature of business

Yosemite Foundation, doing business as Yosemite Conservancy (the "Conservancy"), which was incorporated on January 11, 1988, is a California not-for-profit public benefit corporation organized to raise funds through donations and various fund raising activities for the purpose of providing financial assistance to the National Park Service for the general preservation of Yosemite National Park and the enhancement of over 4.2 million visitor experiences each year.

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

Park enhancements

Every year, Yosemite Conservancy provides grants to Yosemite National Park based on the highest priority needs of the park. These grants provide essential funding for trail repair, habitat restoration, cultural and historic restoration, wildlife management, scientific research, visitor services and more. To date the Conservancy has funded over 530 completed grants with \$100 million for projects that preserve, protect, and enhance Yosemite National Park. In 2015, the Conservancy through the generous donations of individuals, corporations, and foundations was able to provide over \$13.6 million in cash and non-cash support to Yosemite National Park.

Yosemite Conservancy received gifts exceeding \$3.6 million restricted to the Restoration of the Mariposa Grove capital campaign, the signature fundraising project in 2015. The Conservancy has nearly reached its stated goal of raising \$20 million for the campaign.

A second signature project for 2015 was Youth in Yosemite, and Yosemite Conservancy provided over \$1.5 million in funding for programs that offer opportunities for youth of all ages to participate in the Yosemite experience and to help encourage future stewards of Yosemite and all national parks.

Retail and publishing

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

YOSEMITE FOUNDATION
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Notes to Consolidated Financial Statements
December 31, 2015 and 2014

1. Nature of Business and Summary of Significant Accounting Policies (continued)

Park programs

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

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

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

Basis of accounting

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

Basis of presentation

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

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

YOSEMITE FOUNDATION
dba YOSEMITE CONSERVANCY AND ITS SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

1. Nature of Business and Summary of Significant Accounting Policies (continued)

Basis of presentation (continued)

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

Donor restricted endowment

Interpretation of Relevant Law

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

Spending Policy

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

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

Investment income earned on permanently restricted net assets is included in temporarily restricted net assets available for donor stipulated purposes. For endowments with donor-restricted funds, the board distribution will be an amount equal to 4% of the previous three year's rolling average of the fair market value of the donor-restricted endowment funds and will be used for donor stipulated purposes. The appropriation made from the donor-restricted endowment was \$50,600 and \$47,093 for the years ended December 31, 2015 and 2014, respectively.

YOSEMITE FOUNDATION
dba YOSEMITE CONSERVANCY AND ITS SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

1. Nature of Business and Summary of Significant Accounting Policies (continued)

Donor restricted endowment (continued)

Endowment Investment Policy, Return Objectives and Risk Parameters

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Conservancy to retain as a fund of perpetual duration. The Conservancy accounts such for "underwater" endowment funds as a reduction of unrestricted net assets. As of December 31, 2015 and 2014, the Conservancy does not have any underwater endowments.

Contributions

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

Bequests

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

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Notes to Consolidated Financial Statements
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1. Nature of Business and Summary of Significant Accounting Policies (continued)

Donated materials, supplies and services

Donations of services or products are recorded as support at their estimated fair value. Donated services were valued at \$96,166 and \$78,561 during the years ended December 31, 2015 and 2014, respectively.

The Conservancy receives a substantial amount of services donated by individuals who assist with general activities, staffing facilities, restorative work and other services in support of the National Park Service. No amounts have been reflected in the financial statements for those services, for they do not meet the criteria for recognition under professional accounting standards. For the year ended December 31, 2015, the Conservancy had over 320 volunteers who donated approximately 15,724 volunteer hours. For the year ended December 31, 2014, the Conservancy had over 366 volunteers who donated approximately 17,280 volunteer hours.

The National Park Service provides the Conservancy, at no cost, space at various locations. In return, the Conservancy provides the project commitments, volunteer hours, and other beneficial services in support of the National Park Service mission and projects. The estimated value of these contributions for donated space was not determinable and thus is not reflected in the financial statements as of December 31, 2015 and 2014.

Pledges receivable

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

The balance in the allowance for uncollectible pledges receivable is based on management's judgment giving consideration to past experience, current economic conditions, and other factors. It is the Conservancy's policy to charge off uncollectible pledges receivable when management determines the receivable will not be collected. Allowance for uncollectible pledges receivable totaled \$52,000 and \$66,000 as of December 31, 2015 and 2014, respectively.

Investments

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

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1. Nature of Business and Summary of Significant Accounting Policies (continued)

Fair value

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under professional accounting standards are described as follows:

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

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

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

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

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1. Nature of Business and Summary of Significant Accounting Policies (continued)

Inventories

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

Property and equipment

Property and equipment consists of building and improvements, leasehold improvements, furniture and equipment and vehicles and is stated at cost or estimated fair value if donated. The Conservancy computes depreciation on its property and equipment using the straight-line method over the estimated useful lives ranging from 3 to 7 years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the improvements.

Grants payable

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

Income tax status

The Conservancy is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and the applicable code section of the State of California Revenue and Taxation Code. The Conservancy recognizes the financial statement benefit of an uncertain tax position only after considering the probability that a tax authority would sustain the position in an examination. For tax positions meeting a "more-likely-than-not" threshold, the amount recognized in the financial statements is the benefit expected to be realized upon settlement with the tax authority. For tax positions not meeting the threshold, no financial statement benefit is recognized. The Conservancy has had no uncertain tax positions as of December 31, 2015 and 2014.

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

Sales taxes

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

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2. Use of Estimates

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

3. Concentrations of Credit Risk

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

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

Contributions receivable from council members accounted for approximately 34% and 24% of the Conservancy's gross contributions receivable balance as of December 31, 2015 and 2014, respectively.

Contributions from two donors accounted for approximately 30% of total contribution revenue at December 31, 2014. There were no concentrations in 2015.

4. Investments

Investments, stated at fair value, are comprised of the following:

	December 31, 2015		December 31, 2014	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 434,610	\$ 434,610	\$ 4,393,216	\$ 4,393,216
Debt securities	3,151,337	3,146,759	5,067,956	5,070,766
Equity securities	<u>1,158,620</u>	<u>1,454,657</u>	<u>1,094,040</u>	<u>1,432,827</u>
Totals	<u>\$4,744,567</u>	<u>\$5,036,026</u>	<u>\$10,555,212</u>	<u>\$10,896,809</u>

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4. Investments (continued)

Investment income shown on the consolidated statement of activities consists of the following:

	<u>2015</u>	<u>2014</u>
Interest income	\$71,307	\$ 46,473
Dividend income	68,940	67,385
Unrealized gain (loss)	(50,139)	42,411
Realized gain (loss)	<u>(3,391)</u>	<u>1,699</u>
Totals	<u>\$86,717</u>	<u>\$157,968</u>

5. Pledges Receivable

Pledges receivable are due as follows at December 31:

	<u>2015</u>	<u>2014</u>
Less than one year	\$1,696,998	\$1,409,245
One to five years	<u>881,395</u>	<u>1,868,197</u>
Totals	2,578,393	3,277,442
Less allowance for uncollectible amounts	(52,000)	(66,000)
Less present value discount (using rates ranging from 0.16% to 2.34%)	<u>(4,259)</u>	<u>(6,522)</u>
Total pledges receivable	<u>\$2,522,134</u>	<u>\$3,204,920</u>

6. Other Receivables

Other receivables are comprised of the following:

	<u>2015</u>	<u>2014</u>
Amount due from California Department of Motor Vehicles for License Plate Program	\$ 172,591	\$175,659
Other receivables	764,329	69,972
Accrued dollar-a-night guest donations	<u>104,483</u>	<u>99,909</u>
Totals	<u>\$1,041,403</u>	<u>\$345,540</u>

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7. Property and Equipment

Property and equipment and accumulated depreciation consist of the following:

	<u>2015</u>	<u>2014</u>
Building and improvements	\$394,531	\$380,556
Furniture and equipment	486,378	448,358
Leasehold improvements	72,455	72,455
Vehicles	<u>25,795</u>	<u>43,150</u>
	979,159	944,519
Less accumulated depreciation	<u>(450,879)</u>	<u>(427,375)</u>
Totals	<u>\$528,280</u>	<u>\$517,144</u>

8. Land Held by YF Real Estate Holdings, LLC

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

During 2014, the Conservancy received an estate gift of land. The land is located in Mendocino County, California. The land is valued at \$20,000 and is currently held for sale.

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

9. Charitable Remainder Trusts

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

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

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9. Charitable Remainder Trusts (continued)

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

	<u>December 31, 2015</u>
Total amount of designation at fair value as of December 31, 2015	\$400,000
Projected term of the trust based on actuarial tables	6.15 years
Discount rate	2.3%
Present value at December 31, 2015	\$346,892
	<u>December 31, 2014</u>
Total amount of designation at fair value as of December 31, 2014	\$400,000
Projected term of the trust based on actuarial tables	6.91 years
Discount rate	2.3%
Present value at December 31, 2014	\$341,606

10. Charitable Gift Annuities

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

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

	<u>December 31, 2015</u>
Present value	\$159,647
Contract value	\$189,429
Projected term of the contract based on actuarial tables	3.7 to 11.55 years
Projected growth rate net of payments to income beneficiaries	0.00%
Risk-free discount rate	1.4% to 2.4%
	<u>December 31, 2014</u>
Present value	\$177,656
Contract value	\$212,569
Projected term of the contract based on actuarial tables	3.99 to 12.12 years
Projected growth rate net of payments to income beneficiaries	0.00%
Risk-free discount rate	1.4% to 2.4%

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11. Accrued Liabilities

Accrued liabilities consist of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Accrued salaries and benefits	\$176,613	\$114,464
Accrued vacations	122,077	187,918
Accrued royalties	20,017	17,129
Other accrued liabilities	<u>109,538</u>	<u>59,795</u>
Totals accrued liabilities	<u>\$428,245</u>	<u>\$379,306</u>

12. Fair Value Measurements

The following are the Conservancy's assets at fair value as of December 31:

	<u>2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 434,610	\$ -	\$ -	\$ 434,610
Debt securities	3,146,759	-	-	3,146,759
Equity securities	1,454,657	-	-	1,454,657
Real estate held for sale	-	20,000	-	20,000
Charitable remainder trust	-	-	346,892	346,892
Charitable gift annuities	<u>-</u>	<u>-</u>	<u>159,647</u>	<u>159,647</u>
Assets at fair value	<u>\$5,036,026</u>	<u>\$20,000</u>	<u>\$506,539</u>	<u>\$5,562,565</u>

	<u>2014</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 4,393,216	\$ -	\$ -	\$ 4,393,216
Debt securities	5,070,766	-	-	5,070,766
Equity securities	1,432,827	-	-	1,432,827
Real estate held for sale	-	20,000	-	20,000
Charitable remainder trust	-	-	341,606	341,606
Charitable gift annuities	<u>-</u>	<u>-</u>	<u>177,656</u>	<u>177,656</u>
Assets at fair value	<u>\$10,896,809</u>	<u>\$20,000</u>	<u>\$519,262</u>	<u>\$11,436,071</u>

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12. Fair Value Measurements (continued)

The following represents the changes in the fair value of the Conservancy's level 3 assets for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$519,262	\$523,927
Change in value of charitable remainder trust and charitable gift annuities	<u>(12,723)</u>	<u>(4,665)</u>
Balance, end of year	<u>\$506,539</u>	<u>\$519,262</u>

13. Unrestricted and Board-Designated Net Assets

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

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

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

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13. Unrestricted and Board-Designated Net Assets (continued)

Unrestricted net assets including board-designated net assets were as follows at December 31:

	<u>2015</u>				
	<u>Beginning</u> <u>Balance</u>	<u>Contributions</u>	<u>Fund</u> <u>Transfers</u>	<u>Releases</u>	<u>Ending</u> <u>Balance</u>
Unrestricted net assets					
Available for operations	\$ 326,933	\$8,538,659	\$1,232,400	\$(9,159,497)	\$ 938,495
Board designated					
Yosemite Legacy Fund	3,149,882	391,247	-	-	3,541,129
Emergency Reserve	1,960,000	-	(159,000)	-	1,801,000
Project Reserve	1,910,000	-	(360,000)	-	1,550,000
Mariposa Grove					
Unrestricted Fund	<u>3,286,124</u>	<u>-</u>	<u>(713,400)</u>	<u>-</u>	<u>2,572,724</u>
Total unrestricted net assets	<u>\$10,632,939</u>	<u>\$8,929,906</u>	<u>\$ -</u>	<u>\$(9,159,497)</u>	<u>\$10,403,348</u>
	<u>2014</u>				
	<u>Beginning</u> <u>Balance</u>	<u>Contributions</u>	<u>Fund</u> <u>Transfers</u>	<u>Releases</u>	<u>Ending</u> <u>Balance</u>
Unrestricted net assets					
Available for operations	\$ 2,578,400	\$8,358,495	\$ 549,633	\$(11,159,595)	\$ 326,933
Yosemite Legacy Fund	3,186,600	603,409	(640,127)	-	3,149,882
Board designated					
Emergency Reserve	1,761,000	-	199,000	-	1,960,000
Board Designated Project Reserve	1,972,000	-	(62,000)	-	1,910,000
Mariposa Grove					
Unrestricted Fund	<u>3,332,630</u>	<u>-</u>	<u>(46,506)</u>	<u>-</u>	<u>3,286,124</u>
Total unrestricted net assets	<u>\$12,830,630</u>	<u>\$8,961,904</u>	<u>\$ -</u>	<u>\$(11,159,595)</u>	<u>\$10,632,939</u>

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15. Donor Restricted Endowment

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

Endowment net asset composition as of December 31, 2015:

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

Endowment net asset composition as of December 31, 2014:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Trail repair endowment	\$ -	\$235,509	\$ 892,918	\$1,128,427
Search and rescue endowment	<u>-</u>	<u>1,160</u>	<u>120,791</u>	<u>121,951</u>
Totals	<u>\$ -</u>	<u>\$236,669</u>	<u>\$1,013,709</u>	<u>\$1,250,378</u>

Net changes in endowment funds for the year ended December 31, 2015 were as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Beginning balance	\$ -	\$236,669	\$1,013,709	\$1,250,378
Investment return	-	4,414	-	4,414
Contributions	-	-	-	-
Appropriations	<u>-</u>	<u>(50,600)</u>	<u>-</u>	<u>(50,600)</u>
Ending balance	<u>\$ -</u>	<u>\$190,483</u>	<u>\$1,013,709</u>	<u>\$1,204,192</u>

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15. Donor Restricted Endowment (continued)

Net changes in endowment funds for the year ended December 31, 2014 were as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Beginning balance	\$ -	\$263,366	\$1,013,709	\$1,277,075
Investment return	-	20,396	-	20,396
Contributions	-	-	-	-
Appropriations	<u>-</u>	<u>(47,093)</u>	<u>-</u>	<u>(47,093)</u>
Ending balance	<u>\$ -</u>	<u>\$236,669</u>	<u>\$1,013,709</u>	<u>\$1,250,378</u>

16. Grant Commitment and Aid to National Park Service

Every year the Conservancy makes project grants to the National Park Service to fund projects and programs within the Yosemite National Park which would not otherwise be completed without private funding. These project grants help protect Yosemite's natural resources and enhance the visitor experience. For the years ending December 31, 2015 and 2014 the total grants were \$7,918,678 and \$5,833,248, respectively. These project commitments funded over 57 and 49 individual projects and programs in 2015 and 2014, respectively, and fall under the following eight major categories:

	<u>2015</u>	<u>2014</u>
Cultural and historic preservation	\$ 58,099	\$ 65,042
Habitat restoration	605,486	1,058,932
Scientific research	263,952	170,919
Trail repair and access	1,278,022	940,897
Visitor services and education	1,489,560	1,333,821
Wildlife management	237,501	161,029
Mariposa Grove Campaign	3,772,538	1,869,762
Donor restricted and other park programs	<u>213,520</u>	<u>232,846</u>
Total project grants	<u>\$7,918,678</u>	<u>\$5,833,248</u>

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17. Retirement Plan

The Conservancy has a defined contribution retirement plan for all employees meeting certain eligibility requirements. Annual contributions as a percent of annual wages are determined by the Board of Trustees, currently 7%. Eligible employees have the option to make elective contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Conservancy contributed \$157,881 and \$166,250 for the years ended December 31, 2015 and 2014, respectively.

18. Allocation of Joint Costs

During the years ended December 31, 2015, and 2014, The Yosemite Conservancy incurred costs of \$1,606,462 and \$1,338,064, respectively, for informational materials and activities that included fundraising appeals. These costs have been allocated to the following functional expense categories:

	<u>2015</u>	<u>2014</u>
Fundraising	\$ 812,645	\$ 744,016
Donor Education	784,805	594,048
Administrative	<u>9,012</u>	<u>-</u>
Totals	<u>\$1,606,462</u>	<u>\$1,338,064</u>

19. Lease Commitments

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

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

The Conservancy's future minimum lease payments including the office space and office equipment are approximately as follows:

2016	\$ 189,578
2017	192,562
2018	193,867
2019	193,050
2020	195,690
Thereafter	<u>167,226</u>
	<u>\$1,131,973</u>

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19. Lease Commitments (continued)

Rental expense including month-to-month leases for certain equipment and for facilities for years ended December 31, 2015 and 2014 was approximately \$208,000 and \$191,000, respectively.

20. Related Party Transactions

The Conservancy had contribution revenue of approximately \$953,000 and \$1,924,000 from members of the council of directors for the years ended December 31, 2015 and 2014, respectively. The Conservancy had pledges receivable from members of the council of directors totaling \$869,000 and \$799,000 as of December 31, 2015 and 2014, respectively. The Conservancy's charitable remainder trust was created by a council member.

21. Subsequent Events

Management has evaluated subsequent events through April 15, 2016, the date the financial statements were available to be issued.

On January 4, 2016, the Conservancy's Board of Trustees approved \$3,100,000 in new grants payable for 2016 Park projects and also approved \$9,314,553 for the Mariposa Grove Project.