
SAVE THE BAY

FINANCIAL STATEMENTS

September 30, 2012

(With Comparative Totals for September 30, 2011)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations



Save the Bay

Contents

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to the Financial Statements	6-12

CROSBY & KANEDACertified Public Accountants

Dedicated to Nonprofit Organizations

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e-mail: admin@ckcpa.biz**INDEPENDENT AUDITORS' REPORT**Board of Directors
Save the Bay
Oakland, California

We have audited the accompanying statement of financial position of Save the Bay as of September 30, 2012, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of Save the Bay's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Save the Bay's September 30, 2011 financial statements and, in our report, dated March 21, 2012 we expressed an unqualified opinion on those financial statements.

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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Save the Bay as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Adele Kaneda*Certified Public Accountants
Oakland, California
February 11, 2013

Save the Bay

Statement of Financial Position September 30, 2012 (With Comparative Totals for September 30, 2011)

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,060,871	\$ 1,098,119
Certificates of deposit	1,300,832	896,738
Investments (Note 3)	378,616	362,175
Contracts receivable	160,332	142,803
Grants receivable	136,000	485,750
Accounts receivable	30,000	3,699
Prepaid expenses	20,287	167,009
Total Current Assets	<u>3,086,938</u>	<u>3,156,293</u>
Property and equipment, net (Note 5)	112,913	130,536
Deposits	<u>17,894</u>	<u>16,934</u>
Total Assets	<u>\$ 3,217,745</u>	<u>\$ 3,303,763</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 158,264	\$ 108,261
Accrued vacation	66,476	52,097
Deferred event revenue	<u>-</u>	<u>103,507</u>
Total Current Liabilities	<u>224,740</u>	<u>263,865</u>
Commitments and contingencies (Notes 6 and 7)		
Net Assets		
Unrestricted	2,701,911	2,644,823
Temporarily restricted (Note 9)	291,094	395,075
Total Net Assets	<u>2,993,005</u>	<u>3,039,898</u>
Total Liabilities and Net Assets	<u>\$ 3,217,745</u>	<u>\$ 3,303,763</u>

See Notes to the Financial Statements

Save the Bay

Statement of Activities For the Year Ended September 30, 2012 (With Comparative Totals for the Year Ended September 30, 2011)

	Unrestricted	Temporarily Restricted	Totals	
			2012	2011
Support and Revenue				
Support				
Government	\$ 423,538	\$ -	\$ 423,538	\$ 308,503
Foundation and corporate	85,574	755,000	840,574	883,655
Membership and individual	1,478,944	-	1,478,944	1,319,516
Bequests and memorials	184,175	-	184,175	334,785
Cy pres award	78,592	-	78,592	-
In-kind contributions (Note 11)	51,929	-	51,929	119,394
Event				
Sponsorships and contributions	190,432	-	-	-
Auction (Note 11)	80,835	-	-	-
Admission	41,040	-	-	-
Less direct costs of donor benefit	(58,085)	-	-	-
Event, net	254,222	-	254,222	-
Net assets released from donor restrictions (Note 9)	858,981	(858,981)	-	-
Total support	3,415,955	(103,981)	3,311,974	2,965,853
Revenue				
Fees for service	200	-	200	550
Interest	19,607	-	19,607	12,043
Unrealized gain on investments	6,839	-	6,839	647
Other	4,703	-	4,703	1,303
Total revenue	31,349	-	31,349	14,543
Total Support and Revenue	3,447,304	(103,981)	3,343,323	2,980,396
Expenses				
Program	2,255,676	-	2,255,676	1,969,084
Management and general	381,483	-	381,483	394,912
Fundraising	753,057	-	753,057	665,030
Total Expenses	3,390,216	-	3,390,216	3,029,026
Change in Net Assets	57,088	(103,981)	(46,893)	(48,630)
Net Assets, beginning of year	2,644,823	395,075	3,039,898	3,088,528
Net Assets, end of year	\$ 2,701,911	\$ 291,094	\$ 2,993,005	\$ 3,039,898

See Notes to the Financial Statements

Save the Bay

Statement of Cash Flows For the Year Ended September 30, 2012 (With Comparative Totals for the Year Ended September 30, 2011)

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (46,893)	\$ (48,630)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	31,828	24,982
Loss on disposition	287	-
Unrealized gain on investments	(6,839)	(647)
Change in assets and liabilities:		
Contracts receivable	(17,529)	21,972
Grants receivable	349,750	(65,750)
Accounts receivable	(26,301)	3,288
Prepaid expenses	146,722	(116,196)
Deposits	(960)	(4,536)
Accounts payable and accrued expenses	50,003	3,277
Accrued vacation	14,379	-
Deferred event revenue	(103,507)	103,507
Net cash provided (used) by operating activities	390,940	(78,733)
Cash flows from investing activities:		
Acquisition of fixed assets	(14,492)	(99,003)
Purchase of investments	(16,441)	(362,175)
Net (increase) decrease in certificates of deposit	(397,255)	250,745
Net cash provided (used) by investing activities	(428,188)	(210,433)
Net change in cash and cash equivalents	(37,248)	(289,166)
Cash and cash equivalents, beginning of year	1,098,119	1,387,285
Cash and cash equivalents, end of year	\$ 1,060,871	\$ 1,098,119

See Notes to the Financial Statements

Save the Bay

Statement of Functional Expenses
For the Year Ended September 30, 2012
(With Comparative Totals for the Year Ended September 30, 2011)

	Program Services			Supporting Services		Totals		
	Restoration Campaigns	Bay Protection	Education and Outreach	Total Program	Management and General	Fundraising	2012	2011
Salaries	\$ 617,906	\$ 275,761	\$ 201,819	\$ 1,095,486	\$ 229,043	\$ 385,094	\$ 1,709,623	\$ 1,536,737
Payroll taxes	51,646	22,906	16,311	90,863	19,133	32,161	142,157	123,493
Pension contributions	5,475	2,271	1,607	9,353	2,044	3,118	14,515	16,547
Other employee benefits	60,107	23,471	17,095	100,673	21,237	32,043	153,953	122,402
	<u>735,134</u>	<u>324,409</u>	<u>236,832</u>	<u>1,296,375</u>	<u>271,457</u>	<u>452,416</u>	<u>2,020,248</u>	<u>1,799,179</u>
Grants	4,500			4,500	-	-	4,500	4,500
Legal		16,213		16,213	3,975	-	20,188	12,276
Accounting					33,194	-	33,194	37,676
Professional services	79,290	96,180	97,241	272,711	10,068	76,697	359,476	407,785
Advertising and promotion	120	2,397	3,391	3,511	333	6,491	10,335	10,678
Supplies	21,082	1,440	2,605	26,084	2,195	3,411	31,690	42,813
Telephone	4,613	59,587	890	6,943	1,105	1,601	9,649	9,341
Postage	20,721	827	28,582	108,890	497	35,768	145,155	74,057
Equipment rental/maintenance	1,960		581	3,368	721	1,180	5,269	6,566
Bank fees					12,108	9	12,117	9,990
Occupancy	59,273	25,012	17,561	101,846	21,807	31,593	155,246	120,513
Printing and publications	40,003	100,758	63,772	204,533	150	68,443	273,126	145,349
Information technology	49,886	14,176	28,449	92,511	13,378	19,108	124,997	131,978
Travel and meals	30,522	6,852	3,664	41,038	260	1,815	43,113	43,480
Conferences and meetings	3,088	1,431	1,241	5,760	1,948	2,039	9,747	11,476
Depreciation	19,629	3,179	2,232	25,040	2,772	4,016	31,828	24,982
Insurance	7,189	1,285	902	9,376	3,186	1,624	14,186	14,706
Dues, licenses, service fees	2,262	1,061	4,151	7,474	416	6,573	14,463	12,639
In kind professional services			6,285	6,285	325	34,341	40,951	80,760
Miscellaneous expense	13,833	1,330	8,055	23,218	1,588	5,932	30,738	28,282
Total Expenses	<u>\$ 1,093,105</u>	<u>\$ 656,137</u>	<u>\$ 506,434</u>	<u>\$ 2,255,676</u>	<u>\$ 381,483</u>	<u>\$ 753,057</u>	<u>\$ 3,390,216</u>	<u>\$ 3,029,026</u>

See Notes to the Financial Statements

SAVE THE BAY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)

NOTE 1: NATURE OF ACTIVITIES

Save the Bay (the Organization) is a California nonprofit public benefit corporation, founded in 1961 to preserve, restore, and protect the San Francisco Bay and Sacramento/San Joaquin River Delta Estuary as a healthy and biologically diverse ecosystem that is valued as essential to the well-being of the human community it sustains.

Program services include bay protection, restoration campaign, public education and outreach and watershed education.

The Organization's office is located in Oakland, California and its primary sources of income are public and private grants and contributions.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

Unrestricted net assets – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets – represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Organization. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. There were no permanently restricted net assets as of September 30, 2012.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is

SAVE THE BAY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)

recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization considers all contributions to be fully collectible at September 30, 2012. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of September 30, 2012 and is not aware of any significant uncertain tax positions for which a reserve would be necessary.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

SAVE THE BAY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$5,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Building	20 years
Furniture, equipment and vehicles	3-7 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2011, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of February 11, 2013 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

SAVE THE BAY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)

NOTE 3: INVESTMENTS

The fair value of investments consisted of the following as of September 30:

	<u>2012</u>	<u>2011</u>
Mutual funds		
Investment grade short-term bond fund	\$ 378,616	\$ 362,175

NOTE 4: FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the assets or liability. Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

Fair values of assets measured on recurring basis were as follows as of September 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds and ETFs:				
Short-term bond funds	\$ 378,616	-	-	\$ 378,616

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2012</u>	<u>2011</u>
Furniture and equipment	\$ 170,790	\$ 188,715
Buildings	50,865	36,373
Less accumulated depreciation	<u>(108,742)</u>	<u>(94,552)</u>
Total	<u>\$ 112,913</u>	<u>\$ 130,536</u>

SAVE THE BAY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)

NOTE 6: COMMITMENTS

Operating Leases

The Organization is party to leases for office space in Oakland and a copier which expire in April 2016 and July 2013 respectively. Future minimum operating lease payments were as follows for the years ending September 30:

2013	\$ 138,320
2014	191,810
2015	<u>199,309</u>
2016	<u>121,190</u>
2017	<u>3,072</u>
Total	<u>\$ 653,701</u>

Rent for the years ended September 30, 2012 and 2011 was \$155,246 and \$99,075 respectively.

NOTE 7: CONTINGENCIES

The Organization receives a portion of its support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities.

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE 8: LINES OF CREDIT

The Organization has a margin account with a broker with an interest rate which varies between 6.0% and 8.5%. The amount available to borrow depends on the composition of marginable assets in the account. As of September 30, 2012 there were no marginable assets in the account and no outstanding margin loan balance.

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows as of September 30:

	<u>2012</u>	<u>2011</u>
Pollution Prevention	\$ -	\$ 100,000
Estuary Restoration and Education	163,835	242,575
Restoration Policy and Funding	85,190	-
Bay Fill Prevention	<u>42,069</u>	<u>52,500</u>
Total	<u>\$ 291,094</u>	<u>\$ 395,075</u>

SAVE THE BAY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the year ended September 30:

	<u>2012</u>	<u>2011</u>
Pollution Prevention	\$ 140,000	\$ 80,000
Estuary Restoration and Education	358,740	424,777
Restoration Policy and Funding	224,810	74,000
Bay Fill Prevention	<u>135,431</u>	<u>222,500</u>
Total	<u>\$ 858,981</u>	<u>\$ 801,277</u>

NOTE 10: PENSION

The Organization has a defined contribution plan as established under Internal Revenue Code Section 403(b) (the Plan). All employees who work at least 1,000 hours per year are eligible for participation in the Plan after one full year of employment, and become vested at that time. For each Plan year, the Board of Directors of the Organization determines the amount (if any) to be contributed to the Plan by the Organization, and matches 50% of each eligible employee's contributions up to \$1,000. Total contributions made by the Organization for the years ended September 30, 2012 and 2011 were \$14,515 and \$16,547 respectively.

NOTE 11: IN-KIND CONTRIBUTIONS

In-kind contributions were valued as follows for the year ended September 30:

	<u>2012</u>	<u>2011</u>
Legal services	\$ 34,666	\$ 15,550
Information technology services	-	12,300
Architectural services	-	6,000
Public service advertising	6,285	43,998
Facility usage / rental	-	2,500
Equipment and vehicles	<u>10,978</u>	<u>39,046</u>
Total	<u>\$ 51,929</u>	<u>\$ 119,394</u>

Auction Items

For the year ended September 30, 2012 the organization received \$80,835 in donated items for a fundraising auction. The Organization valued these items based on the proceeds from the auction.

SAVE THE BAY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)

Volunteer Services

In addition to the specialized services, the Organization organized work parties of volunteers to carry out restoration projects removing invasive species growing in San Francisco Bay, collecting seeds from native plants, and planting over 38,000 seedlings to restore the bio-diversity and health of the bay. The value of these services was estimated at \$527,994 and \$432,614 for the years ended September 30, 2012 and 2011 respectively.

A portion of donated volunteer services was used to meet the matching requirement of grants from the National Oceanic and Atmospheric Administration, Environmental Protection Agency, U.S. Fish and Wildlife Service, and California Coastal Conservancy.

NOTE 12: JOINT COSTS OF ACTIVITIES THAT INCLUDED FUNDRAISING APPEALS

The Organization engaged in a number of activities, such as newsletters, that included a fundraising appeal. As a result, the costs of these activities were allocated between fundraising, program and management and general services as follows for the years ended September 30:

	<u>2012</u>	<u>2011</u>
Costs allocated to program activities	\$ 457,332	\$ 234,553
Costs allocated to fundraising activities	<u>165,184</u>	<u>175,597</u>
Costs allocated to management and general activities	<u>1,300</u>	<u>-</u>
Total	<u>\$ 623,816</u>	<u>\$ 410,150</u>