



COMBINED
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2016 AND 2015
WITH INDEPENDENT AUDITORS' REPORT THEREON

SAVE THE BAY

(A California Not-For-Profit Corporation)
September 30, 2016

About Us

Save The Bay is the largest regional organization working to protect, restore and celebrate San Francisco Bay. As its leading champion since 1961, Save The Bay protects the Bay from pollution and inappropriate shoreline development, making it cleaner and healthier for people and wildlife.

We restore habitat and secure strong policies to re-establish 100,000 acres of wetlands that are essential for a healthy Bay. We engage more than 40,000 supporters, advocates and volunteers to protect the Bay, and inspire the next generation of environmental leaders by educating thousands of students annually.

History

For more than half a century, Save The Bay has given San Francisco Bay a voice and shown that Bay Area residents can work together to make positive changes in their communities. In 1961, San Francisco Bay was choked with sewage and industrial pollution, ringed with garbage dumps, and only 6 miles of its shoreline was accessible to the public. Filling and diking of the shallow Bay had destroyed 90 percent of its original wetlands and shrunk its size by one-third. Every city had its own plans to grow by filling in more the Bay. There was no Environmental Protection Agency, no Clean Water Act, no Endangered Species Act, and no effective regulations against rampant development in the Bay. The first Earth Day was still nine years away.

Board of Directors as of September 30, 2016

<u>Name</u>	<u>Office</u>
Samuel Luoma	Chair
Henry Manayan	Vice-Chair for Governance
William Leimbach	Vice-Chair for Internal Affairs
Lynda Sullivan	Vice-Chair for External Affairs
Donnie Fowler	Director
Michael Gallagher	Director
Ron Gonzales	Director
Lisa Hoyos	Director
Michael Katz	Director
Sandy Linder	Director
Dean Meniktas	Director
Christopher Richard	Director
Stephen Thompson	Director
Anne Toth	Director
Sinclair White	Director

Executive Director

David Lewis

SAVE THE BAY

(A California Not-For-Profit Corporation)
September 30, 2016

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Save The Bay Office
1330 Broadway, Suite 1800
Oakland, California 94612
(510) 463-6850, FAX (510) 463-6851
Email: info@saveSFbay.org
Web Site Address: www.savesfbay.org

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Regalia &
Associates

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INDEPENDENT AUDITORS' REPORT

The Board of Directors Save The Bay

We have audited the accompanying combined financial statements of the Save The Bay (a nonprofit organization) which comprise the combined statements of financial position as of September 30, 2016 and 2015 and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Save The Bay as of September 30, 2016 and 2015 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The combined financial statements of Save The Bay as of September 30, 2015 were audited by us and in our report dated January 15, 2016, we expressed an unmodified opinion on those combined financial statements. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Danville, California
January 20, 2017

Regalia & Associates

SAVE THE BAY

Combined Statements of Financial Position September 30, 2016 and 2015

ASSETS

	2016	2015
Cash and cash equivalents	\$ 660,414	\$ 848,500
Certificates of deposit	450,044	449,498
Contracts receivable	22,383	118,352
Grants receivable	965,711	500,500
Accounts receivable	2,158	67,250
Investments	88,289	84,415
Prepaid expenses and other assets	26,523	46,231
Deposits	17,144	17,394
Property and equipment, net	85,413	93,413
Total assets	<u>\$ 2,318,079</u>	<u>\$ 2,225,553</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 62,400	\$ 64,215
Accrued payroll liabilities	140,842	136,792
Deferred Revenue	-	28,341
Total liabilities	<u>203,242</u>	<u>229,348</u>

Net assets:

Unrestricted	1,324,152	1,706,255
Temporarily restricted	790,685	289,950
Total net assets	<u>2,114,837</u>	<u>1,996,205</u>
	<u>\$ 2,318,079</u>	<u>\$ 2,225,553</u>

SAVE THE BAY

Combined Statement of Activities and Changes in Net Assets Year Ended September 30, 2016

(With Comparative Totals for the Year Ended September 30, 2015)

<i>Changes in net assets:</i>	Unrestricted Net Assets	Temporarily Restricted Net Assets	2016 Total	2015 Total
Support:				
Government	\$ 158,790	\$ -	\$ 158,790	\$ 323,263
Foundation and corporate	488,697	1,288,262	1,776,959	811,095
Membership and individual	1,723,632	-	1,723,632	1,456,581
Bequests and memorials	35,750	-	35,750	167,144
In-kind contributions	12,300	-	12,300	18,000
Net assets released from restriction	787,527	(787,527)	-	-
Total support	3,206,696	500,735	3,707,431	2,776,083
Revenue:				
Rental income	29,000	-	29,000	15,400
Investment income	6,558	-	6,558	8,817
Unrealized investment gains (losses)	1,172	-	1,172	(442)
Other	205,576	-	205,576	2,267
Total revenue	242,306	-	242,306	26,042
Total support and revenue	3,449,002	500,735	3,949,737	2,802,125
Expenses:				
Programs	2,653,635	-	2,653,635	1,934,868
Management and general	475,236	-	475,236	530,643
Fundraising	702,234	-	702,234	702,277
Total expenses	3,831,105	-	3,831,105	3,167,788
Increase (decrease) in net assets	(382,103)	500,735	118,632	(365,663)
Net assets at beginning of year	1,706,255	289,950	1,996,205	2,361,868
Net assets at end of year	\$ 1,324,152	\$ 790,685	\$ 2,114,837	\$ 1,996,205

SAVE THE BAY

Combined Statements of Cash Flows Years Ended September 30, 2016 and 2015

	2016	2015
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ 118,632	\$ (365,663)
Adjustments to reconcile to cash (used for) operating activities:		
Depreciation	13,570	16,184
Loss on disposition of property and equipment	-	123
Unrealized investment (gains) losses	(1,172)	442
Changes in:		
Contracts receivable	95,969	(5,863)
Grants receivable	(465,211)	350,750
Accounts receivable	65,092	(52,750)
Prepaid expenses and other assets	19,708	(17,473)
Deposits	250	(500)
Accounts payable and accrued expenses	(1,815)	(20,381)
Accrued payroll liabilities	4,050	2,240
Deferred Revenue	(28,341)	(109,917)
Cash used for operating activities	(179,268)	(202,808)
<i>Investing activities:</i>		
Acquisition of property and equipment	(5,570)	-
Purchases and reinvestment of investment income	(2,702)	-
Net (increase) decrease in certificates of deposit	(546)	198,048
Cash (used for) provided by investing activities	(8,818)	198,048
Decrease in cash and cash equivalents	(188,086)	(4,760)
Cash and cash equivalents at beginning of year	848,500	853,260
Cash and cash equivalents at end of year	\$ 660,414	\$ 848,500
<i>Additional cash flow information:</i>		
Taxes paid to Registry of Charitable Trusts	\$ 150	\$ 150
Interest paid	\$ -	\$ -

SAVE THE BAY

Combined Statement of Functional Expenses

Year Ended September 30, 2016

(With Comparative Totals for the Year Ended September 30, 2015)

	Program Services				Supporting Services		Totals Sept 30 2016	Totals Sept 30 2015
	Restore Bay Habitat	Bay Smart Communities	Education and Outreach	Total Program	Management and General	Fundraising		
Salaries	\$ 603,621	\$ 135,855	\$ 400,384	\$ 1,139,860	\$ 291,523	\$ 374,255	\$ 1,805,638	\$ 1,693,540
Payroll taxes	49,744	10,743	31,975	92,462	23,489	30,428	146,379	134,302
Pension contributions	-	-	-	-	-	-	-	1,000
Other employee benefits	57,086	12,633	37,036	106,755	26,857	35,238	168,850	154,642
Total salaries and related expenses	710,451	159,231	469,395	1,339,077	341,869	439,921	2,120,867	1,983,484
Grants	552,250	60,000	-	612,250	-	-	612,250	5,000
Professional services- legal	31,871	8,270	-	40,141	10,530	-	50,671	24,567
Professional services- accounting	-	-	-	-	34,895	-	34,895	37,141
Professional services- other	98,370	32,404	84,570	215,344	2,191	89,666	307,201	438,295
Advertising and promotion	15,281	4,077	36,188	55,546	-	38,269	93,815	4,238
Supplies	27,744	1,011	3,012	31,767	2,323	2,523	36,613	31,346
Telephone	2,057	290	809	3,156	567	697	4,420	5,443
Postage	4,131	3,156	7,405	14,692	5,792	8,856	29,340	57,293
Equipment rental/maintenance	4,798	896	2,510	8,204	1,804	2,214	12,222	9,104
Bank fees	-	-	-	-	11,870	-	11,870	12,437
Occupancy	75,567	14,719	41,067	131,353	28,844	35,503	195,700	158,671
Printing and publications	10,680	7,451	19,897	38,028	5,735	23,141	66,904	86,786
Information technology	30,689	5,402	37,217	73,308	10,601	18,304	102,213	165,983
Travel and meals	27,192	3,267	3,082	33,541	342	1,580	35,463	29,271
Conferences and meetings	3,357	627	747	4,731	2,910	890	8,531	8,653
Depreciation	8,239	664	1,843	10,746	1,264	1,560	13,570	16,184
Insurance	8,785	648	1,800	11,233	6,445	1,523	19,201	17,185
Dues, licenses, service fees	7,126	479	4,370	11,975	1,497	4,632	18,104	38,139
In-kind professional services	-	-	-	-	-	-	-	8,350
Miscellaneous expense	11,586	1,644	5,313	18,543	5,757	32,955	57,255	30,218
Total	\$ 1,630,174	\$ 304,236	\$ 719,225	\$ 2,653,635	\$ 475,236	\$ 702,234	\$ 3,831,105	\$ 3,167,788

See accompanying auditors' report and notes to combined financial statements.

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Notes to Combined Financial Statements
September 30, 2016

1. Organization

Save the Bay 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. The financial statements include the combined financial information of Save the Bay and Save the Bay Action Fund (collectively "STB"), a related 501(c)(4) nonprofit organization created in May 2014.

Program services of STB include restoring bay habitat, creating bay smart communities, and public education and outreach. STB's office is located in Oakland California and its primary sources of income are public and private grants and contributions.

2. Summary of Significant Accounting Policies

Basis of Accounting

The combined financial statements of STB have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, accrued assets, accrued liabilities, and net asset accounts. Intercompany transactions have been eliminated in the combined financial statements.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, STB is required to report information regarding its combined financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. STB has also adopted the provisions of ASC 958.205.55.31 thru 958.205.55.53, *Presentation of Financial Statements – Endowment Disclosures* (which incorporated the previously issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*).

Support and Revenue Recognition

STB records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies *(continued)**Net Assets*

In accordance with accounting principles generally accepted in the United States of America, financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Grants and contributions are classified in the appropriate net asset category based on the absence or existence of donor-imposed restrictions that limit the use of the donated assets if they are designated as support for future periods or future projects when they are received.

STB reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the combined statement of activities and changes in net assets as amounts released from restrictions. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Permanently restricted net assets include those net assets that must be maintained in perpetuity in accordance with donor restrictions. The investment return from such assets may be used for purposes as specified by the donor or, if the donor has not specified a purpose, the income from such investments is not restricted and is included in unrestricted net assets. There were no permanently restricted net assets as of September 30, 2016.

Unrestricted net assets include all of those donated assets that have no restrictions or limitations imposed on their use. The Board of Directors may elect certain unrestricted funds to be set aside as Board-designated funds, which may not be spent without approval by the Board.

Receivables

Contracts receivable and grants receivable are recognized as unrestricted or temporarily restricted contributed revenue when the written commitments are received. Accounts receivable are recorded as revenue when a valid contractual obligation exists.

Property and Equipment

Property and equipment purchased by STB are recorded at cost. Property and equipment donated to STB are recorded at estimated fair value as of the date of the gift. Repairs and maintenance are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets of between 3 and 20 years.

Investments

STB follows the provisions of *Accounting Standards Update (ASU), Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that STB could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of September 30, 2016. *(continued)*

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies *(continued)**Investments (continued)*

Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Investments in mutual funds with readily determinable fair values and all investments in bank deposit accounts are reported at fair value with gains and losses included in the combined statement of activities and changes in net assets. Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. In accordance with ASC 958.320, the recorded amounts of all investments are adjusted annually to reflect current market values.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, STB is required to report information regarding its exposure to various tax positions taken by STB and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that STB has adequately evaluated its current tax positions and has concluded that as of September 30, 2016 and 2015, STB does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

STB has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. This exemption is subject to periodic review by the federal and state taxing authorities and management is confident that STB continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

STB receives unrelated business income (sublease rental income) which requires STB to file separate tax returns under federal and state statutes. Tax liabilities, if any exist, are accrued at the statutory tax rates in effect at the end of the fiscal year.

Contributed Services and Costs

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. A substantial number of unpaid volunteers have made significant contributions of time to various departments or programs of STB. The value of this contributed time is not reflected in the combined financial statements since it is not susceptible to objective measurement or valuation.

Reclassifications

Certain reclassifications have been made to the 2015 combined financial statements in order to conform to the presentation used in 2016.

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Functional Allocation of Expenses

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

Comparative Financial Information

The combined financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information should be read in conjunction with STB's combined financial statements for the year ended September 30, 2015, from which the summarized information was derived.

Use of Estimates

The preparation of combined 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 and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at September 30:

	2016	2015
Checking and other noninterest-bearing accounts	\$ 486,031	\$ 472,974
Savings and other accounts (bearing interest at rates ranging from 0.01% to 0.30%)	174,383	375,526
Total cash and cash equivalents	\$ 660,414	\$ 848,500

Cash and cash equivalents include all funds in banks (checking, savings and money market) with maturity dates of three months or less. From time to time, certain deposits may exceed balances insured by the Federal Deposit Insurance Corporation. Management attempts to limit its risk and exposure by only using highly rated financial institutions.

4. Receivables

Receivables consist of the following at September 30:

	2016	2015
Contracts receivable	\$ 22,383	\$ 118,352
Grants receivable	965,711	500,500
Accounts receivable	2,158	67,250
Total receivables	\$ 990,252	\$ 686,102

Receivables represent amounts due from various sources, including foundations, federal and state agencies, individuals, and others. Receivables are stated at net realizable value. STB uses the direct write-off method with regards to receivables deemed uncollectible. Bad debt expense amounted to \$12,750 and \$3,500 for the years ended September 30, 2016 and 2015, respectively. Management has evaluated the receivables as of September 30, 2016 and determined that such amounts are fully collectible (based on the financial strength of the payees) and therefore no reserve for uncollectible amounts has been established.

SAVE THE BAY

Notes to Combined Financial Statements

5. Investments

Investments consist of the following at September 30:

	2016	2015
Mutual funds: Investment grade short-term bond fund	\$ 88,289	\$ 84,415

During the years ended September 30, 2016 and 2015, investment earnings amounted to \$6,558 and \$8,817, respectively. During the years ended September 30, 2016 and 2015, realized and unrealized gains (losses) amounted to \$1,172 and (\$442), respectively. Investments in mutual funds with readily determinable fair values are reported at fair value or amounts that approximate fair value.

6. Fair Value Measurements

Composition of investments utilizing fair value measurements at September 30, 2016 is as follows:

	Total	Level 1	Level 2	Level 3
Certificates of deposit	\$ 450,044	\$ 450,044	\$ -	\$ -
Receivables	990,252	-	990,252	-
Investments	88,289	88,289	-	-
Totals	\$ 1,528,585	\$ 538,333	\$ 990,252	\$ -

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models. STB had no investments classified as Level 3 at September 30, 2016.

7. Property and Equipment

Property and equipment consist of the following at September 30:

	2016	2015
Office furniture and equipment	\$ 133,680	\$ 128,110
Buildings	99,633	99,633
Less: accumulated depreciation	(147,900)	(134,330)
Property and equipment, net	\$ 85,413	\$ 93,413

Depreciation expense amounted to \$13,570 and \$16,184 for the years ended September 30, 2016 and 2015, respectively. During the year ended September 30, 2015, STB disposed of partially depreciated equipment with original cost basis of \$22,256 and recognized a loss of \$123. There were no disposals of property and equipment for the year ended September 30, 2016.

Notes to Combined Financial Statements

8. Lease Commitments

STB rents its corporate office facilities under a multi-year operating lease which expires July 31, 2019. As of September 30, 2016, STB is committed to making monthly rental payments of \$17,380 for the office lease. STB also leases certain office equipment under a separate multi-year rental contract (requiring a monthly remittance of \$727) with an expiration date of June 1, 2021.

Rental expense for all of STB’s operating leases amounted to \$195,700 and \$158,671 for the years ended September 30, 2016 and 2015, respectively. Future minimum rental payments under all operating leases extending beyond one year at September 30, 2016 are as follows:

Year ending September 30, 2017	\$ 218,330
Year ending September 30, 2018	224,618
Year ending September 30, 2019	193,111
Year ending September 30, 2020	8,725
Year ending September 30, 2021	6,544

STB subleases a portion of its corporate office space. Rental income for the years ended September 30, 2016 and 2015 amounted to \$29,000 and \$15,400, respectively.

9. Allocation of Joint Costs

STB follows the provisions of Statement of Position 98-2 (SOP 98-2) *Accounting for costs of Materials and Activities of Not-for-Profit Organizations and State and Local Government Entities That Include a Fund-Raising Appeal*. Under SOP 98-2, STB engaged in a number of activities (such as publication and distribution of newsletters and other informational materials) that included a fundraising appeal. As a result, STB incurred allocable joint expenditures and the costs of these activities were allocated between program activities, management and general activities, and fundraising activities as follows for the years ended September 30:

	2016	2015
Costs allocated to program activities	\$ 150,719	\$ 198,365
Costs allocated to management and general activities	5,500	-
Costs allocated to fundraising activities	77,717	100,845
Totals	\$ 233,936	\$ 299,210

10. Compensated Absences

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, STB is required to record a liability for the estimated amounts of compensation for future absences (accrued vacation). Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee, and this amount has been reflected in the combined financial statements. Accrued payroll liabilities amounted to \$140,842 and \$136,792 at September 30, 2016 and 2015, respectively and are reflected as accrued liabilities on the combined statements of financial position.

Notes to Combined Financial Statements

11. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future projects, which are not reflected in the combined financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate STB to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond STB’s control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management personnel, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts.

STB receives a portion of its support from federal, state, and local government agencies (amounting to 4.0% and 11.5% for the years ended September 30, 2016 and 2015, respectively). A significant reduction in the level of this support, if it were to occur, could have an impact on STB’s ability to fund certain programs and activities.

Management has evaluated all such events and believes that such commitments, contingencies and risks will not have a material adverse effect on the combined financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting agencies. Management is of the opinion that STB has complied with all material terms of the various grants and contracts.

12. In-Kind Contributions

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

	2016	2015
In-kind services	\$ -	\$ 8,350
Equipment and vehicles	12,300	9,650
Total in-kind contributions	\$ 12,300	\$ 18,000

Volunteer Services: In addition to receiving specialized in-kind services, STB was also the beneficiary of volunteer work parties organized to carry out restoration projects removing invasive species growing in San Francisco Bay, collecting seeds from native plants, and planting more than 107,000 seedlings to restore the bio-diversity and health of the bay. Although not recorded in the combined financial statements (because such volunteer efforts are not susceptible to objective measurement or valuation under ASC 958.605.30-11 *“Revenue Recognition of Not-For-Profit Entities”*), the value of these services was estimated at \$690,523 and \$669,815 for the years ended September 30, 2016 and 2015, respectively. A portion of the donated services was used to meet the matching requirement of certain grants from various federal and state agencies.

Notes to Combined Financial Statements

13. Temporarily Restricted Net Assets

STB recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Temporarily restricted net assets consist of the following at September 30:

	2016	2015
Outreach	\$ 39,000	\$ 30,000
Estuary Restoration and Education	422,435	148,750
Time restrictions	200,000	-
Restoration Policy and Funding	23,000	55,700
Bay Smart Communities	106,250	55,500
Total temporarily restricted	\$ 790,685	\$ 289,950

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

	2016	2015
Outreach	\$ 146,255	\$ 214,608
Estuary Restoration and Education	325,077	358,970
Restoration Policy and Funding	112,700	231,300
Bay Smart Communities	203,495	180,892
Total temporarily restricted released from restrictions	\$ 787,527	\$ 985,770

14. Related Party Transactions

[A] Contributions from certain individuals on staff and members of the Board of Directors amounted to \$91,419 and \$82,660 during the years ended September 30, 2016 and 2015 respectively. [B] STB's Executive Director is a member on the Board of Directors of People for a Clean and Healthy Bay. [C] During the year ended September 30, 2016, STB issued grants totaling \$397,500 to People for a Clean and Healthy Bay.

15. Retirement Plan

STB offers a defined contribution plan qualified 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 fully vested at that time. For each Plan year, the Board of Directors of STB determines the amount (if any) to be contributed to the Plan by STB, and matches 50% of each eligible employee's contributions up to \$1,000. Total contributions made by STB for the year ended September 30, 2015 amounted to \$1,000. There was no contribution made by STB for the year ended September 30, 2016.

16. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, STB has evaluated subsequent events through January 20, 2017, the date the combined financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.