

Farallones Marine Sanctuary Association

Report on Review of Financial Statements  
for the year ended March 31, 2010

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## Report of Independent Accountant

To the Board of Directors  
Farallones Marine Sanctuary Association

I have reviewed the accompanying statement of financial condition of the Farallones Marine Sanctuary Association (the "Association") as of March 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Association.

A review consists principally of inquiries of Association personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

On the basis of my review, I am not aware of any material modification that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.



February 8, 2011

Farallones Marine Sanctuary Association  
Statement of Financial Condition  
March 31, 2010

Assets

Current assets:

Cash and cash equivalents	\$	252,662	
Accounts receivable		30,493	
Merchandise inventory		2,465	
Prepaid expenses		4,191	
		<u>4,191</u>	
			289,811
Equipment	\$	7,428	
Less: accumulated depreciation		<u>(1,441)</u>	<u>5,987</u>
			<u>\$ 295,798</u>

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued liabilities	18,786		
Unearned revenue	<u>2,080</u>	20,866	
			154,672
Deferred revenue			<u>175,539</u>
Net assets:			
Unrestricted	70,259		
Board designated	<u>50,000</u>	<u>120,259</u>	
			<u>\$ 295,798</u>

See accountant's review report.

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

Farallones Marine Sanctuary Association  
Statement of Activities  
for the year ended March 31, 2010

Revenues and other additions:	
Contracts and programs	\$ 605,025
Grants and contributions	131,195
Investments	1,554
Other	1,817
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	739,591
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Expenditures and other deductions:	
Program services	592,251
Administrative expenditures	89,325
Fundraising activities	46,812
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Total current year expenditures	728,388
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Change in net assets	11,203
Net assets, beginning of year	109,056
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Net assets, end of year	<u><u>\$ 120,259</u></u>

See accountant's review report

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Farallones Marine Sanctuary Association  
Statement of Functional Expenses  
for the year ended March 31, 2010

	Program Services	Management and General	Fund Raising	Total
Salaries and wages	\$ 243,598	\$ 53,226	\$ 34,605	\$ 331,429
Employment taxes	21,442	4,506	3,521	29,469
Employee benefits	26,558	8,494	2,982	38,034
	<u>291,598</u>	<u>66,226</u>	<u>41,108</u>	<u>398,932</u>
Professional services and fees	62,816	3,173	0	65,989
Travel	77,333	285	0	77,618
Indirect costs	80,600	0	0	80,600
Information technology	34,167	3,358	2,372	39,897
Supplies	20,987	529	20	21,536
Office expenses	0	10,568	0	10,568
Conferences	7,946	0	0	7,946
Scholarships and stipends	7,466	0	0	7,466
Printing and reproduction	3,152	0	2,854	6,006
Insurance	0	3,897	0	3,897
Promotion	455	369	374	1,198
Depreciation	1,214	0	0	1,214
Repairs and maintenance	1,220	0	0	1,220
Miscellaneous	4,197	20	84	4,301
	<u>\$ 593,151</u>	<u>\$ 88,425</u>	<u>\$ 46,812</u>	<u>\$ 728,388</u>

See accountant's review report.

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Farallones Marine Sanctuary Association  
Statement of Cash Flows  
for the year ended March 31, 2010

Cash flows from operating activities:	
Change in net assets	\$ 11,203
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,214
Decrease in accounts receivable	329
Decrease in prepaid expenses	796
Decrease in merchandise inventory	3,848
Decrease in accounts payable and accrued liabilities	(14,575)
Increase in deferred revenue	12,726
	15,541
Cash flows from investing activities:	
Purchase of equipment	(2,390)
Cash balance, beginning of year	239,511
Cash balance, end of year	\$ 252,662

See accountant's review report.

The accompanying notes are an integral part of these financial statements

Farallones Marine Sanctuary Association  
Notes to Financial Statements  
March 31, 2010

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1. Summary of Significant Accounting Policies:

Nature of Activities:

The Farallones Marine Sanctuary Association (the "Association") was established in 1995 as a cooperating association that supports the Gulf of the Farallones National Marine Sanctuary. The Association is a not-for-profit membership organization dedicated to protecting sanctuary wildlife and habitats through the development of a diverse community of informed and active ocean stewards.

Financial Statement Presentation and Accounting Estimates:

The financial statements of the Association have been prepared using the accrual basis of accounting. Under the Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for-Profit Organizations* the Association is required to report information regarding its financial position and activities according to various classes of net assets.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results can differ from these estimates.

Furniture and Equipment:

Equipment is carried at cost. Depreciation is computed using the straight-line method over the economic useful life of 6 years.

2. Recognition of Revenue:

Contributions are recognized when the donor makes an unconditional promise to give to the Association.

When a donor 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 and released from restrictions.

Contract revenue is not recorded as revenues until expended under the terms of the contracts.

3. Concentration of Credit Risk:

The Association maintains its demand deposits in commercial banks, insured by the Federal Deposit Insurance Corporation. The Association also invests in money market funds which are not insured.

4. Income Taxes:

The Association is a not-for-profit organization exempt from federal and state income taxes under the provisions of § 501(c)(3) of the Internal Revenue Code and § 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income is subject to federal and state income tax.

5. Functional Allocation of Expenses:

Salaries, pro-rata share of employment taxes and employee benefits and other expenses are allocated to program and supporting services based on time worked in various programs and supporting services and amount of program expenses relative to total budget.

6. Leases:

Occupation of the Association's premises in the Presidio of San Francisco is provided through a contract agreement with the Gulf of the Farallones National Marine Sanctuary, an entity of the U.S. Government.