

Farallones Marine Sanctuary Association

Report on Review of Financial Statements
for the year ended March 31, 2011

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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, 2011, 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.

August 2, 2011

Farallones Marine Sanctuary Association
Statement of Financial Condition
March 31, 2011

Assets

Current assets:

Cash and cash equivalents	\$	214,226
Accounts receivable		37,648
Merchandise inventory		3,554
Prepaid expenses		<u>2,815</u>
		258,243

Equipment	\$	9,614
Less: accumulated depreciation		<u>(3,291)</u>
		<u>6,324</u>
		<u>\$ 264,566</u>

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued liabilities	6,544	
Unearned revenue	<u>425</u>	6,969

Deferred revenue		<u>134,696</u>
		141,665

Net assets:

Unrestricted	72,902	
Board designated	<u>50,000</u>	<u>122,902</u>
		<u>\$ 264,566</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, 2011

Revenues and other additions:	
Contracts and programs	\$ 651,888
Grants and contributions	75,152
Investments	607
Other	1,254
	<u>728,900</u>
Expenditures and other deductions:	
Program services	595,626
Administrative expenditures	85,186
Fundraising activities	45,445
	<u>726,257</u>
Total current year expenditures	<u>726,257</u>
Change in net assets	2,643
Net assets, beginning of year	<u>120,259</u>
Net assets, end of year	<u><u>\$ 122,902</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, 2011

	Program Services	Management and General	Fund Raising	Total
Salaries and wages	\$ 287,624	\$ 53,034	\$ 33,378	\$ 374,036
Employment taxes	27,171	4,432	3,059	34,662
Employee benefits	28,408	8,828	1,687	38,923
	<u>343,203</u>	<u>66,294</u>	<u>38,124</u>	<u>447,621</u>
Professional services and fees	72,009	2,377	0	74,386
Travel	10,442	0	474	10,916
Indirect costs	83,849	0	0	83,849
Information technology	32,433	3,036	1,975	37,444
Supplies	30,374	287	510	31,171
Office expenses	0	8,239	1,382	9,621
Conferences	2,133	0	0	2,133
Scholarships and stipends	7,494	0	0	7,494
Printing and reproduction	4,461	31	2,761	7,253
Insurance	0	3,915	0	3,915
Promotion	6,718	806	219	7,743
Depreciation	1,750	100	0	1,850
Repairs and maintenance	760	0	0	760
Miscellaneous	0	101	0	101
	<u>\$ 595,626</u>	<u>\$ 85,186</u>	<u>\$ 45,445</u>	<u>\$ 726,257</u>

See accountant's review report.

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Farallones Marine Sanctuary Association
Statement of Cash Flows
for the year ended March 31, 2011

Cash flows from operating activities:		
Change in net assets	\$	2,643
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		1,850
Increase in accounts receivable		(7,155)
Decrease in prepaid expenses		1,376
Increase in merchandise inventory		(1,090)
Decrease in accounts payable and accrued liabilities		(13,898)
Decrease in deferred revenue		(19,976)
		(36,250)
Net cash used by operating activities		(36,250)
 Cash flows from investing activities:		
Purchase of equipment		(2,186)
 Cash balance, beginning of year		252,662
 Cash balance, end of year	\$	214,226

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, 2011

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.