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Leonard C. Sonnenberg, CPA

**San Diego Coastkeeper
Reviewed Financial Statements
December 31, 2008**

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ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
San Diego Coastkeeper

We have reviewed the accompanying statement of financial position of San Diego Coastkeeper, a non-profit corporation, as of December 31, 2008, and the related statements of activities, cash flows, and functional expenses 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 Organization's management.

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

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

Sonnenberg & Company, CPAs

September 21, 2009

San Diego Coastkeeper
Statement of Financial Position
December 31, 2008

ASSETS

OPERATING ASSETS

Cash and cash equivalents	\$	158,907
Investment		160,000
Accounts receivable		109,118
Grants receivable		47,149
Prepaid expenses		8,302
Deposits		7,139
Endowment fund		44,784

		535,399
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FIXED ASSETS

Property and Equipment		
Leasehold improvements		70,149
Furniture and equipment		125,222
Boat		54,296
Vehicle		10,000

		259,667
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Less: Accumulated depreciation and amortization		(117,017)
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		142,650
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	\$	678,049
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$	45,641
Payroll liabilities		30,431
Deferred revenue- Pass-through from RLFF - Wonders of the Sea		102,380

		178,452
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NET ASSETS

Unrestricted		131,369
Temporarily restricted		309,033
Permanently restricted		59,195

		499,597
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	\$	678,049
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See Accompanying Notes to Financial Statements and Accountant's Review Report

San Diego Coastkeeper
Statement of Activities
For the Fiscal Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
SUPPORT AND REVENUE				
Grants	\$ 192,010	\$ 479,649		\$ 671,659
Contract income	347,898			347,898
Event income, net of \$80,916 expenses	73,313			73,313
Donations, memberships, sponsorships	182,442			182,442
Interest & investment income	(11,264)		(5,936)	(17,200)
Other income	4,676			4,676
In-Kind revenue	90,290			90,290
Net Asset Released from Restrictions:				
Satisfied by payments	331,926	(331,926)		0
TOTAL SUPPORT AND REVENUE	1,211,291	147,723	(5,936)	1,353,078
EXPENSES:				
Program Services	1,035,261			1,035,261
Supporting Activities				
Management and General	144,974			144,974
Fund-Raising	88,696			88,696
TOTAL EXPENSES	1,268,931	0	0	1,268,931
Change in Net Assets	\$ (57,640)	\$ 147,723	\$ (5,936)	\$ 84,147
Net Assets at Beginning of Fiscal Year	10,551	209,643	65,131	285,325
Prior Period Adjustment	178,458	(48,333)	0	130,125
Net Assets at End of Fiscal Year	\$ 131,369	\$ 309,033	\$ 59,195	\$ 499,597

See Accompanying Notes to Financial Statements and Accountant's Review Report

San Diego Coastkeeper
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ 84,147
Adjustments to Reconcile Change in Net Assets to Net Cash Provided / (Used) by Operating Activities:	
Depreciation	32,296
(Increase) / Decrease in Current Assets:	
Accounts receivable	125,108
Grants receivable	(47,149)
Prepaid expenses	(1,233)
Deposits	(1,776)
Endowment fund	20,347
Increase / (Decrease) in Current Liabilities:	
Accounts payable	(26,609)
Payroll liabilities	9,530
Deferred revenue	11,027
Net Cash Provided by Operating Activities	<u>205,688</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES:	
Purchase of fixed assets	<u>(45,799)</u>
Net Cash Provided / (Used) by Investing Activities	<u>(45,799)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Prior period adjustment	130,125
Purchase of investment	(160,000)
Net Cash Provided / (Used) by Financing Activities	<u>(29,875)</u>
Net (Decrease) / Increase in Cash and Cash Equivalents	130,014
Cash and Cash Equivalents at:	
Beginning of Year	<u>28,893</u>
End of Year	<u>\$ 158,907</u>

See Accompanying Notes to Financial Statements and Accountant's Review Report

San Diego Coastkeeper
Statement of Functional Expenses
For the Fiscal Year Ended December 31, 2008

	SUPPORTING ACTIVITIES			2008 Totals
	Program Services	Management and General	Fundraising	
Payroll & Related Expenses				
Salaries and wages	\$ 472,225	\$ 102,413	\$ 56,125	\$ 630,763
Payroll taxes	37,968	8,100	4,555	50,623
Other employee benefits	37,606	6,924	3,462	47,992
Total Payroll & Related	<u>547,799</u>	<u>117,437</u>	<u>64,142</u>	<u>729,378</u>
Operating Expenses:				
Accounting	8,195	1,245	933	10,373
Auto expenses	1,920			1,920
Bad debt expense	6,695			6,695
Boat expenses	3,021			3,021
Continuing education	4,174	100	610	4,884
Contract services	106,958			106,958
Event Expenses & permits	4,409		3,200	7,609
Financing fees	2,582	203	204	2,989
Insurance	5,279	337		5,616
In-kind services	75,090			75,090
Lab services	5,962			5,962
Legal	47,931			47,931
Marketing	32,085	819	1,229	34,133
Meetings & conferences	7,786	304	591	8,681
Membership dues	5,201	1,960	1,364	8,525
Newsletter	3,994	438	439	4,871
Occupancy	40,779	8,699	4,893	54,371
Equipment rental & maint	2,873	125	124	3,122
Network & IT	4,968	1,341	1,577	7,886
Supplies	23,377	5,095	1,498	29,970
Postage and shipping	2,438	72	215	2,725
Printing and copying	21,766		1,074	22,840
Social & hospitality	5,901		2,295	8,196
Telephone	8,973	534	1,175	10,682
Travel	28,955		2,518	31,473
Taxes, licenses & permits		229		229
Depreciation	26,150	5,531	615	32,296
Other admin	-	505		505
Total Operating Expenses	<u>487,462</u>	<u>27,537</u>	<u>24,554</u>	<u>539,553</u>
Total Expenses	<u>\$ 1,035,261</u>	<u>\$ 144,974</u>	<u>\$ 88,696</u>	<u>\$ 1,268,931</u>

See Accompanying Notes to Financial Statements and Accountant's Review Report

San Diego Coastkeeper
Notes to Financial Statements
For the Year Ended December 31, 2008

Note 1. Organization and Purpose

San Diego Coastkeeper, a.k.a Coastkeeper (the Organization) is a nonprofit organization that was organized in 1995 as San Diego Baykeeper to protect the region's bays, beaches, watersheds and ocean for people and wildlife that depend on them. The name was subsequently changed to San Diego Coastkeeper. The aim is to balance community outreach, education, and advocacy to promote stewardship of clean water and a healthy coastal ecosystem.

Coastkeeper operates the following campaigns:

- Education & Outreach
- Marine Debris
- Marine Conservation Initiative
- Sewage
- Toxic Waterways
- Urban Runoff
- Water Supply

Note 2. Summary of Significant Accounting Policies

The accompanying financial statements are presented in accordance with the AICPA Accounting and Audit Guide for Not-for-Profit Organizations. The financial statements are presented on the accrual basis in accordance with U.S. generally accepted accounting principles, whereby all revenue is recognized when earned and expenses are recognized when incurred.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted contributions which are received and expended during the year are included in unrestricted net assets at the Organization's fiscal year-end. All donor-restricted support is reported as an increase in temporarily or permanently net assets, depending on the nature of the restriction. When a restriction expires, (either when the stipulated time restriction or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

The Organization is required to report 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.

San Diego Coastkeeper
Notes to Financial Statements
For the Year Ended December 31, 2008

Note 2. Summary of Significant Accounting Policies (Continued)

Accounts and Grants Receivable – Accounts and grants receivable consists primarily of grants and conditional promises to give that are due in less than one year. No allowance for doubtful accounts is deemed necessary.

Deferred Revenue - In accordance with accrual accounting, cash received but not earned deemed to be exchange transactions are accrued at year end.

Fixed Assets and Depreciation – Acquisitions of property and equipment of \$500 or more are capitalized on the financial statements and are recorded at cost or fair market value at date of donation. Depreciation is computed on the straight-line method over the estimated useful life of the assets. Expenditures for maintenance and repairs are charged against operations.

Cash and Cash Equivalents - Cash equivalents consist primarily of certificates of deposits with original maturities of 90 days or less. Securities with original maturities over 90 days are to be classified as short-term investments. The Organization considers all its bank accounts to consist of cash or cash equivalents.

Contributed Materials and Services – contributed materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. The fair market value of contributed professional services is reported as support and expenses in the period in which the services are performed. A number of unpaid volunteers have made contributions of their time to assist the Organization's programs. The value of this contributed time is not reflected in the financial statements as it is not susceptible to objective measurement or valuation.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3. Income Taxes

The Organization is a California not-for-profit corporation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California State Tax Code 23701(d), respectively.

San Diego Coastkeeper
Notes to Financial Statements
For the Year Ended December 31, 2008

Note 4. 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 benefitted.

Note 5. Lease of Facilities

Coastkeeper has lease agreements for its office premises, which expire on February 14, 2012. Rent expense was \$39,313 for the year ended December 31, 2008.

Future minimum lease payments under the agreement are as follows:

2009	\$ 45,069
2010	46,825
2011	48,991
2012	<u>51,198</u>
Total	<u>\$192,083</u>

Note 6. Simple IRA Contribution Plan

The Organization maintains Simple IRA Contribution plan covering substantially all employees who meet the plan's eligibility requirements. Under the plan, voluntary contributions may be made by participants. The Organization contributed \$10,868 at matching rate 2% to the plan for the year ended December 31, 2008.

Note 7. Endowment

The purpose of the endowment was to supply Coastkeeper with a restricted seed investment that would potentially bear unrestricted interest income for the organization. The balance of the Endowment fund was \$44,784 at the end of 2008. The principal amount was \$59,195.

San Diego Coastkeeper
Notes to Financial Statements
For the Year Ended December 31, 2008

Note 8. Temporarily Restricted Net Assets

As of December 31, 2008, Coastkeeper temporarily restricted net assets were \$309,033 in various restricted funds.

	Beginning Balance	Adjustment to Beginning Bal.	Additions	Released	Ending Balance
Marisla	\$ 29,465	\$ -	\$ 65,000	\$ (48,750)	\$ 45,715
San Diego Foundation	-	-	60,000	(39,258)	20,742
RELIF 08 Grant	108,845	-	267,149	(186,543)	189,451
Ford Foundation	-	-	30,000	(7,500)	22,500
JW Sefton	-	-	5,000	(2,500)	2,500
Qualcomm	-	-	25,000	(12,348)	12,652
Hattie Bttinger Conserv. Fund	5,000	-	10,000	(9,616)	5,384
PIMCO Foundation	-	-	10,000	(4,286)	5,714
Heller Foundation of San Diego	-	-	5,000	(2,500)	2,500
Charles and Ruth Billingsley	-	-	2,500	(625)	1,875
Port of San Diego	29,166	(29,166)	-	-	-
City of San Diego	16,667	(16,667)	-	-	-
HSBC	2,000	-	-	(2,000)	-
Patagonia	3,500	-	-	(3,500)	-
San Diego County Bar Foundation	5,000	-	-	(5,000)	-
McCarthy - SWELL 2008	10,000	(2,500)	-	(7,500)	-
Total Temporarily Restricted Fund	\$ 209,643	\$ (48,333)	\$ 479,649	\$ (331,926)	\$ 309,033

Note 9. Prior Period Adjustment

In the prior year's financial statements, unrestricted net assets were understated by \$178,458 due to timing difference of the grant revenue recognition and deferred revenue. Therefore, the adjustment of \$178,458 at January 1, 2008, has the effect of increasing the beginning unrestricted net assets balance. Temporarily restricted net assets were overstated by \$48,333. Therefore, \$48,333 was reclassified from temporarily restricted net asset to unrestricted net assets. The net of prior period adjustment was \$130,125 (\$178,458 minus \$48,333)