

MOBILE BAYKEEPER, INC.

FINANCIAL STATEMENTS

**For the Years Ended
December 31, 2007 and 2006**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mobile Baykeeper, Inc.
Mobile, Alabama

We have audited the accompanying statement of financial position of Mobile Baykeeper, Inc. (a nonprofit organization) as of December 31, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 the Organization's 2006 financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 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 Mobile Baykeeper, Inc. as of December 31, 2007, 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.

Mostellar & Shreve, LLP

December 3, 2008

**MOBILE BAYKEEPER, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 82,961	\$ 58,327
Inventory	1,187	1,910
Prepaid legal fees	26,994	---
Prepaid insurance	<u>2,354</u>	<u>1,218</u>
TOTAL CURRENT ASSETS	<u>93,496</u>	<u>61,455</u>
PROPERTY, PLANT AND EQUIPMENT, net	<u>11,099</u>	<u>10,491</u>
	<u>\$ 104,595</u>	<u>\$ 71,946</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,417	\$ 2,748
NET ASSETS		
Unrestricted	93,178	49,198
Temporarily restricted	<u>10,000</u>	<u>20,000</u>
	<u>103,178</u>	<u>69,198</u>
	<u>\$ 104,595</u>	<u>\$ 71,946</u>

See accompanying notes.

MOBILE BAYKEEPER, INC.
STATEMENTS OF ACTIVITIES
Year Ended December 31, 2007 with comparative totals as of December 31, 2006

	Temporarily		Total 2007	Total 2006
	Unrestricted	Restricted		
SUPPORT AND REVENUE				
Membership fees	\$ 45,655	\$ ---	\$ 45,655	\$ 26,870
Honorarium	3,015	---	3,015	10,075
Merchandise sales	550	---	550	1,455
Fundraising income	83,735	---	83,735	47,432
Interest income	3,190	---	3,190	1,148
Grants	10,000	65,500	75,500	108,652
Contributions	17,024	---	17,024	8,017
Donated items & services	1,000	---	1,000	---
Other income	110	---	110	---
Loss on disposal of asset	(1,548)	---	(1,548)	---
Net assets released from restriction	75,500	(75,500)	---	---
TOTAL SUPPORT AND REVENUE	238,231	(10,000)	228,231	203,649
EXPENSES				
Program Services: Membership public awareness	49,956	---	49,956	34,923
Local issues	46,273	---	46,273	77,506
Statewide issues	32,736	---	32,736	33,375
Total Program Services	128,965	---	128,965	145,804
Supporting Services: Fundraising Management and General	45,898	---	45,898	45,744
Total Supporting Services	19,388	---	19,388	18,465
TOTAL EXPENSES	65,286	---	65,286	64,209
CHANGE IN NET ASSETS	43,980	(10,000)	33,980	(6,364)
NET ASSETS AT BEGINNING OF YEAR	49,198	20,000	69,198	75,562
NET ASSETS AT END OF YEAR	\$ 93,178	\$ 10,000	\$ 103,178	\$ 69,198

See accompanying notes.

<u>SUPPORTING SERVICES</u>						
Fund	Management	Total	TOTAL 2007	TOTAL 2006		
Raising	& General	Supporting				
		Services				
\$ 1,129	\$ 541	\$ 1,670	\$ 5,096	\$ 6,029		
49	184	233	734	94		
240	---	240	955	1,888		
2,352	---	2,352	3,769	2,150		
---	---	---	475	520		
---	23	23	3,446	37,848		
90	107	197	405	953		
840	---	840	2,799	---		
9,739	---	9,739	14,983	6,813		
1,267	574	1,841	6,132	7,524		
78	---	78	551	518		
381	755	1,136	3,613	4,757		
254	---	254	1,520	5,488		
275	1,933	2,208	2,880	1,180		
23,126	10,461	33,587	111,900	100,431		
262	1,660	1,922	3,081	2,846		
684	844	1,528	7,189	6,762		
1,535	694	2,229	7,425	8,100		
2,305	1,028	3,333	11,047	10,332		
<u>44,606</u>	<u>18,804</u>	<u>63,410</u>	<u>188,000</u>	<u>204,233</u>		
<u>1,292</u>	<u>584</u>	<u>1,876</u>	<u>6,251</u>	<u>5,780</u>		
<u>\$ 45,898</u>	<u>\$ 19,388</u>	<u>\$ 65,286</u>	<u>\$ 194,251</u>	<u>\$ 210,013</u>		

MOBILE BAYKEEPER, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 33,980	\$ (6,364)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,251	5,780
Loss on disposal of fixed asset	1,548	---
(Increase) decrease in:		
Inventory	723	(729)
Prepaid expenses	(28,130)	(292)
Increase (decrease) in:		
Accounts payable	(1,331)	(6,648)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>13,041</u>	<u>(8,253)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(8,407)	---
CASH AT BEGINNING OF YEAR	<u>58,327</u>	<u>66,580</u>
CASH AT END OF YEAR	<u>\$ 62,961</u>	<u>\$ 58,327</u>

See accompanying notes.

MOBILE BAYKEEPER, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Structure

Mobile Baykeeper, Inc. is a nonprofit organization located in the city of Mobile, Alabama. Revenues are derived mainly from memberships, contributions, fundraising and grant proceeds.

Nature of Activities

Mobile Baykeeper, Inc. provides citizens a means to protect the beauty, health and heritage of the Mobile Bay watershed.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Income Taxes

The Organization is a nonprofit organization exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code.

Cash

For purposes of the statement of cash flows, the Organization considers investments with an initial maturity of three months or less to be cash.

Inventory

Inventory is composed of small gifts and merchandise for sale at the Organization's office and through the Organization's website. Inventory is recorded at the lower of cost or market. Cost is determined by the first-in, first-out method (FIFO).

Property and Equipment

Property and equipment are stated at cost or, in the case of gifts, fair value at the date of donation. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$500 and those that have an estimated useful life of at least two years. Depreciation has been provided on the straight line basis over the useful lives of the assets.

Contributions

The Organization has adopted SFAS No. 116 *Accounting for Contributions Received and Contributions Made*. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

MOBILE BAYKEEPER, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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 could differ from those estimates.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117 *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Boat	\$ 15,694	\$ 15,694
Furniture, fixtures and equipment	21,702	25,044
	37,396	40,738
Less: accumulated depreciation	<u>(26,297)</u>	<u>(30,247)</u>
	<u>\$ 11,099</u>	<u>\$ 10,491</u>

Depreciation expense for the years ended December 31, 2007 and 2006 was \$6,251 and \$5,780, respectively.

RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Causeway coalition	\$ ---	\$ 10,000
Mercury study	---	10,000
Administration	10,000	---
	<u>\$ 10,000</u>	<u>\$ 20,000</u>

**MOBILE BAYKEEPER, INC.
NOTES TO FINANCIAL STATEMENTS**

PREPAID EXPENSES

The Organization has prepaid insurance as well as prepaid legal fees recognized on the balance sheet at December 31, 2007.

The Organization paid \$30,000 in legal fees in advance to the Organization's attorney in 2007 to be used for consultation and legal expense related to two cases involving transportation work in Mobile County, Alabama. As of December 31, 2007, \$3,006 of legal expense was incurred on these cases. The remaining \$26,994 is presented as an asset on the balance sheet as prepaid legal fees.

RELATED PARTY TRANSACTIONS

During the years ended December 31, 2007 and 2006, the Organization paid \$4,037 and \$4,692, respectively, to Morris Insurance Agency for insurance coverage. A board member is associated with this agency.

FUNCTIONAL ALLOCATION OF EXPENSES

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization believes the carrying amount of cash and accounts payable approximates fair value due to their short maturity. The Organization also believes the carrying amount of the Organization's long-term assets approximates fair value.

RECLASSIFICATIONS

Certain amounts for 2006 have been reclassified to conform to 2007 classifications. Such reclassification had no effect on change in net assets.

PRIOR-YEAR SUMMARIZED COMPARATIVE DATA

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived.