

MOBILE BAYKEEPER, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

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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, 2011, 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 Mobile Baykeeper, Inc.'s 2010 financial statements and, in our report dated September 2, 2011, we expressed an unqualified opinion on those 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, 2011, 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

October 10, 2012

MOBILE BAYKEEPER, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 281,769	\$ 217,883
Grant receivable	50,000	10,500
Inventory	2,104	9,101
Prepaid insurance	6,624	4,993
TOTAL CURRENT ASSETS	<u>340,497</u>	<u>242,477</u>
 PROPERTY, PLANT AND EQUIPMENT, net	 <u>33,049</u>	 <u>41,950</u>
	 \$ 373,546	 \$ 284,427
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 11,697	\$ 5,111
 NET ASSETS		
Unrestricted	194,352	139,987
Temporarily restricted	167,497	139,329
	<u>361,849</u>	<u>279,316</u>
	 \$ 373,546	 \$ 284,427

See accompanying notes.

MOBILE BAYKEEPER, INC.
STATEMENTS OF ACTIVITIES

Year Ended December 31, 2011 with comparative totals as of December 31, 2010

	Unrestricted	Temporarily Restricted	Total 2011	Total 2010
SUPPORT AND REVENUE				
Membership contributions	\$ 35,481	\$ 18,280	\$ 53,761	\$ 101,257
General contributions	12,570	---	12,570	9,785
Honorarium	1,457	---	1,457	1,430
Grants	2,574	332,697	335,271	345,260
Donated items and services	---	---	---	8,484
Fundraising income	124,150	---	124,150	166,249
Merchandise sales	3,712	---	3,712	4,264
Interest income	754	---	754	975
Realized loss on sale of investments	---	---	---	(6)
Loss on disposal of fixed assets	(378)	---	(378)	(467)
Settlement proceeds	58,846	---	58,846	---
Other income	---	---	---	25
Net assets released from restriction	<u>322,809</u>	<u>(322,809)</u>	<u>---</u>	<u>---</u>
TOTAL SUPPORT AND REVENUE	561,975	28,168	590,143	637,256
EXPENSES				
Program Services:				
Membership outreach and education	140,050	---	140,050	90,495
Oil Restoration & Recovery	141,877	---	141,877	155,951
Local issues	89,653	---	89,653	91,818
Statewide issues	<u>52,353</u>	<u>---</u>	<u>52,353</u>	<u>69,130</u>
Total Program Services	423,933	---	423,933	407,394
Supporting Services:				
Fundraising	43,266	---	43,266	64,832
Management and General	<u>40,411</u>	<u>---</u>	<u>40,411</u>	<u>22,515</u>
Total Supporting Services	<u>83,677</u>	<u>---</u>	<u>83,677</u>	<u>87,347</u>
TOTAL EXPENSES	<u>507,610</u>	<u>---</u>	<u>507,610</u>	<u>494,741</u>
CHANGE IN NET ASSETS	54,365	28,168	82,533	142,515
NET ASSETS AT				
BEGINNING OF YEAR	<u>139,987</u>	<u>139,329</u>	<u>279,316</u>	<u>136,801</u>
NET ASSETS AT END OF YEAR	\$ <u>194,352</u>	\$ <u>167,497</u>	\$ <u>361,849</u>	\$ <u>279,316</u>

See accompanying notes.

MOBILE BAYKEEPER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2011 with comparative totals as of December 31, 2010

	<u>PROGRAM SERVICES</u>				
	Outreach and Education	Oil Response and Restoration	Local Issues	Statewide Issues	Total Program Services
Accounting	\$ 2,924	\$ 3,359	\$ 2,156	\$ 1,116	\$ 9,555
Bank charges	102	110	60	7	279
Advertising	3,047	16,046	933	805	20,831
Baykeeper Boat	---	---	855	---	855
Donations	872	469	772	1,206	3,319
Consulting & legal fees	14,250	50	12,500	11,500	38,300
Education	2,930	1,349	915	711	5,905
Bay Bash	1,079	1,295	1,079	---	3,453
Bay Splash	288	951	383	---	1,622
Grandman	2,185	2,185	2,185	---	6,555
Hops Fest	1,994	---	---	---	1,994
Insurance	3,226	3,413	2,190	1,134	9,963
Conference, meetings & travel	3,504	8,613	1,991	3,249	17,357
Member mailing	972	---	---	---	972
Merchandise	7,841	1,545	1,218	132	10,736
Moving costs	---	---	---	---	---
Office furniture & equipment	503	502	322	167	1,494
Office supplies	1,730	2,501	1,171	556	5,958
Personnel costs	69,120	79,399	50,964	26,377	225,860
Postage	1,594	459	314	156	2,523
Printing	8,724	155	100	51	9,030
Rent	4,958	6,596	3,656	1,892	17,102
Utilities	4,770	8,932	3,355	1,982	19,039
Grants to other organizations	---	---	---	---	---
	<u>136,613</u>	<u>137,929</u>	<u>87,119</u>	<u>51,041</u>	<u>412,702</u>
Depreciation	<u>3,437</u>	<u>3,948</u>	<u>2,534</u>	<u>1,312</u>	<u>11,231</u>
	<u>\$ 140,050</u>	<u>\$ 141,877</u>	<u>\$ 89,653</u>	<u>\$ 52,353</u>	<u>\$ 423,933</u>

See accompanying notes.

SUPPORTING SERVICES

Fund Raising	Management and General	Total Supporting Services	TOTAL 2011	TOTAL 2010
\$ 658	\$ 1,287	\$ 1,945	\$ 11,500	\$ 9,521
85	9	94	373	1,103
733	---	733	21,564	40,145
---	---	---	855	976
1,654	7	1,661	4,980	7,072
---	---	---	38,300	67,108
261	511	772	6,677	166
863	---	863	4,316	3,843
287	---	287	1,909	11,351
8,013	---	8,013	14,568	10,479
2,991	---	2,991	4,985	4,965
1,052	1,307	2,359	12,322	13,666
2,638	193	2,831	20,188	18,646
---	---	---	972	898
3,728	---	3,728	14,464	10,964
---	---	---	---	2,596
99	192	291	1,785	7,317
1,371	618	1,989	7,947	4,501
15,562	30,418	45,980	271,840	221,504
91	174	265	2,788	5,949
109	59	168	9,198	14,673
1,116	2,182	3,298	20,400	11,100
1,181	1,942	3,123	22,162	18,556
---	---	---	---	1,750
42,492	38,899	81,391	494,093	488,849
774	1,512	2,286	13,517	5,892
<u>\$ 43,266</u>	<u>\$ 40,411</u>	<u>\$ 83,677</u>	<u>\$ 507,610</u>	<u>\$ 494,741</u>

MOBILE BAYKEEPER, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 82,533	\$ 142,515
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,517	5,892
Donated investment	---	(1,772)
Loss on disposal of fixed assets	377	467
Loss on sale of donated investment	---	6
(Increase) decrease in:		
Grant receivable	(39,500)	39,500
Inventory	6,997	(6,995)
Prepaid expenses	(1,631)	(1,116)
Increase (decrease) in:		
Accounts payable	6,586	4,293
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>68,879</u>	<u>182,790</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of donated investment	---	1,766
Purchase of fixed assets	(4,993)	(44,290)
NET CASH (USED) IN INVESTING ACTIVITIES	<u>(4,993)</u>	<u>(42,524)</u>
NET INCREASE IN CASH	63,886	140,266
CASH AT BEGINNING OF YEAR	<u>217,883</u>	<u>77,617</u>
CASH AT END OF YEAR	<u>\$ 281,769</u>	<u>\$ 217,883</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 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.

Grants Receivable

Receivables include amounts due from a grantor under grant agreement. Management considers receivables over thirty days as past due. Receivables are considered uncollectible at management's discretion. The direct write-off method is used for charging off uncollectible receivables. Generally accepted accounting principles require that the allowance method be used to reflect bad debt expense. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

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.

MOBILE BAYKEEPER, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions.

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 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.

GRANTS RECEIVABLE

As of December 31, 2011, grants receivable consisted of \$50,000 from one grantor. As of December 31, 2010, grants receivable consisted of \$10,500 from two grantors.

PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Boat	\$ 15,694	\$ 15,694
Furniture, fixtures and equipment	51,683	55,386
Leasehold improvements	5,794	5,794
	<u>73,171</u>	<u>76,874</u>
Less: accumulated depreciation	<u>(40,122)</u>	<u>(34,924)</u>
	<u>\$ 33,049</u>	<u>\$ 41,950</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$13,517 and \$5,892, respectively.

MOBILE BAYKEEPER, INC.
NOTES TO FINANCIAL STATEMENTS

OPERATING LEASE

The Organization leases office space in Mobile, Alabama from an unrelated party under a non-cancelable operating lease expiring in 2013.

Minimum lease payments are as follows:

Year ending December 31,	
2012	\$ 18,400
2013	<u>12,800</u>
	\$ <u>31,200</u>

RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Transportation and permit review	\$ ---	\$ 9,000
ADEM reform coalition	---	2,500
Stormwater	67,000	55,500
Local issues	10,000	10,000
Statewide issues	---	2,500
Oil response and restoration	<u>90,497</u>	<u>59,829</u>
	\$ <u>167,497</u>	\$ <u>139,329</u>

MAJOR GRANTORS

Grantor proceeds as a percentage of total support and revenue:

	<u>2011</u>	<u>2010</u>
Grantor A	21.18%	17.26%
Grantor B	7.46%	6.28%
Grantor C	16.95%	---

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.

MOBILE BAYKEEPER, INC.
NOTES TO FINANCIAL STATEMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization believes the carrying amount of cash, grants receivable 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.

EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 10, 2012, the date through which the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

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, 2010, from which the summarized information was derived.