

MOBILE BAYKEEPER, INC.

FINANCIAL REPORT

DECEMBER 31, 2014

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Kim K. Enikeieff
Certified Public Accountant
Post Office Box 8754
Mobile, Alabama 36689
Telephone 251-460-2972
Fax 251-460-2741

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Mobile Baykeeper, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mobile Baykeeper, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kim K. Enikeieff

March 13, 2015

MOBILE BAYKEEPER, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
Current assets		
Cash	\$ 256,301	\$ 229,610
Unconditional promises to give, current	30,093	22,453
Grant receivable	2,000	-
Inventory	-	1,488
Prepaid expenses	2,986	2,657
Total current assets	<u>291,380</u>	<u>256,208</u>
Unconditional promises to give, long-term	153,895	144,407
Property, plant and equipment, net	<u>8,886</u>	<u>6,972</u>
Total assets	<u><u>\$ 454,161</u></u>	<u><u>\$ 407,587</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	<u>\$ 8,865</u>	<u>\$ 4,800</u>
Total current liabilities	<u>8,865</u>	<u>4,800</u>
Net assets		
Unrestricted	238,422	235,567
Temporarily restricted	206,874	167,220
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>445,296</u>	<u>402,787</u>
Total liabilities and net assets	<u><u>\$ 454,161</u></u>	<u><u>\$ 407,587</u></u>

See notes to financial statements.

MOBILE BAYKEEPER, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014 with Comparative Totals for 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Support and revenue				
Membership and other contributions	\$ 37,205	\$ -	\$ 37,205	\$ 65,668
Grants	149,404	112,000	261,404	241,061
Fundraising income	120,105	110,950	231,055	230,500
Merchandise sales	3,661	-	3,661	2,633
Interest income	1,810	-	1,810	2,358
Environmental fine revenue	28,250	-	28,250	79,250
	<u>340,435</u>	<u>222,950</u>	<u>563,385</u>	<u>621,470</u>
Total support and revenue				
Net assets released from restrictions and reclassifications	183,296	(183,296)	-	-
	<u>523,731</u>	<u>39,654</u>	<u>563,385</u>	<u>621,470</u>
Total support and revenue				
Expenses				
Program Services				
Membership outreach and education	134,421	-	134,421	134,377
Oil restoration and recovery	125,803	-	125,803	144,748
Local issues	115,918	-	115,918	210,098
Statewide issues	49,007	-	49,007	50,312
	<u>425,149</u>	<u>-</u>	<u>425,149</u>	<u>539,535</u>
Total program services				
Supporting Services:				
Fundraising	54,684	-	54,684	45,012
Management and general	41,043	-	41,043	54,803
	<u>95,727</u>	<u>-</u>	<u>95,727</u>	<u>99,815</u>
Total supporting services				
Total expenses	<u>520,876</u>	<u>-</u>	<u>520,876</u>	<u>639,350</u>
Change in net assets	2,855	39,654	42,509	(17,880)
Net assets, beginning of year	235,567	167,220	402,787	420,667
	<u>\$ 238,422</u>	<u>\$ 206,874</u>	<u>\$ 445,296</u>	<u>\$ 402,787</u>
Net assets, end of year				

See notes to financial statements.

MOBILE BAYKEEPER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014 with Comparative Totals for 2013

	Program Services					Fundraising	General and Administrative	2014 Total Expenses	2013 Total Expenses
	Outreach and Education	Oil Response and Restoration	Local Issues	Statewide Issues	Total				
Accounting	2,001	2,006	1,842	640	6,489	591	720	7,800	12,023
Advertising	834	-	300	-	1,134	1,311	-	2,445	77,693
Bank charges	283	283	260	93	919	83	100	1,102	521
Baykeeper boat	-	-	26	-	26	-	580	606	1,048
Consulting and legal fees	5,000	-	1,208	-	6,208	-	108	6,316	24,847
Donations to other organizations	-	-	-	12,500	12,500	-	-	12,500	7,000
Education	2,000	2,004	1,841	639	6,484	591	719	7,794	402
Event expense	99	1,361	115	-	1,575	-	-	1,575	5,800
Bay Awakening	1,567	1,567	1,567	-	4,701	5,746	-	10,447	10,224
Bay Bash	381	381	381	-	1,143	1,400	-	2,543	3,178
Bay Splash	258	258	258	-	774	946	-	1,720	-
Grandman	1,602	1,602	1,602	-	4,806	5,875	-	10,681	10,866
Insurance	2,921	2,928	2,689	934	9,472	863	1,050	11,385	10,268
Conference, meetings, and travel	5,029	5,042	4,630	1,608	16,309	1,486	1,809	19,604	22,706
Member mailing	290	2,320	290	-	2,900	-	-	2,900	1,193
Merchandise	6,023	1,290	1,290	-	8,603	-	-	8,603	10,484
Miscellaneous	1,311	686	1,500	1,048	4,545	2,201	776	7,522	3,296
Office furniture and equipment	777	779	716	249	2,521	230	280	3,031	3,509
Office supplies	1,300	1,303	1,196	415	4,214	384	467	5,065	6,780
Personnel costs	82,349	82,554	75,802	26,322	267,027	24,336	29,618	320,981	331,030
Postage	437	438	403	140	1,418	129	157	1,704	5,097
Printing	2,231	2,236	2,053	713	7,233	659	802	8,694	21,313
Rent	4,624	4,984	4,509	1,997	16,114	1,104	1,982	19,200	19,200
Uncollectible pledge expense	7,997	6,664	6,664	-	21,325	5,331	-	26,656	19,224
Utilities	4,165	4,175	3,834	1,332	13,506	1,231	1,498	16,235	18,481
Total expenses before depreciation	133,479	124,861	114,976	48,630	421,946	54,497	40,666	517,109	626,183
Depreciation	942	942	942	377	3,203	187	377	3,767	13,167
Total expenses	<u>\$ 134,421</u>	<u>\$ 125,803</u>	<u>\$ 115,918</u>	<u>\$ 49,007</u>	<u>\$ 425,149</u>	<u>\$ 54,684</u>	<u>\$ 41,043</u>	<u>\$ 520,876</u>	<u>\$ 639,350</u>

See notes to financial statements.

MOBILE BAYKEEPER, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
Change in net assets	\$ 42,509	\$ (17,880)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	3,767	13,167
Uncollectible pledge expense	26,656	19,224
(Increase) decrease in:		
Promises to give	(43,784)	(73,629)
Grants receivable	(2,000)	-
Inventory	1,488	532
Prepaid expenses	(329)	(88)
Increase (decrease) in:		
Accounts payable and accrued expenses	4,065	(594)
Net cash provided (used) by operating activities	32,372	(59,268)
Cash flows from investing activities:		
Purchase of fixed assets	(5,681)	(1,575)
Net cash used by investing activities	(5,681)	(1,575)
Net increase (decrease) in cash	26,691	(60,843)
Cash, beginning of year	229,610	290,453
Cash, end of year	\$ 256,301	\$ 229,610

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Nature of Business

Mobile Baykeeper, Inc. (the "Organization") is a nonprofit organization located in Mobile, Alabama. The Organization provides citizens a means to protect the beauty, health, and heritage of the Mobile Bay Watershed. Revenues are derived mainly from memberships, contributions, fundraising and grant proceeds.

The Organization is directed by an active Board of Directors whose members serve without compensation.

Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared utilizing the accrual basis of accounting.

Cash and cash equivalents

Cash and cash equivalents include all demand deposit accounts, money market accounts and certificates of deposit.

Promises to give

Pledges receivable are stated net of an allowance for uncollectible pledges. The estimated losses are based on management's evaluation of outstanding pledges receivable at the end of the year. The allowance for uncollectible pledges for pledges receivable was \$58,375 and \$31,718 at December 31, 2014 and 2013, respectively.

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 is stated at cost, or in the case of gifts, fair value at the date of donation. The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is provided principally on the straight-line method over the estimated useful lives of the depreciable assets.

Summary of Significant Accounting Policies (continued)

Net assets

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or program restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization classifies donor-restricted contributions as unrestricted support if those restrictions are satisfied in the same reporting period.

Temporarily restricted net assets represent pledges receivable, which are restricted by time., and grants, which are restricted by donor stipulation.

Permanently restricted net assets represent gifts to be held in perpetuity and is restricted by donors, the income from which is expendable to support the restricted purpose.

Income taxes

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

A policy for accounting for uncertainty in income taxes was adopted in prior years that require the Organization to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. The Organization has no uncertain tax positions that qualified for either recognition or disclosure in the financial statements at December 31, 2014 or December 31, 2013.

Functional expenses

Functional expenses have been allocated between Program Services, General and Administrative, and Fundraising based on an analysis of personnel time and space utilized for the related activities.

Grant and cooperative agreements

The Organization receives grants and contracts from Federal and State agencies, as well as from private organizations, to be used for specific programs. The Organization's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the financial position or changes in net assets of the Organization.

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.

Summary of Significant Accounting Policies (continued)

Donated materials and services

Donated materials or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organization's program services.

Comparative amounts

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense category. 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, 2013, from which the summarized information was derived.

Evaluation of subsequent events

The Organization has evaluated subsequent events through March 13, 2015, the date which the financial statements were available to be issued.

Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes or period at December 31:

	<u>2014</u>	<u>2013</u>
Pledges receivable	\$ 183,988	\$ 165,220
Local issues	2,000	2,000
Oil response and restoration	<u>20,886</u>	<u>-</u>
Total	<u>\$ 206,874</u>	<u>\$ 167,220</u>

Promises to Give

Unconditional promises to give at December 31 are as follows:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 30,093	\$ 22,453
Receivable in one to five years	<u>212,270</u>	<u>176,125</u>
Total unconditional promises to give	242,363	198,578
Less allowance for uncollectible promises	<u>58,375</u>	<u>31,718</u>
Net unconditional promises to give	<u>\$ 183,988</u>	<u>\$ 166,860</u>

The discount on the long-term promises to give to determine the net present value was not significant.

Property and Equipment

Property and equipment consists of the following amounts at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Boat	\$ 15,694	\$ 15,694
Furniture, fixtures and equipment	49,442	53,258
Leasehold improvements	<u>5,794</u>	<u>5,794</u>
	70,930	74,746
Less accumulated depreciation	<u>62,044</u>	<u>67,774</u>
Total	<u>\$ 8,886</u>	<u>\$ 6,972</u>

Operating Leases

As of April 15, 2013, the Organization entered into a three-year non-cancelable operating lease for its office facility with an unrelated party. The amount reported in rent expense was \$19,200 and \$19,200 for the years ended December 31, 2014 and 2013, respectively.

The future minimum lease payments under this lease are as follows:

2015	\$ 20,450
2016	13,800
2017	-
2018	-
2019	<u>-</u>
Total	<u>\$ 34,250</u>