

MOBILE BAYKEEPER, INC.

FINANCIAL REPORT

DECEMBER 31, 2015

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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, 2015 and 2014, 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, 2015 and 2014, 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 18, 2016

MOBILE BAYKEEPER, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
Current assets		
Cash	\$ 297,116	\$ 256,301
Unconditional promises to give, current	78,583	30,093
Grant receivable	-	2,000
Prepaid expenses	<u>2,986</u>	<u>2,986</u>
Total current assets	378,685	291,380
Unconditional promises to give, long-term	112,874	153,895
Property, plant and equipment, net	<u>16,627</u>	<u>8,886</u>
Total assets	<u><u>\$ 508,186</u></u>	<u><u>\$ 454,161</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	<u>\$ 5,409</u>	<u>\$ 8,865</u>
Total current liabilities	<u>5,409</u>	<u>8,865</u>
Net assets		
Unrestricted	257,570	238,422
Temporarily restricted	245,207	206,874
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>502,777</u>	<u>445,296</u>
Total liabilities and net assets	<u><u>\$ 508,186</u></u>	<u><u>\$ 454,161</u></u>

See notes to financial statements.

MOBILE BAYKEEPER, INC.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015 with Comparative Totals for 2014

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
Support and revenue				
Membership and other contributions	\$ 60,880	\$ -	\$ 60,880	\$ 37,205
Grants	78,967	190,500	269,467	261,404
Fundraising income	144,608	118,795	263,403	231,055
Merchandise sales	-	-	-	3,661
Interest income	1,534	-	1,534	1,810
Environmental fine revenue	24,500	-	24,500	28,250
	310,489	309,295	619,784	563,385
Total support and revenue				
Net assets released from restrictions and reclassifications	270,962	(270,962)	-	-
Total support and revenue	581,451	38,333	619,784	563,385
Expenses				
Program Services				
Membership outreach and education	146,836	-	146,836	134,421
Oil restoration and recovery	130,667	-	130,667	125,803
Local issues	132,871	-	132,871	115,918
Statewide issues	54,296	-	54,296	49,007
	464,670	-	464,670	425,149
Total program services				
Supporting Services:				
Fundraising	57,324	-	57,324	54,684
Management and general	40,309	-	40,309	41,043
	97,633	-	97,633	95,727
Total supporting services				
Total expenses	562,303	-	562,303	520,876
Change in net assets	19,148	38,333	57,481	42,509
Net assets, beginning of year	238,422	206,874	445,296	402,787
Net assets, end of year	\$ 257,570	\$ 245,207	\$ 502,777	\$ 445,296

See notes to financial statements.

MOBILE BAYKEEPER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015 with Comparative Totals for 2014

	Program Services					Fundraising	General and Administrative	2015 Total Expenses	2014 Total Expenses
	Outreach and Education	Oil Response and Restoration	Local Issues	Statewide Issues	Total				
Accounting	1,705	1,895	1,595	607	5,802	1,449	649	7,900	7,800
Advertising	-	-	500	560	1,060	649	-	1,709	2,445
Bank charges	388	431	363	138	1,320	330	148	1,798	1,102
Baykeeper boat	-	-	1,250	-	1,250	-	580	1,830	606
Consulting and legal fees	1,954	-	1,231	-	3,185	-	1,990	5,175	6,316
Donations to other organizations	-	-	-	14,750	14,750	-	-	14,750	12,500
Education	450	424	412	128	1,414	124	139	1,677	7,794
Event expense	18	830	2,238	-	3,086	-	-	3,086	1,575
Bay Awakening	828	828	828	-	2,484	3,033	-	5,517	10,447
Bay Bash	403	403	403	-	1,209	1,476	-	2,685	2,543
Bay Splash	775	775	775	-	2,325	2,843	-	5,168	1,720
Grandman	1,773	1,773	1,773	-	5,319	6,500	-	11,819	10,681
Insurance	2,965	2,792	2,717	847	9,321	820	916	11,057	11,385
Conference, meetings, and travel	2,738	5,696	7,149	5,305	20,888	2,320	1,279	24,487	19,604
Member mailing	48	386	49	-	483	-	-	483	2,900
Merchandise	13,475	2,887	2,887	-	19,249	-	-	19,249	8,603
Miscellaneous	2,972	2,799	2,722	848	9,341	2,750	919	13,010	7,522
Office furniture and equipment	776	730	711	221	2,438	215	240	2,893	3,031
Office supplies	1,202	1,131	1,101	343	3,777	332	371	4,480	5,065
Personnel costs	89,986	84,724	82,437	25,678	282,825	24,885	27,807	335,517	320,981
Postage	978	921	896	279	3,074	271	303	3,648	1,704
Printing	4,138	3,896	3,791	1,181	13,006	1,144	1,279	15,429	8,694
Rent	5,517	5,195	5,055	1,578	17,345	1,525	1,705	20,575	19,200
Uncollectible pledge expense	7,325	6,104	6,104	-	19,533	4,882	-	24,415	26,656
Utilities	4,670	4,398	4,279	1,333	14,680	1,292	1,443	17,415	16,235
Total expenses before depreciation	145,084	129,018	131,266	53,796	459,164	56,840	39,768	555,772	517,109
Depreciation	1,752	1,649	1,605	500	5,506	484	541	6,531	3,767
Total expenses	<u>\$ 146,836</u>	<u>\$ 130,667</u>	<u>\$ 132,871</u>	<u>\$ 54,296</u>	<u>\$ 464,670</u>	<u>\$ 57,324</u>	<u>\$ 40,309</u>	<u>\$ 562,303</u>	<u>\$ 520,876</u>

See notes to financial statements.

MOBILE BAYKEEPER, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 57,481	\$ 42,509
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	6,531	3,767
Uncollectible pledge expense	24,415	26,656
(Increase) decrease in:		
Promises to give	(31,884)	(43,784)
Grants receivable	2,000	(2,000)
Inventory	-	1,488
Prepaid expenses	-	(329)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>(3,456)</u>	<u>4,065</u>
Net cash provided by operating activities	<u>55,087</u>	<u>32,372</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(14,272)</u>	<u>(5,681)</u>
Net cash used by investing activities	<u>(14,272)</u>	<u>(5,681)</u>
Net increase in cash	40,815	26,691
Cash, beginning of year	<u>256,301</u>	<u>229,610</u>
Cash, end of year	<u>\$ 297,116</u>	<u>\$ 256,301</u>

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 \$82,790 and \$58,375 at December 31, 2015 and 2014, respectively.

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.

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.

Summary of Significant Accounting Policies (continued)

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, 2015 or December 31, 2014.

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.

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, 2014, from which the summarized information was derived.

Evaluation of subsequent events

The Organization has evaluated subsequent events through March 18, 2016, 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>2015</u>	<u>2014</u>
Pledges receivable	\$ 191,457	\$ 183,988
Local issues	43,750	2,000
Oil response and restoration	<u>10,000</u>	<u>20,886</u>
Total	<u>\$ 245,207</u>	<u>\$ 206,874</u>

Promises to Give

Unconditional promises to give at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 136,958	\$ 30,093
Receivable in one to five years	<u>137,289</u>	<u>212,270</u>
Total unconditional promises to give	274,247	242,363
Less allowance for uncollectible promises	<u>82,790</u>	<u>58,375</u>
Net unconditional promises to give	<u>\$ 191,457</u>	<u>\$ 183,988</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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Boat	\$ 15,694	\$ 15,694
Furniture, fixtures and equipment	63,714	49,442
Leasehold improvements	<u>5,794</u>	<u>5,794</u>
	85,202	70,930
Less accumulated depreciation	<u>68,575</u>	<u>62,044</u>
Total	<u>\$ 16,627</u>	<u>\$ 8,886</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 \$20,575 and \$19,200 for the years ended December 31, 2015 and 2014, respectively.

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

2016	\$	13,800
2017		-
2018		-
2019		-
2020		-
		<hr/>
Total	\$	<u>13,800</u>