Turtle Island Restoration Network

Financial Statements

Year Ended December 31, 2012

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PISENTI & BRINKER LLP
Certified Public Accountants and Advisors

Independent Auditor's Report

To the Board of Directors
Turtle Island Restoration Network
Forest Knolls, California

Report on the Financial Statements

We have audited the accompanying financial statements of Turtle Island Restoration Network (TIRN), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year 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

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TIRN as of December 31, 2012, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Pisenti + Brinker LLP

Petaluma, California
October 16, 2013

Statement of Financial Position

		December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$	930,909
Accounts receivable		503,754
Pledges receivable		15,000
Prepaid expenses and other current assets		36,739
Total current assets		1,486,402
Non-current assets		
Held-to-maturity investment		100,000
Land, buildings and equipment, net		846,514
Total assets	$	2,432,916
Liabilities and net assets		
Current liabilities		
Accounts payable	$	33,357
Accrued vacation		120,004
Total current liabilities		153,361
Net assets		
Unrestricted		2,264,555
Temporarily restricted resulting from time restriction		15,000
Total net assets		2,279,555
Total liabilities and net assets	$	2,432,916

Statement of Activities

For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Support			
Contributions	$ 1,118,427	$ -	$ 1,118,427
Grants	583,699	-	583,699
Contracts	261,966	-	261,966
	1,964,092	-	1,964,092
Sale of merchandise and services			
Sales	30,492	-	30,492
Cost of sales	(15,528)	-	(15,528)
	14,964	-	14,964
Interest	2,076	-	2,076
Total revenues and support	1,981,132	-	1,981,132
Net assets released from restriction - expiration of time restriction	55,000	(55,000)	-
Total support and revenue	2,036,132	(55,000)	1,981,132
Expenses:			
Program services:			
Sea turtle restoration	1,021,096	-	1,021,096
Salmon protection	712,314	-	712,314
Shark protection	41,006	-	41,006
Total program services	1,774,416	-	1,774,416
General and administrative	61,306	-	61,306
Fundraising	118,767	-	118,767
Total expenses	1,954,489	-	1,954,489
Changes in net assets	81,643	(55,000)	26,643
Net assets at beginning of year	2,182,912	70,000	2,252,912
Net assets at end of year	$ 2,264,555	$ 15,000	$ 2,279,555

Statement of Cash Flows

For the Year Ended December 31, 2012

		Increase (decrease) in cash and cash equivalents
Cash flows from operating activities		
Change in net assets	$	26,643
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation		9,920
In-kind contribution of land		(35,000)
Decrease in operating assets:		
Accounts receivable		212,706
Pledges receivable		55,000
Prepaid expenses and other current assets		2,192
Increase (decrease) in operating liabilities:		
Accounts payable		(41,606)
Accrued vacation		25,455
Deferred revenue		(28,985)
Net cash provided by operating activities		226,325
Cash flows from investing activities		
Purchases of property, equipment and improvements		(170,916)
Change in cash and cash equivalents		55,409
Cash and cash equivalents at beginning of year		875,500
Cash and cash equivalents at end of year	$	930,909

Supplemental disclosure of investing activities

In-kind contribution of land	$	35,000

See accompanying Notes to Financial Statements

Note A. Nature of Activities

Turtle Island Restoration Network ("TIRN") was established in 1997 to protect populations of endangered marine species such as sea turtles, sharks, marine mammals, and coho salmon. To fulfill its mission, TIRN engages in public awareness, grassroots organizing, in-field habitat restoration, education, and policy advocacy activities.

TIRN generates the majority of its funding through contributions from the general public throughout the United States, grants, and governmental contracts. In addition, revenue is generated through fees charged for services and the sale of merchandise related to its not-for-profit mission.

Note B. Summary of Significant Accounting Policies

Basis of presentation

TIRN prepares its financial statements in accordance with accounting principles generally accepted in the United States of America for not-for-profits. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted – Unrestricted funds are contributions made by donors without any use or time restrictions.

Temporarily restricted – Temporarily restricted funds are contributions made by donors that specify a specific use or time period in which the funds are to be used. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted – Permanently restricted funds are contributions made by donors that specify that the assets donated be maintained to provide a permanent source of income. If the donor does not restrict the allowed use of the income, the organization may determine the income's availability to the Organization's operations.

Cash and cash equivalents

TIRN considers all highly liquid investments with an original maturity of 90 days or less when purchased to be cash equivalents, except when a restriction is imposed which limits the investment's use to long-term. Cash is held in demand accounts at banks, and cash balances may exceed the federally insured amounts during the year.

Held-to-maturity investments

Held-to-maturity investments consist of certificates of deposit with a maturity date of March 31, 2014 and are carried at amortized cost which approximates fair value. The certificates of deposit are fully FDIC insured.

Note B. Summary of Significant Accounting Policies (continued)

Land, buildings and equipment

Land, buildings, and equipment are stated at cost. Depreciation is computed on the straight-line method over useful lives of 5 to 40 years. Donated property is recorded at the estimated fair value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted. It is TIRN's policy to capitalize property and equipment with an acquisition cost, or fair value when donated, over $1,000 and a useful life of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

Revenue recognition and receivables

Contributions

Contributions received and related pledges receivable are measured at their fair values at the time the contribution is received or the unconditional pledge to contribute is made. TIRN reports an increase to temporarily restricted support if contributions are received or pledged with donor stipulations that limit the use of the contributed assets to a specific purpose or time period. Unconditional promises to give with payments due in future years have an implied restriction to be used in the year the payment is due, and are therefore reported as temporarily restricted until the payment is due. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Temporarily restricted contributions whose donor-imposed restrictions are fulfilled or expire within the same reporting period are reported as unrestricted contributions. Pledges receivable are recorded at net realizable value. As of December 31, 2012, management believes that all pledges receivable are collectible.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the year received.

Many additional individuals volunteer their time and perform a variety of tasks that assist TIRN in meeting its goals and objectives, but since these services do not require specialized skills they are not reflected in the financial statements.

Exchange transactions and deferred revenue

Fees charged by TIRN for services provided and the sale of merchandise are recorded as revenue in the period in which the services and sales occur. Deferred revenue represents amounts received for programs and services to be delivered in future periods.

Note B. Summary of Significant Accounting Policies (continued)

Grant revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue may be subject to review from the granting agency, which could result in the disallowance of expenditures under the terms of the grant. TIRN believes that any such disallowances would not be material to the financial statements.

Accounts receivable

Accounts receivable represent balances due from donors and grant receivables. As of December 31, 2012, management believes all accounts receivable balances are collectible.

Income taxes

TIRN is a nonprofit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701(d). However, TIRN is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption, commonly referred to as unrelated business income. No income tax provision has been recorded for the year ended December 31, 2012, since management determined that TIRN had no unrelated business income. TIRN is not classified as a private foundation.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. The use of management's estimates primarily relate to the collectability of receivables, as well as depreciable lives of buildings and equipment. Actual results could differ from those estimates.

Note C. Fair Value Measurement

The following table depicts land contributed to TIRN during 2012 within the fair value hierarchy. Contributed assets such as land are valued at fair value when the contribution is made and there are no ongoing re-measurements.

	Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Land contributed	$ -	$ 35,000	$ -	$ 35,000

The fair value of an asset is the amount that would be received to sell the asset in an orderly transaction between market participants at the measurement date. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Assets with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Assets measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Valuation based on quoted market prices in active markets for identical assets or liabilities that an entity has the ability to access.
Level 2: Valuations based on pricing inputs that are quoted prices in active markets which are either directly or indirectly observable for similar assets.
Level 3:Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques.

The recorded value of the contributed land was obtained from a valuation specialist using comparable asset prices, adjusted for specific characteristics of the contributed land.

Note D. Land, Buildings and Equipment

Land, buildings and equipment consist of the following as of December 31, 2012.

Land	$	395,000
Land held as conservation asset		35,000
Building and improvements		466,026
Equipment, furniture and fixtures		68,050
		964,076
Accumulated depreciation		(117,562)
	$	846,514

Depreciation expense for the year ended December 31, 2012 amounted to $9,920.

Note E. In-kind Contributions

During 2012, in-kind contributions recognized in the financial statements were comprised of land valued at $35,000, donated legal services valued at $301,284, and a Google AdWords non-cash grant of $101,971.

Additionally, TIRN utilized a total of 689 volunteers, donating a total of 8,458 hours whose estimated valued is approximately $209,000 to accomplish many of its activities including habitat restoration, growing native plants in the TIRN nursery, monitoring populations of spawning and out-migrating salmon, capturing sea turtles using scuba, tagging and censusing sharks using scuba, photo-documentation, public outreach, and administrative assistance. This amount was not recognized in the financial statements as such donated services are not considered specialized skills.

Note F. Defined Contribution Plan

TIRN has a 403(b) retirement plan available to employees. Employees are eligible to contribute 30 days after the start of employment. TIRN did not make any matching contributions during the year to the plan.

Note G. Contingencies and Concentrations

Support

During the year ended December 31, 2012, TIRN recognized revenue from a local government and grantor in the approximate amounts of $160,000 and $200,000, respectively. Any possible future reductions in support from these sources could have a negative effect on TIRN's operations.

Facility

TIRN’s main facility is located on land owned by the United States National Park Service. The conditions of TIRN’s occupancy were governed by a 2007 agreement which expired June 30, 2012. This agreement was extended in July 2013 through December 31, 2013. Under the agreement, in lieu of rent TIRN was required to make certain improvements to the facility on site with a value of $71,000. Over the term of the original agreement, TIRN has made such improvements.

Note H. Subsequent Events

Management has evaluated subsequent events through October 16, 2013, the date which the financial statements were available to be issued.