

TURTLE ISLAND RESTORATION NETWORK

Audited Financial Statements

JUNE 30, 2015

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6

Deborah Daly CPA

PO Box 39
Pleasanton, CA 94566

www.dalycpa.com
Office (925) 426-1996
Fax (925) 426-1196

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Turtle Island Restoration Network:

Report on the Financial Statements

We have audited the accompanying financial statements of Turtle Island Restoration Network (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses 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 of 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 organization'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 organization'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Turtle Island Restoration Network as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Summarized Comparative Information

We have previously audited Turtle Island Restoration Network's June 30, 2014 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been obtained.



Pleasanton, California
March 9, 2016

TURTLE ISLAND RESTORATION NETWORK
Statement of Financial Position
At June 30, 2015 with Comparative Totals at June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>	<u>Summarized 2014</u>
ASSETS				
Cash	\$1,311,171	\$250,613	\$1,561,784	\$1,248,835
Receivables	129,477		129,477	162,890
Prepaid expenses	20,728		20,728	36,508
TOTAL CURRENT ASSETS	<u>1,461,376</u>	<u>250,613</u>	<u>1,711,989</u>	<u>1,448,233</u>
OTHER ASSETS				
Certificates of deposit	101,266		101,266	100,000
Deposits	1,147		1,147	1,551
Property and equipment, net	824,061		824,061	841,645
TOTAL ASSETS	<u>\$2,387,850</u>	<u>\$250,613</u>	<u>\$2,638,463</u>	<u>\$2,391,429</u>
LIABILITIES				
Accounts payable	\$58,228		\$58,228	\$25,859
Accrued compensation	122,492		122,492	130,737
TOTAL CURRENT LIABILITIES	<u>180,720</u>		<u>180,720</u>	<u>156,596</u>
NET ASSETS				
Unrestricted	2,207,130		2,207,130	2,022,952
Temporarily restricted		\$250,613	250,613	211,881
TOTAL NET ASSETS	<u>2,207,130</u>	<u>250,613</u>	<u>2,457,743</u>	<u>2,234,833</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,387,850</u>	<u>\$250,613</u>	<u>\$2,638,463</u>	<u>\$2,391,429</u>

See Independent Accountant's Audit Report and Notes to the Financial Statements.

TURTLE ISLAND RESTORATION NETWORK
Statement of Activities
For the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>	<u>Summarized 2014</u>
SUPPORT AND REVENUE				
Support				
Contributions	\$498,940		\$498,940	\$622,340
Grants & awards	683,736	\$298,751	982,487	767,347
In-kind donations	377,552		377,552	562,155
Revenue				
Interest income	2,544		2,544	1,451
Program events	4,690		4,690	14,111
Merchandise sales	11,558		11,558	11,064
Net assets released from temporary restrictions				
Expiration of purpose & time restrictions	260,019	(260,019)		
Total Support and Revenue	<u>1,839,039</u>	<u>38,732</u>	<u>1,877,771</u>	<u>1,978,468</u>
EXPENSES				
Program services				
OCEANS	935,700		935,700	1,221,921
SPAWN	480,002		480,002	289,527
Supporting services				
Management and general	134,971		134,971	146,866
Fund-raising	104,188		104,188	123,962
Total Expenses	<u>1,654,861</u>		<u>1,654,861</u>	<u>1,782,276</u>
INCREASE / (DECREASE) IN NET ASSETS	184,178	38,732	222,910	196,192
NET ASSETS AT BEGINNING OF YEAR	<u>2,022,952</u>	<u>211,881</u>	<u>2,234,833</u>	<u>2,038,641</u>
NET ASSETS AT END OF YEAR	<u><u>\$2,207,130</u></u>	<u><u>\$250,613</u></u>	<u><u>\$2,457,743</u></u>	<u><u>\$2,234,833</u></u>

See Independent Accountant's Audit Report and Notes to the Financial Statements.

TURTLE ISLAND RESTORATION NETWORK
Statement of Functional Expenses
For the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	Program Services			Supporting Services			Total	Summarized
	OCEANS	SPAWN	Total	Management & General	Fund- Raising	Total	2015	2014
Salary	\$336,618	\$78,960	\$415,578	\$51,947	\$51,948	\$103,895	\$519,473	\$564,546
Payroll taxes	28,222	6,620	34,842	4,355	4,355	8,710	43,552	46,157
Employee benefits	59,616	13,984	73,600	9,200	9,200	18,400	92,000	112,287
Subtotal compensation	424,456	99,564	524,020	65,502	65,503	131,005	655,025	722,990
Conferences / Meetings	2,757	5,816	8,573	1,200	52	1,252	9,825	9,285
Dues, Fees & Other Charges	25	3,929	3,954	9,423		9,423	13,377	13,847
Equipment Lease / Purchase								1,479
Insurance	5,867	1,376	7,243	905	905	1,810	9,053	9,188
Maintenance / Repairs	2,445	574	3,019	377	377	754	3,773	1,723
Newsletters & Communications	51,594	12,102	63,696	14,155	23,254	37,409	101,105	60,655
Occupancy Space	52,352	27,268	79,620	9,952	9,952	19,904	99,524	75,661
Outside Services	4,828	5,093	9,921	26,034	745	26,779	36,700	14,718
Postage	2,248	527	2,775	617	1,013	1,630	4,405	9,591
Professional Services	204,651	93,037	297,688				297,688	533,556
Research Activities	105,182		105,182				105,182	193,046
Restoration		220,492	220,492				220,492	64,919
Sub-contractors / Grants Out	40,800		40,800				40,800	12,729
Supplies	9,365	6,158	15,523	834	629	1,463	16,986	18,965
Telephone / Internet				283		283	283	4,407
Travel	17,735	1,393	19,128	3,931		3,931	23,059	19,447
Total before depreciation	924,305	477,329	1,401,634	133,213	102,430	235,643	1,637,277	1,766,206
Depreciation	11,395	2,673	14,068	1,758	1,758	3,516	17,584	16,070
Total Expenses	\$935,700	\$480,002	\$1,415,702	\$134,971	\$104,188	\$239,159	\$1,654,861	\$1,782,276

See Independent Accountant's Audit Report and Notes to the Financial Statements.

TURTLE ISLAND RESTORATION NETWORK
Statement of Cash Flows
For the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	Total 2015	Summarized 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$222,910	\$196,192
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	17,584	16,070
(Increase) decrease in operating assets		
Receivables	32,147	95,403
Prepaid expenses	15,780	(38,559)
Deposits	404	(1,551)
Increase (decrease) in operating liabilities		
Accounts payable	32,369	(35,886)
Accrued compensation	(8,245)	539
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	312,949	232,208
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital asset additions, net		(18,372)
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES		(18,372)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	312,949	213,836
CASH AND CASH EQUIVALENTS, beginning of the year	1,248,835	1,034,999
CASH AND CASH EQUIVALENTS, end of the year	\$1,561,784	\$1,248,835

See Independent Accountant's Audit Report and Notes to the Financial Statements.

TURTLE ISLAND RESTORATION NETWORK
Notes to Financial Statements

NOTE A – SUMMARY OF ACTIVITIES:

Turtle Island Restoration Network (Organization) is a California nonprofit public benefit corporation formed in 1997. Turtle Island Restoration Network is a leading advocate for the world's endangered marine wildlife. Our work is based on science, fueled by people who care, and effective at protecting wildlife and habitats. We focus on catalyzing long-lasting positive changes that protect endangered species including wild coho salmon, sea turtles, dolphins, whales and sharks and extend to their watershed and ocean habitats.

We preserve and restore critical habitats from the redwood-forested creek banks of West Marin, to the biologically rich waters of Cocos Island, Costa Rica to the shores of the Gulf of Mexico and around the globe. We accomplish our mission through grassroots empowerment, hands-on conservation, strategic litigation, habitat restoration, environmental education, and by promoting science-based local, national and international marine policies.

We are based on national parkland in Olema, CA with offices in Texas and Costa Rica. Learn more and join our community of more than more than 250,000 members, volunteers and activists at SeaTurtles.org.

NOTE B – PROGRAMS

Oceans Protection Programs:

Nationally and internationally, Turtle Island works to recover endangered marine species through hands-on conservation, research and advocacy campaigns. Since 1989, we have worked to protect and restore populations of endangered sea turtles and their habitats. Today we use our successful strategies to safeguard whales, dolphins, seals, seabirds, sharks, and fish, as well, and all human communities that rely on the oceans for nourishment.

We work to reform fisheries, create marine protected areas, safeguard key sea turtle nesting beach habitats, build community engagement and educate more than 5,000 students each year. These efforts extend from our Northern California headquarters office to the waters of the Pacific off California and Hawaii, to Texas and the Gulf of Mexico, to Costa Rica, Ecuador and the Eastern Tropical Pacific Seascape and beyond to other key ocean habitats.

Salmon Protection and Watershed Network:

Turtle Island's headquarters are based in Marin County, California where the largest surviving population of the critically endangered wild coho salmon migrates and spawns. Through our Salmon Protection and Watershed Network (SPAWN), we engage hundreds of volunteers each year to raise native plants and restore watershed habitat. We monitor spawning salmon and juvenile survival, assist landowners to protect creeks from erosion and educate the public. We secure major wildlife agency grants for salmon habitat restoration. We grow native redwood trees to restore creekside forest and sequester climate-changing carbon. We provide field and classroom watershed education to more than 3,500 San Francisco Bay Area students each year. Through our residential internship program, we mentor recent college graduates as they begin conservation careers. We also advocate for fish-friendly public policies.

NOTE C – SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in conformity with general 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.

TURTLE ISLAND RESTORATION NETWORK
Notes to Financial Statements

NOTE C – SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting standards for non-profit organizations. The Organization reports 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. In addition, the Organization is required to present a statement of cash flows.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Temporary restricted net assets include those assets, which are subject to a donor restriction and for which the applicable restriction was not met at the end of the current reporting period. Permanently restricted net assets include those assets, which are subject to a non-expiring donor restriction, such as an endowment. The Organization currently does not have any permanently restricted net assets.

Income Taxes

The Organization is not classified as a private foundation and is exempt from federal and state income taxes under section 501(c)3 of the Internal Revenue Code and Section 23701(d) of the California Code. The Organization is considered a publicly supported organization. The Financial Accounting Standards Board prescribes a recognition threshold and a measurement attribute for financial statement recognition of tax positions taken or expected to be taken on a tax return. Management has evaluated its uncertain tax positions and related income tax contingencies and does not believe any material uncertain tax positions exist. The Organization's federal and state informational returns for the years ending June 30, 2012 through June 30, 2015 are subject to examination by regulatory agencies; generally for three years after they have been filed.

Cash and Cash Equivalents

For purposes of the statement of cash flows the Organization considers cash and cash equivalents to include all cash accounts held in financial institutions, with an initial maturity of three months or less.

Property, Equipment and Depreciation

Property and equipment is recorded at cost when purchased or at estimated fair market value when donated. It is the Organization's policy to capitalize items that have a life greater than two years and a cost of \$1,000 or more. Depreciation is computed using the straight-line method over the asset's estimated useful life, which ranges from five to forty years. Depreciation is charged to the activity benefiting from the use of the facilities or equipment.

Contributions

The Organization accounts for contributions received and contributions made in accordance with accounting standards for non-profit organizations. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence of and, or nature of any donor restrictions. Restricted contributions are reported as an increase in temporarily or permanently restricted net assets are reclassified to unrestricted net assets when donor requirements are met.

Contributions In-Kind

In-kind contributions are recognized as follows: Donated supplies are recorded at their estimated fair market value on the day of donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at their estimated fair market value at the time the services are rendered. In addition, the Organization receives donated services that do not require specific expertise but are nonetheless central to the Organization's operations and do not meet the requirements for recognition in the financial statements per generally accepted accounting principles.

TURTLE ISLAND RESTORATION NETWORK
Notes to Financial Statements

NOTE C – SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Doubtful Accounts

The Organization does not maintain an allowance for doubtful accounts on grants and donations receivable as these funding sources are likely to be received.

Revenue Recognition

The Organization recognizes revenue on the accrual basis of accounting. Grants and donations are recognized as revenue in the period in which they are awarded in writing. Restricted grants and donations are recorded as an increase in restricted revenue and are reclassified to unrestricted revenue as restrictions are met. The Organization's primary revenue sources are grants from local governments, foundations and corporations and contributions from individuals and corporations.

Indirect Expense Allocations

The costs of operating the Organization's program and supporting services have been summarized in the statement of functional expenses. Accordingly, salaries and related expenses have been allocated among the programs and supporting services benefited based on employee work assignments, as estimated by management. Newsletter expenses (printing and postage) are allocated to program and supporting services based on the content of the individual mailings.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses a fair value hierarchy which is categorized into three levels as follows:

Level 1 – Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these balances does not entail a significant degree of judgment. Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets from those willing to trade that are not active or for which other inputs can be corroborated by market data. Level 3 – Valuations are based on inputs that are unobservable and significant to the overall fair value measurement and represent the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Organization's assets reported at fair value are as follows: \$35,000 of land contributed valued at Level 2 inputs as the value was determined by a valuation specialist using comparable assets and adjusted for the parcel's specific characteristics.

Comparative Financial Information

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 June 30, 2014, from which the summarized information was obtained.

NOTE D – CERTIFICATES OF DEPOSIT

The Organization holds a certificate of deposit, bearing interest at 1% and having a maturity of nine months, with penalties for early withdrawal. Any penalties incurred for early withdrawal would not have a material effect on the financial statements. The certificate is valued at \$101,266 at June 30, 2015 and \$100,000 at June 30, 2014.

TURTLE ISLAND RESTORATION NETWORK
Notes to Financial Statements

NOTE E – PROPERTY AND EQUIPMENT

Property, equipment and related accumulated depreciation is as follows:

	June 30, 2015	June 30, 2014
Land	\$430,000	\$430,000
Building & Improvements	\$466,026	\$466,026
Equipment and Furniture	<u>\$40,130</u>	<u>\$40,130</u>
Subtotal	<u>\$936,156</u>	<u>\$936,156</u>
Accumulated Depreciation	<u>(\$112,095)</u>	<u>(\$94,511)</u>
Net Book Value	<u>\$824,061</u>	<u>\$841,645</u>

Depreciation expense is \$17,584 for the year ending June 30, 2015 and \$16,010 for the year ended June 30, 2014.

NOTE F – OPERATING LEASES

The Organization conducts most of their activity in Olema, CA, on property leased from the United States National Park Service. This property consists of two buildings, a shed and land which management is required to maintain in exchange for occupancy; and as such, management has recognized an in-kind facility donation. In addition, management conducts some of their program efforts in a facility located in Galveston, TX. The terms of this agreement require monthly payments of \$200. Future minimum lease payments under this agreement are \$400 for the year ended June 30, 2016.

NOTE G – CONTINGENT LIABILITIES

Conditions contained within the various grants awarded to the Organization are subject to the funding agency's criteria and can be subject to audit. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with the established criteria governing them. In such cases, the Organization could be held responsible for repayments to the funding agency for costs questioned or be subject to reductions of future funding. Management does not anticipate any questioned costs for the grants administered during the period.

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

For the year ended June 30, 2015 the Organization's temporarily restricted net asset activity is as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u>
Salmon Protection & Watershed Network	\$21,522	\$47,500	(\$34,203)	\$34,819
OCEANS	<u>\$190,359</u>	<u>\$251,251</u>	<u>(\$225,816)</u>	<u>\$215,794</u>
Total	<u>\$211,881</u>	<u>\$298,751</u>	<u>(\$260,019)</u>	<u>\$250,613</u>

NOTE I – CONTRIBUTIONS IN-KIND

In-kind donations are as follows:

	June 30, 2015	June 30, 2014
Legal Fees	\$186,074	\$364,816
Google AdWords	\$111,614	\$101,429
Logo Design		\$20,250
Facility Occupancy	<u>\$79,864</u>	<u>\$75,660</u>
Total	<u>\$377,552</u>	<u>\$562,155</u>

TURTLE ISLAND RESTORATION NETWORK
Notes to Financial Statements

NOTE I – CONTRIBUTIONS IN-KIND (continued)

Approximately 30% of the in-kind services received were received from Google. Donated services are recognized as contributions if the services create or enhance a financial asset or require specialized skills which the donor has and would otherwise be purchased by the Organization. During the year ending June 30, 2015 the Organization received 13,046 donated hours from 834 volunteers, at an estimated value of \$273,966 and during the year ending June 30, 2014 the Organization received 12,630 donated hours from 875 volunteers, at an estimated value of \$189,460. Volunteers accomplished the following activities: sea turtle nesting, tagging and monitoring, stream habitat restoration, growing native plants in the Organization's nursery, monitoring spawning and out-migrating of endangered salmon, shark tagging and monitoring, photo documentation, public outreach and administrative assistance. These volunteer hours do not satisfy the criteria for recognition under generally accepted accounting principles.

NOTE J – FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments exceeding FDIC limits and concentrations in grants awarded.

The Organization maintains a majority of their cash in bank deposit accounts that, at times, may exceed federally insured limits of \$250,000. The organization has not experienced any losses in such accounts. At June 30, 2015, the Organization's uninsured cash balance is \$167,455 and at June 30, 2014, the Organization's uninsured cash balance is \$161,432.

For the year ended June 30, 2015 approximately 39% of the grants awarded are from the California Department of Fish & Game and for the year ended June 30, 2014 approximately 33% of the grants awarded are from the Sandler Foundation. The ability of certain of the Organization's awards to continue to provide amounts comparable with prior years may be dependent upon current and future economic conditions and budget constraints. While the Board of Directors believes the Organization has the resources to continue current and future programs, its ability to do so, and the extent to which it does, may be dependent on the above factors.

NOTE K – RELATED PARTY TRANSACTIONS

Related party transactions are as follows: For the year ended June 30, 2015 and June 30, 2014 one board member was compensated for services in her capacity as the program coordinator in Galveston, Texas: \$47,500 and \$22,750, respectively and another Board Member is the Executive Director of Programa Restauracion de Tortugas Martnas, a nonprofit organization in Costa Rica, whereby the Organization grants awards to further their mission in the performance of saving endangered species, total awarded is \$39,800 and \$12,729, respectively.

NOTE L – JOINT COST ALLOCATION

The Organization produces newsletters and other literature that are partly program / educational and partly management / general and fundraising. These mailings are available to donors, program participants and other interested individuals. The costs of producing and distributing the newsletters and literature have been allocated across functional areas based on newsletters and literature's content, as follows: program is 63%, management / general is 14% and fund-raising is 23%.

NOTE M – SUBSEQUENT EVENTS

Management of the Organization has reviewed the results of operations for the period of time from its year end, June 30, 2015, through March 9, 2016, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.