

**TURTLE ISLAND
RESTORATION NETWORK**

Independent Auditor's Report and
Financial Statements

Year Ended June 30, 2016

**TURTLE ISLAND RESTORATION NETWORK
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Turtle Island Restoration Network
Olema, CA

Report on the Financial Statements

We have audited the accompanying financial statements of the Turtle Island Restoration Network (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statement of activities, statement of functional expenses, and statement of 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 audits. We conducted our audits 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 misstatements 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Turtle Island Restoration Network as of June 30, 2016, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Fritzsche Associates, Inc.

Certified Public Accountants

Sacramento, CA

February 11, 2017

TURTLE ISLAND RESTORATION NETWORK
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

Assets

Current assets:

Cash and equivalents	\$ 1,638,364
Accounts receivable	46,603
Contributions receivable	40,000
Prepaid expenses and deposits	7,367

Total current assets	1,732,334
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Certificates of deposit	101,278
Fixed assets, net	807,790

Total assets	\$ 2,641,402
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 60,591
Accrued expenses	119,359
Deferred revenue	36,111

Total current liabilities	216,061
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Net assets:

Unrestricted net assets	2,251,595
Temporarily restricted net assets	173,746

Total net assets	2,425,341
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Total liabilities and net assets	\$ 2,641,402
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The accompanying notes are an integral part of these financial statements.

TURTLE ISLAND RESTORATION NETWORK
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Grants and awards	\$ 536,728	\$ 441,500	\$ 978,228
Contributions	482,694	-	482,694
In-kind donations	432,257	-	432,257
Merchandise sales, net	6,645	-	6,645
Program events	14,127	-	14,127
Interest income	1,268	-	1,268
Net assets released from restrictions	518,367	(518,367)	-
Total revenues, gains, and other support	1,992,086	(76,867)	1,915,219
Expenses:			
Program services:			
OCEANS	1,337,419	-	1,337,419
SPAWN	320,991	-	320,991
Total program services	1,658,410	-	1,658,410
Supporting services:			
General and administrative	161,064	-	161,064
Fundraising	128,147	-	128,147
Total supporting services	289,211	-	289,211
Total expenses	1,947,621	-	1,947,621
Change in net assets	44,465	(76,867)	(32,402)
Net assets, beginning of year	2,207,130	250,613	2,457,743
Net assets, end of year	\$ 2,251,595	\$ 173,746	\$ 2,425,341

The accompanying notes are an integral part of these financial statements.

TURTLE ISLAND RESTORATION NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services			Supporting Services			
	OCEANS	SPAWN	Total	General and Administrative	Fundraising	Total	Total
Salaries & wages	\$ 366,192	\$ 85,897	\$ 452,089	\$ 56,511	\$ 56,511	\$ 113,022	\$ 565,111
Payroll taxes	32,050	7,518	39,568	4,947	4,947	9,894	49,462
Employee benefits	63,080	14,796	77,876	9,735	9,735	19,470	97,346
Subtotal personnel	461,322	108,211	569,533	71,193	71,193	142,386	711,919
Conferences & meetings	2,262	371	2,633	46	46	92	2,725
Depreciation	11,234	2,635	13,869	1,734	1,734	3,468	17,337
Dues, fees & other charges	3,362	916	4,278	8,572	514	9,086	13,364
Insurance	5,629	1,320	6,949	868	868	1,736	8,685
Maintenance & repairs	779	183	962	120	120	240	1,202
Newsletters & communications	62,731	13,618	76,349	9,503	15,611	25,114	101,463
Occupancy	62,056	14,360	76,416	9,552	9,552	19,104	95,520
Outside services	301,890	22,818	324,708	16,869	27,689	44,558	369,266
Postage	1,438	260	1,698	21	100	121	1,819
Professional fees	10,000	12,734	22,734	41,866	-	41,866	64,600
Research activities	206,224	-	206,224	-	-	-	206,224
Restoration	-	130,623	130,623	-	-	-	130,623
Subcontractors / Grants out	173,200	-	173,200	-	-	-	173,200
Supplies	10,432	9,031	19,463	199	199	398	19,861
Travel	24,860	3,911	28,771	521	521	1,042	29,813
Total expenses	<u>\$ 1,337,419</u>	<u>\$ 320,991</u>	<u>\$ 1,658,410</u>	<u>\$ 161,064</u>	<u>\$ 128,147</u>	<u>\$ 289,211</u>	<u>\$ 1,947,621</u>

The accompanying notes are an integral part of these financial statements.

**TURTLE ISLAND RESTORATION NETWORK
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016**

Change in net assets	\$	(32,402)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation		16,271
Decrease in accounts receivable		82,874
Increase in contribution receivable		(40,000)
Decrease in prepaid expenses and deposits		14,496
Increase in accounts payable		2,363
Decrease in accrued expenses		(3,133)
Increase in deferred revenue		36,111
Net cash provided by operating activities		<u>76,580</u>
Net increase in cash		76,580
Cash and equivalents, beginning of year		<u>1,561,784</u>
Cash and equivalents, end of year	\$	<u><u>1,638,364</u></u>

The accompanying notes are an integral part of these financial statements.

**TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE A – NATURE OF THE ORGANIZATION

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 primarily funded by grants and contracts from Foundations and Government entities as well as donations from individuals.

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

Program Services

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.

**TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE A – NATURE OF THE ORGANIZATION (CONTINUED)

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 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.

Through our 10,000 Redwoods Project (10000redwoods.org), we engage community members in the San Francisco Bay Area, and beyond, to address climate change by adopting and raising native redwood trees. Redwood forests sequester more climate-changing carbon than any other forest. They also provide the cool, clear forested streams that salmon need to survive. With our community, SPAWN is raising thousands of native trees in our plant nurseries, and planting them to restore watersheds around the Bay Area.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization classifies their net assets and changes in net assets as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired.

Temporarily restricted net assets – Net assets that are subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time. There was \$173,746 of temporarily restricted net assets at June 30, 2016.

Permanently restricted net assets – Net assets to be held in perpetuity as directed by donors. The income from the contributions is available to support activities as designated by the donors. There are no permanently restricted net assets at June 30, 2016.

**TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Presentation (continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law.

Cash and Equivalents

Cash and equivalents consist of cash on hand and highly liquid investments with original or remaining maturities of three months or less at the time of purchase.

Revenue Recognition

Revenue from governmental contracts is recognized to the extent of allowable incurred expenses, up to the grant or contract ceiling. Any excess of expenses over cash received is recorded as a grant receivable; any excess of cash received over expenses is recorded as deferred revenue.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates under different assumptions or conditions.

Accounts Receivable

Management considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been established.

Fixed Assets

Fixed assets are 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 calculated 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.

**TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing the program services and supporting services have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Indirect costs are allocated among program and supporting services based on personnel, space and other factors.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash deposits and certificates of deposit. Cash and certificate balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per banking institution. As of June 30, 2016, there were balances of \$562,820 in excess of FDIC limits. Management believes that the Organization is not exposed to any significant credit risk related to cash.

Income Taxes

The Organization is exempt from 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.

Management of the Organization has evaluated their tax positions and related income tax contingencies and does not believe that any material uncertain tax positions exist.

NOTE C – CONTRIBUTIONS RECEIVABLE

Contributions receivable are unconditional promises to give that are recorded as revenues and contribution receivable when the promises are made. All of the contributions receivable at June 30, 2016 are due within one year and are considered fully collectible by management. Accordingly, no allowance for uncollectible amounts has been established. Contributions receivable are comprised of the following at June 30, 2016:

Marisla Foundation	\$ <u>40,000</u>
Total contributions receivable	\$ <u>40,000</u>

**TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE D – FIXED ASSETS

Fixed assets are comprised of the following at June 30, 2016:

Land	\$ 430,000
Building and improvements	466,026
Equipment and furniture	41,195
Less: accumulated depreciation	<u>(129,431)</u>
Total fixed assets	<u>\$ 807,790</u>

Depreciation expense was \$17,337 for the year ended June 30, 2016.

NOTE E – COMMITMENTS

The Organization leases property in Olema, CA from the United States National Park Service to conduct most of their activities. 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. There are no material future lease payments due under these agreements.

NOTE F – JOINT COST ALLOCATION

The Organization produces newsletters and other literature that are partly program/education 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 the newsletters and literature's content, as follows: program is 63%, general is 14% and fundraising is 23%.

**TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

The activity in temporarily restricted net assets for the year ended June 30, 2016 is as follows:

	<u>SPAWN</u>	<u>OCEANS</u>	<u>Total</u>
Balance, beginning of year	\$ 34,819	\$ 215,794	\$ 250,613
Additions	70,000	371,500	441,500
Released from restrictions	<u>(55,790)</u>	<u>(462,577)</u>	<u>(518,367)</u>
Balance, end of year	<u>\$ 49,029</u>	<u>\$ 124,717</u>	<u>\$ 173,746</u>

NOTE H – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2016 one board member was compensated \$23,382 for services in her capacity as the program coordinator in Galveston, Texas. Another board member was compensated \$43,814 for his services as director of conservation science.

NOTE I – CONTRIBUTIONS IN-KIND

Contributions in-kind for the year ended June 30, 2016 are as follows:

Legal fees	\$ 232,176
Google AdWords	120,217
Facilities	<u>79,864</u>
Total contributions in-kind	<u>\$ 432,257</u>

The Organization also received donated services from a variety of unpaid volunteers assisting in leadership, committees, fund-raising activities and program services. The value of this donated time of \$172,480 is not reflected in the accompanying financial statements since it does not meet the criteria for recognition as a contribution.

**TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE J – FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of substantially all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying value of such amounts.

NOTE K – CONTINGENCIES

The Organization is largely funded by government and foundation grants and is subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies, if any, cannot be determined at this time.

NOTE L – SUBSEQUENT EVENTS

The management of the Organization have reviewed the results of operations for the period of time from its year end June 30, 2016 through February 11, 2017, 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 consolidated financial statements nor have any subsequent events occurred, the nature of which would require disclosure.