

**TURTLE ISLAND
RESTORATION NETWORK**

Independent Auditor's Report and
Financial Statements

Year Ended June 30, 2017

**TURTLE ISLAND RESTORATION NETWORK
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS

	<u>PAGE(S)</u>
Independent Auditor's Report	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7-12



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, 2017, 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, 2017, 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

January 3, 2018

TURTLE ISLAND RESTORATION NETWORK
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

Assets

Current assets:

Cash and equivalents	\$ 1,870,494
Accounts receivable	241,022
Prepaid expenses and deposits	<u>119,829</u>

Total current assets 2,231,345

Fixed assets, net 792,933

Total assets \$ 3,024,278

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 125,100
Accrued expenses	145,462
Deferred revenue	<u>107,044</u>

Total current liabilities 377,606

Net assets:

Unrestricted net assets 2,491,687

Temporarily restricted net assets 154,985

Total net assets 2,646,672

Total liabilities and net assets \$ 3,024,278

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

TURTLE ISLAND RESTORATION NETWORK
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Grants and awards	\$ 763,724	\$ 439,575	\$ 1,203,299
Contributions	656,955	-	656,955
In-kind donations	670,851	-	670,851
Merchandise sales, net	(820)	-	(820)
Program events	9,323	-	9,323
Interest and dividends	1,178	-	1,178
	20,543	-	20,543
Net assets released from restrictions	458,336	(458,336)	-
Total revenues, gains, and other support	2,580,090	(18,761)	2,561,329
Expenses:			
Program services:			
OCEANS	1,404,054	-	1,404,054
SPAWN	679,657	-	679,657
Total program services	2,083,711	-	2,083,711
Supporting services:			
General and administrative	143,945	-	143,945
Fundraising	112,342	-	112,342
Total supporting services	256,287	-	256,287
Total expenses	2,339,998	-	2,339,998
Change in net assets	240,092	(18,761)	221,331
Net assets, beginning of year	2,251,595	173,746	2,425,341
Net assets, end of year	\$ 2,491,687	\$ 154,985	\$ 2,646,672

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

TURTLE ISLAND RESTORATION NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services			Supporting Services			
	OCEANS	SPAWN	Total	General and Administrative	Fundraising	Total	Total
Salaries & wages	\$ 300,786	\$ 154,178	\$ 454,964	\$ 68,429	\$ 82,175	\$ 150,604	\$ 605,568
Payroll taxes	28,244	14,478	42,722	6,426	7,716	14,142	56,864
Employee benefits	46,426	23,797	70,223	10,561	12,685	23,246	93,469
Subtotal personnel	375,456	192,453	567,909	85,416	102,576	187,992	755,901
Conferences & meetings	3,525	657	4,182	27	33	60	4,242
Depreciation	5,619	10,664	16,283	508	609	1,117	17,400
Dues, fees & other charges	176	782	958	14,717	17	14,734	15,692
Insurance	2,718	7,438	10,156	1,974	295	2,269	12,425
Maintenance & repairs	3,710	7,042	10,752	336	402	738	11,490
Newsletters & communications	98,429	12,116	110,545	4,779	5,544	10,323	120,868
Occupancy	56,307	43,911	100,218	2,092	2,508	4,600	104,818
Outside services	584,876	12,620	597,496	7	8	15	597,511
Postage	3,419	782	4,201	769	-	769	4,970
Professional fees	30,995	7,345	38,340	33,028	-	33,028	71,368
Research activities	184,582	-	184,582	-	-	-	184,582
Restoration	-	358,200	358,200	-	-	-	358,200
Subcontractors / Grants out	22,000	-	22,000	-	-	-	22,000
Supplies	13,728	16,092	29,820	100	120	220	30,040
Travel	18,514	9,555	28,069	192	230	422	28,491
Total expenses	<u>\$ 1,404,054</u>	<u>\$ 679,657</u>	<u>\$ 2,083,711</u>	<u>\$ 143,945</u>	<u>\$ 112,342</u>	<u>\$ 256,287</u>	<u>\$ 2,339,998</u>

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

**TURTLE ISLAND RESTORATION NETWORK
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017**

Change in net assets	\$	221,331
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation		17,400
Increase in accounts receivable		(194,419)
Decrease in contribution receivable		40,000
Increase in prepaid expenses and deposits		(11,184)
Increase in accounts payable		64,509
Increase in accrued expenses		26,103
Increase in deferred revenue		<u>70,933</u>
Net cash provided by operating activities		<u>234,673</u>
Cash flows from investing activities:		
Purchases of fixed assets		<u>(2,543)</u>
Net cash used in investing activities		<u>(2,543)</u>
Net increase in cash		232,130
Cash and equivalents, beginning of year		<u>1,638,364</u>
Cash and equivalents, end of year	\$	<u><u>1,870,494</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, 2017

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 headquartered on National Park Service land in Olema, CA with offices in Texas. Our community includes more than 200,000 members, volunteers and activists who power our hands-on conservation and policy work around the globe, multiplying our resources and amplifying the work we accomplish with our relatively modest budget and staff.

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, 2017**

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.

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, 2017.

**TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

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, 2017

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, 2017, there were balances totaling \$1,229,036 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 – FIXED ASSETS

Fixed assets are comprised of the following at June 30, 2017:

Land	\$ 430,000
Building and improvements	466,026
Equipment and furniture	43,738
Less: accumulated depreciation	<u>(146,831)</u>
Total fixed assets	<u>\$ 792,933</u>

Depreciation expense was \$17,400 for the year ended June 30, 2017.

**TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

NOTE D – 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 E – 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 61%, general is 14% and fundraising is 23%.

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

The activity in temporarily restricted net assets for the year ended June 30, 2017 is as follows:

	<u>SPAWN</u>	<u>OCEANS</u>	<u>Total</u>
Balance, beginning of year	\$ 49,029	\$ 124,717	\$ 173,746
Additions	185,509	254,066	439,575
Released from restrictions	<u>(169,141)</u>	<u>(289,195)</u>	<u>(458,336)</u>
Balance, end of year	<u>\$ 65,397</u>	<u>\$ 89,588</u>	<u>\$ 154,985</u>

**TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

NOTE G – CONTRIBUTIONS IN-KIND

Contributions in-kind for the year ended June 30, 2017 are as follows:

Legal fees	\$ 479,609
Google AdWords	111,378
Facilities	<u>79,864</u>
Total contributions in-kind	<u>\$ 670,851</u>

The Organization also received approximately 17,000 hours of 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 \$356,330 is not reflected in the accompanying financial statements since it does not meet the criteria for recognition as a contribution.

NOTE H – 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 I – 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 J – SUBSEQUENT EVENTS

The management of the Organization have reviewed the results of operations for the period of time from its year end June 30, 2017 through January 3, 2018, 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.