

**TURTLE ISLAND
RESTORATION NETWORK**

Independent Auditor's Report and
Financial Statements

Year Ended June 30, 2018

**TURTLE ISLAND RESTORATION NETWORK
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

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

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, 2018, 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 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 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 qualified audit opinion.

Basis for Qualified Opinion

Internal controls over entries into the donor database were inadequate during the year. We were unable to obtain sufficient appropriate audit evidence about the amount recognized for contributions collected by Turtle Island Restoration Network for the year ended June 30, 2018. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Turtle Island Restoration Network as of June 30, 2018, 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
August 6, 2019

TURTLE ISLAND RESTORATION NETWORK
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

Assets

Current assets:

Cash and equivalents	\$ 1,866,797
Accounts receivable	84,054
Contributions receivable	55,000
Prepaid expenses and deposits	<u>19,689</u>

Total current assets 2,025,540

Investments 497,369

Fixed assets, net 783,338

Total assets \$ 3,306,247

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 35,057
Accrued expenses	136,731
Deferred revenue	<u>348,771</u>

Total current liabilities 520,559

Net assets:

Unrestricted net assets 2,553,031

Temporarily restricted net assets 232,657

Total net assets 2,785,688

Total liabilities and net assets \$ 3,306,247

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

TURTLE ISLAND RESTORATION NETWORK
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Grants and awards	\$ 231,178	\$ 731,710	\$ 962,888
Contributions	474,221	-	474,221
Program services	257,702	-	257,702
In-kind donations	581,159	-	581,159
Realized and unrealized gains (losses)	(4,169)	-	(4,169)
Interest and dividends	5,193	-	5,193
Merchandise sales, net	2,056	-	2,056
Net assets released from restrictions	654,038	(654,038)	-
	<u>2,201,378</u>	<u>77,672</u>	<u>2,279,050</u>
 Total revenues, gains, and other support			
Expenses:			
Program services:			
OCEANS	1,428,263	-	1,428,263
SPAWN	439,433	-	439,433
Total program services	<u>1,867,696</u>	<u>-</u>	<u>1,867,696</u>
Supporting services:			
General and administrative	164,813	-	164,813
Fundraising	107,525	-	107,525
Total supporting services	<u>272,338</u>	<u>-</u>	<u>272,338</u>
Total expenses	<u>2,140,034</u>	<u>-</u>	<u>2,140,034</u>
 Change in net assets	<u>61,344</u>	<u>77,672</u>	<u>139,016</u>
Net assets, beginning of year	<u>2,491,687</u>	<u>154,985</u>	<u>2,646,672</u>
Net assets, end of year	<u>\$ 2,553,031</u>	<u>\$ 232,657</u>	<u>\$ 2,785,688</u>

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

TURTLE ISLAND RESTORATION NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services			Supporting Services			
	OCEANS	SPAWN	Total	General and Administrative	Fundraising	Total	Total
Salaries & wages	\$ 340,742	\$ 163,799	\$ 504,541	\$ 65,532	\$ 61,867	\$ 127,399	\$ 631,940
Employee benefits	51,905	24,951	76,856	9,983	9,424	19,407	96,263
Payroll taxes	28,404	13,654	42,058	5,463	5,157	10,620	52,678
Subtotal personnel	421,051	202,404	623,455	80,978	76,448	157,426	780,881
Conferences & meetings	2,712	742	3,454	123	116	239	3,693
Depreciation	6,190	11,442	17,632	563	563	1,126	18,758
Dues, fees & other charges	2,830	1,382	4,212	14,682	405	15,087	19,299
Insurance	3,662	6,146	9,808	1,918	266	2,184	11,992
Maintenance & repairs	1,161	2,147	3,308	105	106	211	3,519
Newsletters & communications	123,441	43,051	166,492	20,582	19,438	40,020	206,512
Occupancy	74,120	20,031	94,151	4,598	4,367	8,965	103,116
Outside services	62,683	11,921	74,604	4,249	4,013	8,262	82,866
Postage	2,922	2,013	4,935	31	31	62	4,997
Professional fees	471,989	8,981	480,970	36,868	1,656	38,524	519,494
Research activities	211,635	-	211,635	-	-	-	211,635
Restoration	-	109,555	109,555	-	-	-	109,555
Supplies	16,214	13,800	30,014	65	65	130	30,144
Travel	27,653	5,818	33,471	51	51	102	33,573
Total expenses	<u>\$ 1,428,263</u>	<u>\$ 439,433</u>	<u>\$ 1,867,696</u>	<u>\$ 164,813</u>	<u>\$ 107,525</u>	<u>\$ 272,338</u>	<u>\$ 2,140,034</u>

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

**TURTLE ISLAND RESTORATION NETWORK
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

Change in net assets	\$	139,016
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation		18,758
Net realized and unrealized losses on investments		4,169
Decrease in accounts receivable		136,968
Increase in contribution receivable		(35,000)
Decrease in prepaid expenses and deposits		100,140
Decrease in accounts payable		(90,043)
Decrease in accrued expenses		(8,731)
Increase in deferred revenue		241,727
		<hr/>
Net cash provided by operating activities		507,004
		<hr/>
Cash flows from investing activities:		
Purchases of investment securities		(521,538)
Sale of investment securities		20,000
Purchases of fixed assets		(9,163)
		<hr/>
Net cash used in investing activities		(510,701)
		<hr/>
Net decrease in cash		(3,697)
Cash and equivalents, beginning of year		1,870,494
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Cash and equivalents, end of year	\$	<u><u>1,866,797</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, 2018

NOTE A – NATURE OF THE ORGANIZATION

Turtle Island Restoration Network (Organization, we, us, our) 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, 2018

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, we classify our 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 were no permanently restricted net assets as of June 30, 2018.

TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

Accounts Receivable

Accounts receivable is valued at net realizable value. Our 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 our 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.

Revenue Recognition

Revenue from exchange transactions is recognized to the extent of allowable incurred expenses, up to the grant or contract ceiling. Revenue from exploration trips is recognized when the trips are complete. Any excess of expenses over cash received is recorded as accounts receivable; any excess of cash received over expenses is recorded as deferred revenue.

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.

TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, our 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.

Concentration of Credit Risk

Our Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from donors supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by our management and our Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the board of directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Income Taxes

We are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Code. We are considered a publicly supported organization.

Our management has processes presently in place to ensure maintenance of our tax exempt statuses; to identify and report unrelated business income; to determine our filing and tax obligations for which we have nexus; and to identify and evaluate other matters that may be considered tax positions. We have evaluated the tax positions and related income tax contingencies and do not believe that any material uncertain tax positions exist that require recognition or disclosure in the financial statements.

NOTE C – CONTRIBUTIONS RECEIVABLE

Contributions receivable, all of which our management believes are collectible within one year, consisted of the following as of June 30, 2018:

Marisla Foundation	\$ 45,000
Shield-Ayres Foundation	<u>10,000</u>
Total contributions receivable	<u>\$ 55,000</u>

TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE D – INVESTMENTS

In accordance with generally accepted accounting principles, the Organization uses the following prioritized input levels to measure fair value. The input levels used for valuing instruments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity’s assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments are reported at fair value and consist of the following as of June 30, 2018:

	Total	Level 1	Level 2	Level 3
Common stock	\$ 161,849	\$ 161,849	--	\$ --
Government securities	100,348	--	\$ 100,348	--
Corporate bonds and notes	95,066	--	95,066	--
Certificates of deposit	88,530	--	88,530	--
Municipal securities	<u>48,938</u>	<u>--</u>	<u>48,938</u>	<u>--</u>
Investments carried at fair value	494,731	<u>\$ 161,849</u>	<u>\$ 332,882</u>	<u>\$ --</u>
Money market funds*	<u>2,638</u>			
Total investments	<u>\$ 497,369</u>			

*Money market funds included in the investment portfolio are not subject to provisions of fair value measurements as they do not meet the FASB definition of a security.

**TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

NOTE D – INVESTMENTS (continued)

Investment return consists of the following for the year ended June 30, 2018:

Interest and dividends	\$ 5,193
Net realized and unrealized losses	<u>(4,169)</u>
 Total investment return	 <u><u>\$ 1,024</u></u>

NOTE E – FIXED ASSETS

Fixed assets are comprised of the following as of June 30, 2018:

Land	\$ 430,000
Building and improvements	466,026
Equipment and furniture	52,901
Less: accumulated depreciation	<u>(165,589)</u>
 Total fixed assets	 <u><u>\$ 783,338</u></u>

Depreciation expense was \$18,758 for the year ended June 30, 2018.

NOTE F – COMMITMENTS

Our Organization leases property in Olema, CA from the United States National Park Service to conduct most of our activities. This property consists of two buildings, a shed and land which we are required to maintain in exchange for occupancy; and as such, our management has recognized an in-kind facility donation. In addition, our management conducts some of our program efforts in a facility located in Galveston, TX. There are no material future lease payments due under these agreements.

NOTE G – JOINT COST ALLOCATION

We produce newsletters and other literature that are partly program/education and partly general/administrative and fundraising. These mailings are available to our 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 their content, as follows: program is 65%, general and administrative is 18% and fundraising is 17%.

**TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

The activity in temporarily restricted net assets for the year ended June 30, 2018 is as follows:

	<u>SPAWN</u>	<u>OCEANS</u>	<u>Total</u>
Balance, beginning of year	\$ 65,397	\$ 89,588	\$ 154,985
Additions	110,060	621,650	731,710
Released from restrictions	<u>(133,334)</u>	<u>(520,704)</u>	<u>(654,038)</u>
Balance, end of year	<u>\$ 42,123</u>	<u>\$ 190,534</u>	<u>\$ 232,657</u>

NOTE I – IN-KIND DONATIONS

Contributions in-kind for the year ended June 30, 2018 are as follows:

Legal fees	\$ 420,566
Google AdWords	80,729
Facilities	<u>79,864</u>
Total contributions in-kind	<u>\$ 581,159</u>

Our Organization also received many thousands of hours of donated services from a variety of unpaid volunteers assisting in leadership, committees, fundraising activities and program services. The value of this donated time is not reflected in the accompanying financial statements since it does not meet the criteria for recognition as a contribution.

NOTE J – CONTINGENCIES

We are largely funded by government and foundation grants and are subject to financial and compliance audits by those 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.

**TURTLE ISLAND RESTORATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

NOTE K – SUBSEQUENT EVENTS

Our management has reviewed the results of operations for the period of time from our year end, June 30, 2018, through August 6, 2019, 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.