

**SAVE THE BAY**  
**(FORMERLY SAVE SAN FRANCISCO**  
**BAY ASSOCIATION)**

**FINANCIAL STATEMENTS**

**September 30, 2008**

**(With Comparative Totals for September 30, 2007)**

**Save the Bay**  
**(Formerly Save San Francisco Bay Association)**

Contents

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to the Financial Statements	6-10
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11-12

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Save the Bay (formerly Save San Francisco Bay Association)  
Oakland, California

We have audited the accompanying statement of financial position of Save the Bay (formerly Save San Francisco Bay Association) as of September 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Save the Bay the Bay (formerly Save San Francisco Bay Association)'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Save the Bay (formerly Save San Francisco Bay Association)'s September 30, 2007 financial statements and, in our report, dated December 28, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Save the Bay (formerly Save San Francisco Bay Association) as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2008 on our consideration of Save the Bay (formerly Save San Francisco Bay Association)'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Certified Public Accountants  
Oakland, California  
December 30, 2008

**Save the Bay**  
**(Formerly Save San Francisco Bay Association)**

**Statement of Financial Position**  
**September 30, 2008**  
**(With Comparative Totals for Year Ended September 30, 2007)**

	2008	2007
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 412,348	\$ 523,515
Certificates of deposit	1,057,476	676,879
Contracts receivable	126,794	179,160
Grants receivable	711,670	364,588
Accounts receivable	26,813	3,490
Prepaid expenses	26,405	46,992
Total Current assets	<u>2,361,506</u>	<u>1,794,624</u>
Property and equipment, net (Note 3)	88,176	66,865
Deposits	<u>9,966</u>	<u>10,082</u>
Total Assets	<u><u>\$ 2,459,648</u></u>	<u><u>\$ 1,871,571</u></u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 89,885	\$ 55,418
Deferred tuition	<u>3,200</u>	<u>5,290</u>
Total Current liabilities	<u>93,085</u>	<u>60,708</u>
Commitments and contingencies (Notes 4 and 5)		
Net Assets		
Unrestricted		
Available for operations	850,078	739,863
Designated for operating reserve	450,000	450,000
Total unrestricted	<u>1,300,078</u>	<u>1,189,863</u>
Temporarily restricted (Note 6)	<u>1,066,485</u>	<u>621,000</u>
Total Net Assets	<u>2,366,563</u>	<u>1,810,863</u>
Total Liabilities and Net Assets	<u><u>\$ 2,459,648</u></u>	<u><u>\$ 1,871,571</u></u>

See Notes to the Financial Statements

**Save the Bay**  
**(Formerly Save San Francisco Bay Association)**

**Statement of Activities**  
**For the Year Ended September 30, 2008**  
**(With Comparative Totals for year ended September 30, 2007)**

			Totals	
	Unrestricted	Temporarily Restricted	2008	2007
<b>Support and Revenue</b>				
Support				
Government awards	\$ 313,390	\$	\$ 313,390	\$ 406,949
Grants and contributions	182,061	1,571,836	1,753,897	1,200,214
Membership contributions	698,362	263,205	961,567	724,412
Bequests and memorials	298,863		298,863	152,984
Cy pres contribution			-	117,323
In kind contributions:				
Services (Note 8)	148,893		148,893	194,560
Other	6,033		6,033	-
Net assets released from donor restrictions (Note 6)	1,389,556	(1,389,556)	-	-
Total support	3,037,158	445,485	3,482,643	2,796,442
Revenue				
Fees for service	130,115		130,115	132,685
Lawsuit settlements			-	375,175
Interest	56,427		56,427	37,179
Realized loss	(40,831)		(40,831)	-
Other	152		152	398
Total revenue	145,863	-	145,863	545,437
Total Support and Revenue	3,183,021	445,485	3,628,506	3,341,879
<b>Expenses</b>				
Program	2,411,044		2,411,044	1,829,729
Management and general	237,580		237,580	214,269
Fundraising	424,182		424,182	369,331
Total Expenses	3,072,806	-	3,072,806	2,413,329
Change in Net Assets	110,215	445,485	555,700	928,550
Net Assets, beginning of year	1,189,863	621,000	1,810,863	882,313
Net Assets, end of year	\$ 1,300,078	\$ 1,066,485	\$ 2,366,563	\$ 1,810,863

See Notes to the Financial Statements

**Save the Bay**  
**(Formerly Save San Francisco Bay Association)**

**Statement of Cash Flows**  
**For the Year Ended September 30, 2008**  
**(With Comparative Totals for Year Ended September 30, 2007)**

	2008	2007
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 555,700	\$ 928,550
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	28,397	33,706
Realized loss	40,831	-
Change in assets and liabilities:		
Contracts receivable	52,366	17,175
Grants receivable	(347,082)	(189,588)
Accounts receivable	(23,323)	(3,490)
Prepaid expenses	20,587	(20,756)
Deposits	116	3,663
Accounts payable and accrued expenses	34,467	(36,942)
Deferred tuition	(2,090)	(5,435)
Net cash provided by operating activities	<u>359,969</u>	<u>726,883</u>
<b>Cash flows from investing activities:</b>		
Acquisition of fixed assets	(49,708)	(22,274)
Net increase in certificates of deposit	<u>(421,428)</u>	<u>(625,689)</u>
Net cash used by investing activities	<u>(471,136)</u>	<u>(647,963)</u>
Net change in cash and cash equivalents	<u>(111,167)</u>	<u>78,920</u>
Cash and cash equivalents, beginning of year	<u>523,515</u>	<u>444,595</u>
Cash and cash equivalents, end of year	<u><u>\$ 412,348</u></u>	<u><u>\$ 523,515</u></u>

See Notes to the Financial Statements

**Save the Bay**  
**(Formerly Save San Francisco Bay Association)**

**Statement of Functional Expenses**  
**For the Year Ended September 30, 2008**  
**(With Comparative Totals for Year Ended September 30, 2007)**

	Program Services					Supporting Services		Totals	
	Bay Protection	Restoration Campaigns	Public		Total Program	Management and General	Fundraising	2008	2007
			Education & Outreach	Watershed Education					
Salaries	\$ 194,104	\$ 429,699	\$ 262,886	\$ 240,187	\$ 1,126,876	\$ 118,905	\$ 125,406	\$ 1,371,187	\$ 1,152,424
Payroll taxes	15,705	35,091	21,513	19,343	91,652	9,681	10,147	111,480	98,839
Pension contributions	1,721	4,230	2,718	2,744	11,413	1,475	1,212	14,100	13,313
Other employee benefits	15,822	38,600	22,110	24,033	100,565	12,070	10,540	123,175	110,995
	<u>227,352</u>	<u>507,620</u>	<u>309,227</u>	<u>286,307</u>	<u>1,330,506</u>	<u>142,131</u>	<u>147,305</u>	<u>1,619,942</u>	<u>1,375,571</u>
Professional fundraising fees	14,349	2,401	19,389		36,139	3,325	107,699	147,163	97,949
Supplies	3,454	18,081	3,650	13,450	38,635	2,217	2,096	42,948	40,457
Telephone	2,903	5,398	2,900	3,525	14,726	1,350	845	16,921	15,922
Postage	6,056	1,795	11,654	915	20,420	1,284	48,678	70,382	60,921
Occupancy	12,216	29,896	18,031	18,921	79,064	10,100	8,431	97,595	95,379
Printing and publications	24,227	5,046	36,711	2,852	68,836	3,238	97,605	169,679	138,845
Travel, meals and entertainment	6,369	23,622	1,856	21,135	52,982	174	264	53,420	50,086
Grants	180,000	4,500			184,500	-	-	184,500	7,375
Depreciation	1,244	7,636	1,836	15,795	26,511	1,028	858	28,397	33,706
Insurance	1,685	7,717	2,488	11,104	22,994	3,051	1,163	27,208	27,517
Dues, licenses, service fees	996	2,679	1,572	3,196	8,443	2,214	673	11,330	5,143
Other professional services	199,568	18,288	72,969	39,605	330,430	53,228	4,580	388,238	223,913
In kind professional services	148,893				148,893	-	-	148,893	194,650
Events, food, facilities			5,356	4,916	10,272	-	-	10,272	16,630
Miscellaneous expense	8,259	10,165	13,095	6,174	37,693	14,240	3,985	55,918	29,265
Total	<u>\$ 837,571</u>	<u>\$ 644,844</u>	<u>\$ 500,734</u>	<u>\$ 427,895</u>	<u>\$ 2,411,044</u>	<u>\$ 237,580</u>	<u>\$ 424,182</u>	<u>\$ 3,072,806</u>	<u>\$ 2,413,329</u>

See Notes to the Financial Statements

**SAVE THE BAY**  
**(FORMERLY SAVE SAN FRANCISCO BAY ASSOCIATION)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2007)**

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**NOTE 1: NATURE OF ACTIVITIES**

Save the Bay (the Organization) is a California nonprofit public benefit corporation, founded in 1961 to preserve, restore, and protect the San Francisco Bay and Sacramento/San Joaquin River Delta Estuary as a healthy and biologically diverse ecosystem that is valued as essential to the well-being of the human community it sustains. Program services include bay protection, restoration campaign, public education and outreach and watershed education. The Organization's office is located in Oakland, California and its primary sources of income are public and private grants and contributions.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Basis of Presentation**

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. The Organization has no permanently restricted net assets.

**Revenue Recognition**

Contributions are recognized as revenue when received or unconditionally promised. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 restrictions.

**Income Taxes**

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the California Revenue and Taxation Code Section 23701(d).

**Donated Services**

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.



**SAVE THE BAY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2007)**

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**Estimates**

The preparation of financial statements in conformity with generally 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.

**Cash and Equivalents**

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents.

**Property and Equipment**

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.

**Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**Prior Year Summarized 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 September 30, 2007, from which the summarized information was derived.

**NOTE 3: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at September 30:

	<u>2008</u>	<u>2007</u>
Furniture and vehicles	\$ 283,023	\$ 248,227
Less accumulated depreciation	<u>(194,847)</u>	<u>(181,362)</u>
Total	<u>\$ 88,176</u>	<u>\$ 66,865</u>

**SAVE THE BAY**  
**(FORMERLY SAVE SAN FRANCISCO BAY ASSOCIATION)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2007)**

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**NOTE 4: COMMITMENTS**

**Operating Leases**

The Organization is party to leases for office space in Oakland and a copier which expire in April, 2011 and July, 2013 respectively. At September 30, 2007, future minimum operating lease payments were as follows for the years ending September 30:

2009	\$ 91,984
2010	94,484
2011	33,924
2012	<u>2,418</u>
Total	<u>\$ 222,810</u>

Commitments for the years ended September 30, 2008 and 2007 was \$88,987 and 87,269 respectively.

**NOTE 5: CONTINGENCIES**

The Organization receives a portion of its support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities.

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

**NOTE 6: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available as follows as of September 30:

	<u>2008</u>	<u>2007</u>
Watershed education	\$ 37,375	\$ 53,000
Estuary restoration	171,842	105,000
Watershed education and restoration	-	63,000
Communities Save San Francisco Bay	125,000	250,000
Pollution prevention	287,500	20,000
Restoration Policy and funding	95,490	-
Bay Fill prevention	299,278	75,000
Technology	<u>50,000</u>	<u>55,000</u>
Total	<u>\$ 1,066,485</u>	<u>\$ 621,000</u>

**SAVE THE BAY**  
**(FORMERLY SAVE SAN FRANCISCO BAY ASSOCIATION)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2007)**

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Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the year ended September 30:

	<u>2008</u>	<u>2007</u>
Watershed education	\$ 239,625	\$ 127,950
Estuary restoration	244,750	321,500
Watershed education and restoration	-	152,500
Communities Save San Francisco Bay	125,000	140,000
Pollution prevention	307,336	26,157
Restoration Policy and funding	148,000	-
Bay Emergency Response Fund	37,345	-
Technology	35,000	-
Coaching	-	274
Bay Fill prevention	<u>252,500</u>	<u>45,000</u>
Total	<u>\$ 1,389,556</u>	<u>\$ 813,381</u>

**NOTE 7: PENSION**

The Organization has a defined contribution plan as established under Internal Revenue Code Section 403(b) (the Plan). All employees who work at least 1,000 hours per year are eligible for participation in the Plan after one full year of employment, and become vested at that time. For each Plan year, the Board of Directors of the Organization determines the amount (if any) to be contributed to the Plan by the Organization, and matches 50% of each eligible employee's contributions up to \$1,000. Total contributions made by the Organization for the years ended September 30, 2008 and 2007 were \$14,100 and \$13,313 respectively.

**NOTE 8: IN KIND SUPPORT**

**Specialized services**

The Organization received an in-kind donation for designing a public service ad campaign to prevent Bay pollution caused by residents. For the years ended September 30, 2008 and 2007 the value of these services was estimated at \$148,893 and \$194,500, respectively. These services were recorded as revenue and the corresponding expenses were allocated to program expenses as this campaign promoted public behavior to protect San Francisco Bay.

**Volunteer Services**

In addition to the specialized services, the Organization organized work parties of volunteers to carry out restoration projects removing invasive species growing in San Francisco Bay, collecting seeds from native plants, and planting over 25,000 seedlings to restore the bio-diversity and health of the bay. The value of these services was estimated at \$448,307 and \$382,549 for the years ended September 30, 2008 and 2007 respectively. Of that amount, \$169,201 and \$ 207,960 was used to meet the matching requirement of four

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2007)**

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federal grants from the National Oceanic and Atmospheric Administration for the years ended September 30, 2008 and 2007 respectively.

**NOTE 9: JOINT COSTS OF ACTIVITIES THAT INCLUDED FUNDRAISING APPEALS**

The Organization engaged in a number of activities, such as newsletters, that included a fundraising appeal. As a result, the costs of these activities were allocated between fundraising, program and management and general services as follows for the years ended September 30:

	<u>2008</u>	<u>2007</u>
Costs allocated to program activities	\$ 88,697	\$ 40,973
Costs allocated to fundraising activities	97,256	13,635
Costs allocated to management and general	<u>6,666</u>	<u>2,140</u>
Total	<u>\$ 192,619</u>	<u>\$ 56,748</u>

**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

Board of Directors  
Save the Bay (formerly Save San Francisco Bay Association)  
Oakland, California

We have audited the financial statements of Save the Bay (formerly Save San Francisco Bay Association) as of and for the year ended September 30, 2008, and have issued our report thereon dated December 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Save the Bay (formerly Save San Francisco Bay Association)'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting. A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Save the Bay (formerly Save San Francisco Bay Association)'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Save the Bay (formerly Save San Francisco Bay Association) in a separate letter dated December 30, 2008.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and the California Department of Boating and Waterways, the California State Coastal Conservancy, and the Organization's federal funding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants  
Oakland, California  
December 30, 2008