

MOBILE BAYKEEPER, INC.
FINANCIAL STATEMENTS
Year Ended December 31, 2010

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4
Statements of cash flows	6
Notes to financial statements	7

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mobile Baykeeper, Inc.
Mobile, Alabama

We have audited the accompanying statement of financial position of Mobile Baykeeper, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 the Organization's 2009 financial statements.

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 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 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 Mobile Baykeeper, Inc. as of December 31, 2010, 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.

Mostellar & Shreve LLP

September 2, 2011

MOBILE BAYKEEPER, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 217,883	\$ 77,617
Grant receivable	10,500	50,000
Inventory	9,101	2,106
Prepaid insurance	4,993	3,877
TOTAL CURRENT ASSETS	<u>242,477</u>	<u>133,600</u>
 PROPERTY, PLANT AND EQUIPMENT, net	 <u>41,950</u>	 <u>4,019</u>
	 <u>\$ 284,427</u>	 <u>\$ 137,619</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,111	\$ 818
 NET ASSETS		
Unrestricted	139,987	98,801
Temporarily restricted	139,329	38,000
	<u>279,316</u>	<u>136,801</u>
	 <u>\$ 284,427</u>	 <u>\$ 137,619</u>

See accompanying notes.

MOBILE BAYKEEPER, INC.
STATEMENTS OF ACTIVITIES

Year Ended December 31, 2010 with comparative totals as of December 31, 2009

	Unrestricted	Temporarily Restricted	Total 2010	Total 2009
SUPPORT AND REVENUE				
Membership contributions	\$ 36,481	\$ 64,776	\$ 101,257	\$ 28,527
General contributions	9,785	---	9,785	10,949
Honorarium	1,430	---	1,430	---
Grants	41,756	303,504	345,260	55,500
Donated items and services	8,484	---	8,484	---
Fundraising income	166,249	---	166,249	95,857
Merchandise sales	4,264	---	4,264	406
Interest income	975	---	975	873
Realized loss on sale of investments	(6)	---	(6)	---
Loss on disposal of fixed assets	(467)	---	(467)	---
Settlement proceeds	---	---	---	68,000
Other income	25	---	25	115
Net assets released from restriction	266,951	(266,951)	---	---
TOTAL SUPPORT AND REVENUE	535,927	101,329	637,256	260,227
EXPENSES				
Program Services:				
Membership outreach and education	90,495	---	90,495	78,602
Oil Restoration & Recovery	155,951	---	155,951	---
Local issues	91,818	---	91,818	127,585
Statewide issues	69,130	---	69,130	106,793
Total Program Services	407,394	---	407,394	312,980
Supporting Services:				
Fundraising	64,832	---	64,832	39,690
Management and General	22,515	---	22,515	12,642
Total Supporting Services	87,347	---	87,347	52,332
TOTAL EXPENSES	494,741	---	494,741	365,312
CHANGE IN NET ASSETS	41,186	101,329	142,515	(105,085)
NET ASSETS AT				
BEGINNING OF YEAR	98,801	38,000	136,801	241,886
NET ASSETS AT END OF YEAR	\$ 139,987	\$ 139,329	\$ 279,316	\$ 136,801

See accompanying notes.

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MOBILE BAYKEEPER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010 with comparative totals as of December 31, 2009

	<u>PROGRAM SERVICES</u>				
	Outreach and Education	Oil Response and Restoration	Local Issues	Statewide Issues	Total Program Services
Accounting	\$ 2,424	\$ 2,216	\$ 1,497	\$ 1,052	\$ 7,189
Bank charges	92	964	---	---	1,056
Advertising	3,658	35,196	502	---	39,356
Baykeeper Boat	---	232	744	---	976
Donations	693	3,150	482	925	5,250
Consulting & legal fees	---	16,000	25,304	25,804	67,108
Education	---	---	---	---	---
Bay Bash	198	3,595	---	---	3,793
Bay Splash	---	11,351	---	---	11,351
Grandman	1,572	1,572	1,048	---	4,192
Hops Fest	1,808	21	---	---	1,829
Insurance	3,277	2,657	1,800	1,029	8,763
Conference, meetings & travel	1,426	8,290	1,454	6,407	17,577
Member mailing	898	---	---	---	898
Merchandise	3,988	1,855	654	---	6,497
Moving costs	662	601	409	287	1,959
Office furniture & equipment	1,617	2,078	1,365	702	5,762
Office supplies	724	1,212	1,001	863	3,800
Personnel costs	53,497	52,021	41,198	23,237	169,953
Postage	4,428	641	234	148	5,451
Printing	2,100	291	6,905	5,113	14,409
Rent	1,874	3,352	3,258	814	9,298
Utilities	4,057	5,541	3,035	2,097	14,730
Grants to other organizations	---	1,750	---	---	1,750
	<u>88,993</u>	<u>154,586</u>	<u>90,890</u>	<u>68,478</u>	<u>402,947</u>
Depreciation	<u>1,502</u>	<u>1,365</u>	<u>928</u>	<u>652</u>	<u>4,447</u>
	<u>\$ 90,495</u>	<u>\$ 155,951</u>	<u>\$ 91,818</u>	<u>\$ 69,130</u>	<u>\$ 407,394</u>

See accompanying notes.

SUPPORTING SERVICES

Fund Raising	Management and General	Total Supporting Services	TOTAL 2010	TOTAL 2009
\$ 1,555	\$ 777	\$ 2,332	\$ 9,521	\$ 8,186
9	38	47	1,103	1,214
698	91	789	40,145	5,260
---	---	---	976	566
1,800	22	1,822	7,072	3,670
---	---	---	67,108	113,963
106	60	166	166	422
50	---	50	3,843	2,512
---	---	---	11,351	857
6,287	---	6,287	10,479	14,626
3,136	---	3,136	4,965	100
4,144	759	4,903	13,666	6,114
947	122	1,069	18,646	8,195
---	---	---	898	1,013
4,467	---	4,467	10,964	5,582
425	212	637	2,596	---
1,037	518	1,555	7,317	724
497	204	701	4,501	2,594
34,388	17,163	51,551	221,504	148,562
392	106	498	5,949	2,099
176	88	264	14,673	5,971
1,202	600	1,802	11,100	11,850
2,552	1,274	3,826	18,556	17,008
---	---	---	1,750	---
<u>63,868</u>	<u>22,034</u>	<u>85,902</u>	<u>488,849</u>	<u>361,088</u>
<u>964</u>	<u>481</u>	<u>1,445</u>	<u>5,892</u>	<u>4,224</u>
<u>\$ 64,832</u>	<u>\$ 22,515</u>	<u>\$ 87,347</u>	<u>\$ 494,741</u>	<u>\$ 365,312</u>

MOBILE BAYKEEPER, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 142,515	\$ (105,085)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,892	4,224
Donated investment	(1,772)	---
Loss on disposal of fixed assets	467	---
Loss on sale of donated investment	6	---
(Increase) decrease in:		
Grant receivable	39,500	100,000
Inventory	(6,995)	(386)
Prepaid expenses	(1,116)	6,704
Increase (decrease) in:		
Accounts payable	<u>4,293</u>	<u>(4,882)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	182,790	575
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of donated investment	1,766	---
Purchase of fixed assets	<u>(44,290)</u>	<u>---</u>
NET CASH (USED) IN INVESTING ACTIVITIES	<u>(42,524)</u>	<u>---</u>
NET INCREASE IN CASH	140,266	575
CASH AT BEGINNING OF YEAR	<u>77,617</u>	<u>77,042</u>
CASH AT END OF YEAR	<u>\$ 217,883</u>	<u>\$ 77,617</u>

See accompanying notes.

MOBILE BAYKEEPER, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Structure

Mobile Baykeeper, Inc. is a nonprofit organization located in the city of Mobile, Alabama. Revenues derived mainly from memberships, contributions, fundraising and grant proceeds.

Nature of Activities

Mobile Baykeeper, Inc. provides citizens a means to protect the beauty, health and heritage of the Mobile Bay watershed.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Income Taxes

The Organization is a nonprofit organization exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code.

Cash

For purposes of the statement of cash flows, the Organization considers investments with an initial maturity of three months or less to be cash.

Grants Receivable

Receivables include amounts due from a grantor under grant agreement. Management considers receivables over thirty days as past due. Receivables are considered uncollectible at management's discretion. The direct write-off method is used for charging off uncollectible receivables. Generally accepted accounting principles require that the allowance method be used to reflect bad debt expense. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Inventory

Inventory is composed of small gifts and merchandise for sale at the Organization's office and through the Organization's website. Inventory is recorded at the lower of cost or market. Cost is determined by the first-in, first-out method (FIFO).

Property and Equipment

Property and equipment are stated at cost or, in the case of gifts, fair value at the date of donation. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$500 and those that have an estimated useful life of at least two years. Depreciation has been provided on the straight line basis over the useful lives of the assets.

MOBILE BAYKEEPER, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions.

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.

Financial Statement Presentation

The Organization is required to report 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.

GRANTS RECEIVABLE

As of December 31, 2010, grants receivable consisted of \$5,000 from the Kim Samuels Johnson Foundation and \$5,500 from the Gulf of Mexico Alliance for a total of \$10,500. As of December 31, 2009, grant receivable consisted of \$50,000 from the Charles Stewart Mott Foundation.

PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Boat	\$ 15,694	\$ 15,694
Furniture, fixtures and equipment	55,386	22,908
Leasehold improvements	5,794	800
	<u>76,874</u>	<u>39,402</u>
Less: accumulated depreciation	(34,924)	(35,383)
	<u>\$ 41,950</u>	<u>\$ 4,019</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$5,892 and \$4,224, respectively.

MOBILE BAYKEEPER, INC.
NOTES TO FINANCIAL STATEMENTS

OPERATING LEASE

The Organization leases office space in Mobile, Alabama from an unrelated party under a non-cancelable operating lease expiring in 2013.

Minimum lease payments are as follows:

Year ending December 31,	
2011	\$ 18,000
2012	18,400
2013	<u>12,800</u>
	<u>\$ 49,200</u>

RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Transportation and permit review	\$ 9,000	\$ 18,000
Environmental impact studies	---	10,000
ADEM reform coalition	2,500	---
Stormwater	55,500	---
Local issues	10,000	10,000
Statewide issues	2,500	---
Oil response and restoration	<u>59,829</u>	<u>---</u>
	<u>\$ 139,329</u>	<u>\$ 38,000</u>

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 support services benefited.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization believes the carrying amount of cash, grants receivable and accounts payable approximates fair value due to their short maturity. The Organization also believes the carrying amount of the Organization's long-term assets approximates fair value.

MOBILE BAYKEEPER, INC.
NOTES TO FINANCIAL STATEMENTS

EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 26, 2011, the date through which the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

PRIOR-YEAR SUMMARIZED COMPARATIVE DATA

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 December 31, 2009, from which the summarized information was derived.