

San Francisco Bay Bird Observatory

Financial Statements

December 31, 2008

DRAFT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
San Francisco Bay Bird Observatory:

We have audited the accompanying statement of financial position of San Francisco Bay Bird Observatory a nonprofit organization) as of December 31, 2008, 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 2007 financial statements which were reviewed by us on March 26, 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. 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 San Francisco Bay Bird Observatory as of December 31, 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 April 23, 2009, on our consideration of San Francisco Bay Bird Observatory'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 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.



Pleasanton, California
April 23, 2009

San Francisco Bay Bird Observatory
Statement of Financial Position
December 31, 2008

	Unrestricted	Temporarily Restricted	Total 2008	Summarized 2007
ASSETS				
Cash and cash equivalents	\$102,801	\$109,890	\$212,691	\$82,008
Contracts & grants receivable	133,945	91,550	225,495	127,266
Prepaid expenses	3,376		3,376	1,311
TOTAL CURRENT ASSETS	240,122	201,440	441,562	210,585
Investments	153,879		153,879	138,386
Property and equipment, net	26,058		26,058	20,107
TOTAL ASSETS	\$420,059	\$201,440	\$621,499	\$369,078
LIABILITIES				
Accounts payable & accrued expenses	\$24,970		\$24,970	\$5,191
Accrued compensation	17,120		17,120	8,435
TOTAL LIABILITIES	42,090		42,090	13,626
NET ASSETS				
Unrestricted	287,969		287,969	315,452
Board designated	90,000		90,000	
Temporarily restricted		\$201,440	201,440	40,000
TOTAL NET ASSETS	377,969	201,440	579,409	355,452
TOTAL LIABILITIES & NET ASSETS	\$420,059	\$201,440	\$621,499	\$369,078

See accompanying notes and accountants report.

San Francisco Bay Bird Observatory
Statement of Activities
For the year ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total 2008	Summarized 2007
Revenue and Support				
Grants and awards	\$366,429	\$219,365	\$585,794	\$370,483
Donations	53,135		53,135	82,171
In-kind donations	2,808		2,808	
Program fees	2,186		2,186	
Membership dues	42,355		42,355	43,752
Investment Income	4,346		4,346	6,379
Insurance proceeds equipment replacement				10,984
Net assets released from restrictions				
Purpose requirements met	57,925	(\$57,925)		
Total revenue and support	529,184	161,440	690,624	513,769
Expenses				
Program services				
Land Bird	99,348		99,348	141,918
Water Bird	257,457		257,457	241,120
Education	59,970		59,970	59,483
Supporting services				
Management and general	25,132		25,132	19,459
Fundraising	24,761		24,761	31,061
Total expenses	466,668		466,668	493,041
INCREASE / (DECREASE) IN NET ASSETS	62,516	161,440	223,956	20,728
Net assets at beginning of year				
As previously reported	315,452	40,000	355,452	272,063
Prior period adjustment				62,661
Balance at the beginning of the year as restated	315,452	40,000	355,452	334,724
NET ASSETS AT END OF YEAR	\$377,969	\$201,440	\$579,409	\$355,452

See accompanying notes and accountants report.

San Francisco Bay Bird Observatory
Statement of Functional Expenses
For the year ended December 31, 2008

	Program Services				Supporting Services			Total	Summarized
	<u>Land Bird</u>	<u>Water Bird</u>	<u>Education</u>	<u>Total Program</u>	<u>Management & General</u>	<u>Fund - Raising</u>	<u>Total Support</u>	<u>2008</u>	<u>2007</u>
Salaries & wages	\$66,345	\$158,355	\$35,999	\$260,699	\$10,108	\$1,181	\$11,289	\$271,988	\$338,217
Payroll taxes	5,649	14,744	3,206	23,599	1,020	111	1,131	24,730	30,440
Benefits	6,448	6,268	4,009	16,725	231	223	454	17,179	17,223
Total compensation	78,442	179,367	43,214	301,023	11,359	1,515	12,874	313,897	385,879
Conferences & meetings	1,147	2,850	1,284	5,281	195	29	224	5,505	7,286
Dues & subscriptions	52	45	333	430	357	810	1,167	1,597	1,315
Equipment lease & maintenance	114	294	64	472	29	28	57	529	2,148
Insurance	235	608	131	974	1,508	58	1,566	2,540	2,555
Interest expense		1		1				1	290
Other expenses	16	442	2,154	2,612	5	4	9	2,621	1,461
Outside services	7,394	38,954	4,495	50,843	8,271	2,497	10,768	61,611	19,526
Postage & delivery	210	515	466	1,191	62	5,206	5,268	6,459	8,639
Printing & copying			612	612		7,798	7,798	8,410	17,125
Property taxes					1,336		1,336	1,336	
Rent	1,821	4,719	1,019	7,559	470	454	924	8,483	7,030
Supplies	5,150	10,594	1,969	17,713	863	5,708	6,571	24,284	18,554
Telephone	765	1,000	213	1,978	98	95	193	2,171	4,210
Travel	397	12,666	2,558	15,621	17	16	33	15,654	8,367
Utilities	1,874	1,155	249	3,278	115	111	226	3,504	3,587
Subtotal before depreciation	97,617	253,210	58,761	409,588	24,685	24,329	49,014	458,602	487,973
Depreciation	1,731	4,487	969	7,187	447	432	879	8,066	5,068
Total expenses	\$99,348	\$257,697	\$59,730	\$416,775	\$25,132	\$24,761	\$49,893	\$466,668	\$493,041

See accompanying notes and accountants report.

San Francisco Bay Bird Observatory
Statement of Cash Flows
For the year ended December 31, 2008

	<u>Total 2008</u>	<u>Summarized 2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$223,956	\$20,728
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	8,066	5,068
Unrealized gains on investments	561	(389)
Prior period adjustment		62,661
(Increase) decrease in operating assets		
Contracts & grants receivable	(98,229)	(75,663)
Prepaid expenses	(2,065)	(1,311)
Increase (decrease) in operating liabilities		
Accounts payable	19,779	6,666
Accrued compensation	8,685	8,435
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>160,753</u>	<u>26,195</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment purchases	(14,017)	(17,894)
Interest and dividends re-invested	(4,907)	(5,990)
Purchases of investments, net of related fees	(11,146)	(63,360)
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	<u>(30,070)</u>	<u>(87,244)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	130,683	(61,049)
BEGINNING CASH AND CASH EQUIVALENTS	<u>82,008</u>	<u>143,057</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$212,691</u>	<u>\$82,008</u>
 Supplemental disclosure:		
Cash paid for interest expense	<u>\$1</u>	<u>\$290</u>

See accompanying notes and accountants report.

San Francisco Bay Bird Observatory
Notes to Financial Statements
December 31, 2008

NOTE A - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Summary of Activities

San Francisco Bay Bird Observatory (Organization), incorporated in 1981, is dedicated to the conservation of birds and their habitats through science and outreach, and to contributing to informed resource management decisions for the San Francisco Bay area. The Organization's vision is a region with a mosaic of preserved natural habitats supporting viable endemic bird populations that are diverse, species rich, and abundant.

Programs

Land Bird program tracks land birds and provide information about land management practices and maintaining habitats that support healthy populations. Bird banding stations are maintained to measure breeding and migratory bird responses to the bay area region activities. Nestlings were banded to track returns to the area and survivorship. Water Bird program tracks water birds documenting nesting sites and breeding successes. Contributions to the oil spill clean up efforts were made. Education program provides demonstrations of bird banding, and educational walks / bicycling tours enabling the public to learn about the Organization's science programs. Programs are partly conducted on land owned by the Santa Clara Water District for which the Organization has an easement permit providing for right of way.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with accounting standards for nonprofit organizations and accordingly reports financial information activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. The Organization has elected to report as an increase in unrestricted net assets any restricted revenue received in the current period for which the restrictions have been met in the current period. Temporary restricted net assets include those assets, which are subject to a donor restriction and for which the applicable restriction was not met at the end of the current reporting period. Permanently restricted net assets include those assets, subject to non-expiring donor restrictions, such as endowments. For the year ended December 31, 2007 the Organization did not have any permanently restricted funds.

Use of Estimates

The preparation of financial statements in conformity with general 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 Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include cash held in banks with original maturities of three months or less, other than those held as part of the long-term investment portfolio.

Investments

Investments consist of mutual funds and are carried at fair value. The market values of investments are generally determined based on quoted market prices or estimated fair values provided by external investment managers. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of the securities sold. Investment management fees are netted against investment income for financial reporting purposes.

Grants and Contracts Receivable

The Organization considers all receivables to be fully collectible; accordingly, an allowance for doubtful accounts is not considered necessary. Grants and contracts receivable are recorded at net realizable value if expected to be collected within two years or at fair value if expected to be collected in more than two years.

San Francisco Bay Bird Observatory
Notes to Financial Statements
December 31, 2008

Property, Equipment and Depreciation

Property and equipment is recorded at cost when purchased or, if contributed 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 value greater than \$500. Depreciation is computed using the straight-line method over the assets estimated useful life, which ranges from three to seven years. Depreciation is charged to the activity benefiting from the use of the facilities or equipment.

Revenue Recognition

The Organization's primary sources of revenue are from grants and contracts from local governments, foundations, corporations, and donations from individuals. Contracts are recognized as revenue in the period in which the service is provided. Grants are recognized as revenue in the period in which they are awarded. Grants, awards, and donations are recorded as an increase in unrestricted revenue if expenditures are incurred in the current period, which effectively fulfill the conditions of the grant.

Contributions

The Organization accounts for contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and, or nature of any donor restrictions. Restricted contributions reported as an increase in temporarily or permanently restricted net assets are reclassified from restricted net assets to unrestricted net assets when donor requirements are met.

Contributions In-Kind

Donations are recorded at their estimated fair market value on the day of donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at their estimated fair market value at the time the services are rendered. The Organization receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. These contributed services are not reflected in the Organization's financial statements.

Indirect Expense Allocations

The costs of operating the Organization's program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on direct costs in each program to total direct costs of the Organization.

Income Taxes

The Organization is exempt from federal and state income taxes under section 501(c)3 of the Internal Revenue Code and Section 23701(d) of the California Code; accordingly, income taxes are not provided for in the financials. The Organization is not classified as a private foundation.

Advertising

Advertising costs are expensed as incurred in accordance with generally accepted accounting principles.

Comparative Financial 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 December 31, 2007, from which the summarized information was obtained.

Fair Value of Financial Instruments

The carrying amounts of current assets and current liabilities approximate fair value because of the short maturity of these instruments.

NOTE B – CONTRACTS AND GRANTS RECEIVABLE

At December 31, 2008 contracts and grants receivable are \$225,495 and are due within one year.

San Francisco Bay Bird Observatory
Notes to Financial Statements
December 31, 2008

NOTE C – INVESTMENTS

Investments as of December 31, 2008 consist of money market funds and mutual funds and are reported at fair market value, \$153,879 in the statement of financial position. Investment income consists of interest and dividends, \$4,907 and unrealized losses \$561.

NOTE D – PROPERTY AND EQUIPMENT

At December 31, 2008 property and equipment and related accumulated depreciation is as follows:

Vehicles, Boats, & Trailers	\$14,320
Furniture & Fixtures	10,524
Equipment	18,050
Computers	11,891
Software	7,576
Subtotal	\$62,361
Accumulated Depreciation	(28,238)
Net Property and Equipment	\$34,123

NOTE E - CONTINGENT LIABILITIES

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies' criteria and regulations under which expenditures may be charged against and are subject to audit under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with the established criteria governing them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to reductions of future funding in the amount of such costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2008 the Organization's donor restricted funds consisted of:

<u>Purpose</u>	<u>Beginning</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u>
Bird Surveys	\$40,000		\$33,840	\$6,160
Snowy Plover Nesting Research		\$210,000	\$21,905	\$188,095
Youth Education		\$4,200	\$227	\$3,973
SF Bay Shorebird Census		\$5,165	\$1,953	\$3,212
Total	\$40,000	\$219,365	\$57,925	\$201,440

NOTE G - OPERATING LEASE

The Organization entered into a lease agreement for office space located in Milpitas, California. Rent expense for the year ending December 31, 2008 is \$6,800. Future minimum payments under this lease agreement are as follows: \$5,850 for the year ending December 31, 2009.

San Francisco Bay Bird Observatory
Notes to Financial Statements
December 31, 2008

NOTE H – CONCENTRATIONS

The Organization holds investments that are not protected under the federal deposit insurance corporation. Management believes the organization is not exposed to any significant credit risk related to uninsured investments, which total \$153,879 at December 31, 2007. For the year ended December 31, 2008 approximately 28% of the Organization's grants & awards are from the Resource Legacy Fund. At December 31, 2007, approximately 30% of the Organization's grants & awards receivable is due from the US Fish & Wildlife Service.

The ability of certain of the Organization's grants and awards to continue to provide amounts comparable with prior years may be dependent upon current and future economic conditions and budget constraints. While the Board of Directors believes the Organization has the resources to continue current and future programs, its ability to do so, and the extent to which it does continue, may be dependent on the above factors.

NOTE I – BOARD DESIGNATED NET ASSETS

At December 31, 2008, the board of directors has designated the Organization's unrestricted net assets for capital improvements of \$90,000.

NOTE J – CONTRIBUTIONS IN-KIND

For the year ended December 31, 2008 the Organization recognized the following in-kind donations: 1999 Ford Truck valued at \$1,976 and supplies valued at \$832. Total in-kind donations reported \$2,808.

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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*

To the Board of Directors of San Francisco Bay Bird Observatory:

We have audited the financial statements of San Francisco Bay Bird Observatory (a nonprofit organization) as of and for the year ended December 31, 2008, and have issued our report thereon dated April 23, 2009. 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 San Francisco Bay Bird Observatory'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 San Francisco Bay Bird Observatory's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization'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 organization's internal control.

Our consideration of the 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 the 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 San Francisco Bay Bird Observatory'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*.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Pleasanton, California
April 23, 2009