

AMERICAN LITTORAL SOCIETY

Financial Statements

December 31, 2008

(With Independent Auditor's Report Thereon)

AMERICAN LITTORAL SOCIETY
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008

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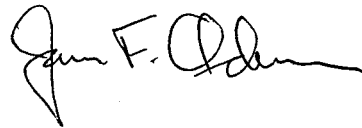
INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
American Littoral Society
Sandy Hook, New Jersey

I have audited the accompanying statement of financial position of the American Littoral Society (a nonprofit organization) as of December 31, 2008 and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 managements, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Littoral Society 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.



James F. Anderson, CPA

March 31, 2009

Americal Littoral Society
Statement of Financial Position
December 31, 2008

Assets

Current assets:

Cash and cash equivalents	\$ 693,318
Grants receivable	29,258
Other current assets	19,034
Total current assets	<u>741,610</u>

Investments	440,762
Equipment and leasehold improvements, net	28,848
	<u>\$ 1,211,220</u>

Liabilities and net assets

Current liabilities:

Accounts payable and accrued expenses	\$ 83,978
Deferred revenue	395,797
Total current liabilities	<u>479,775</u>

Commitments

Net Assets:

Unrestricted	83,152
Temporarily restricted	648,293
	<u>731,445</u>
	<u>\$ 1,211,220</u>

See accompanying notes.

Americal Littoral Society
Statement of Activities
December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Federal government grants	\$ 450	\$ 151,112	\$ 151,562
State government grants	100,000	207,653	307,653
Foundation grants	290,587	1,600,249	1,890,836
Donations	123,614	95,003	218,617
Program income	155,216	57,413	212,629
Memberships	138,546	-	138,546
Investment income	25,808	2,312	28,120
Fundraising events	12,527	10,001	22,528
Other revenue	11,899	-	11,899
Total revenue	<u>858,647</u>	<u>2,123,743</u>	<u>2,982,390</u>
Net assets released from restrictions	<u>1,973,494</u>	<u>(1,973,494)</u>	<u>-</u>
Total revenue and other support	<u>2,832,141</u>	<u>150,249</u>	<u>2,982,390</u>
Expenses			
Payroll, taxes and fringe benefits	1,304,247	-	1,304,247
Subcontractors and consultants	754,412	-	754,412
Other program expenses	364,127	-	364,127
Office expenses	154,446	-	154,446
Occupancy costs	90,890	-	90,890
Communications and technology	71,571	-	71,571
Professional fees	55,803	-	55,803
Travel expenses	50,660	-	50,660
Insurance	37,902	-	37,902
Depreciation	13,304	-	13,304
Other	2,914	-	2,914
	<u>2,900,276</u>	<u>-</u>	<u>2,900,276</u>
Deficiency of revenues and other support over expenses	(68,135)	150,249	82,114
Net Assets as of the beginning of the year	151,287	498,044	649,331
Net Assets as of the end of the year	<u>\$ 83,152</u>	<u>\$ 648,293</u>	<u>\$ 731,445</u>

See accompanying notes.

Americal Littoral Society
Statement of Cash Flows
December 31, 2008

Cash flows from operating activities	
Deficiencies of revenues	
and other support over expenses	\$ 82,114
Adjustments to reconcile increase (decrease) in net	
assets to net cash provided by operating activities:	
Depreciation	13,304
Decrease in grants receivable	(6,907)
Decrease in other current assets	(17,459)
Increase in accounts payables and accrued expenses	(32,390)
Increase in deferred revenue	<u>(193,313)</u>
Net cash (used) by operating activities	<u>(154,651)</u>
Cash flows from investing activities	
Purchase of investments	(71,459)
Disposal of equipment and leasehold improvements	<u>151</u>
Net cash (used) by investing activities	<u>(71,308)</u>
Net decrease in cash and cash equivalents	(225,959)
Cash and cash equivalents at beginning of year	<u>919,276</u>
Cash and cash equivalents at end of year	<u>\$ 693,317</u>
Supplemental disclosure of cash flow information	
Interest	<u>\$ -</u>

See accompanying notes.

AMERICAN LITTORAL SOCIETY

Notes to Financial Statements

December 31, 2008

(1) **Organization and Summary of Significant Accounting Policies**

Organization

The American Littoral Society (the "Society"), established on March 14, 1963, is a not-for-profit association for the protection and preservation of the oceans and related wildlife.

The Society is an organization described under Section 501(c) (3) of the Internal Revenue Code and, therefore, is exempt from Federal income taxes pursuant to Section 501(a) of the Code.

The Society operates as five separate and distinct chapters/affiliates as follows: American Littoral Society Headquarters Mid Atlantic Chapter ("ALS"), Delaware Riverkeeper Network ("DEL"), American Littoral Society Northeast Chapter ("NE"), American Littoral Society Southeast Chapter ("SE") and Regional Marine Conservation Project ("RMCP").

ALS, NE and SE are primarily dedicated to the study and conservation of aquatic life and its habitat, to encourage this study by observation and ways of fishes and other aquatic animals; to study aquatic flora; to collect and publish records of natural history observations; to establish educational programs in aquatic natural history; to assist members in solving problems of scientific study, identification and description of aquatic forms; to foster interest in aquatic life and public awareness of the value of conservation programs; to promote physical and visual access to the sea and the entrances to same; and to act affirmatively to protect the environment

DEL is committed to restoring the entire Delaware River Watershed's nature balance where it has been lost and ensuring its preservation where it still exists.

RMCP is primarily dedicated to strengthening the strategic direction for and coordination of work undertaken by a larger decentralized network of organizations seeking principally to reform marine fishery management in the United States.

AMERICAN LITTORAL SOCIETY

Notes to Financial Statements

December 31, 2008

(1) Organization and Summary of Significant Accounting Policies - continued

Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Society as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Temporarily restricted net assets – net assets subject to donor-imposed stipulations that will be met by actions of the Society and/or by the passage of time.
- Unrestricted net assets – net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions.

Contributions and Grants

Contributions, including unconditional promises to give, are recognized as revenues in the period received. All are receivable in less than one year. Conditional promises to give are not recognized until the conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at date of donation.

Grants revenue is recognized as the program services are provided.

AMERICAN LITTORAL SOCIETY

Notes to Financial Statements

December 31, 2008

(1) **Organization and Summary of Significant Accounting Policies - continued**

Summary of Significant Accounting Policies - continued

Functional Allocation of Expenses

The Society has classified expenses in the accompanying financial statements by the functional classification of program services, general and administrative, and fundraising.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost and are depreciated using the straight-line method based on estimated useful lives of five (5) years.

Release of Restrictions on Net Assets Used for Acquisition of Property and Equipment

Contributions of equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived asset.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity (three months or less) that they present insignificant risk of changes in value because of changes in interest rates, except for those managed as a component of the Society's investment portfolio.

Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Society maintains cash balances at various financial institutions, in which deposits are insured by a federal agency up to \$250,000. At various times, cash balances at these institutions may exceed the insurance limits.

AMERICAN LITTORAL SOCIETY

Notes to Financial Statements

December 31, 2008

(1) **Organization and Summary of Significant Accounting Policies – continued**

Summary of Significant Accounting Policies – continued

Investments and Investment Income

The Society's investments are stated at fair value with quoted market prices used to value investments. The Society considers all investments with a maturity of one year or less to be short term. Purchases and sales of investments are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date, and interest income is recognized on the accrual basis. Realized gains and losses on investments are calculated using the specific identification method.

Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Value of Financial Instruments*, defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The Society believes that the financial instruments reported in the statement of financial position equal or approximate fair values.

Contributed Services

The Society is dependent upon a substantial number of volunteers who contribute significant amounts of their time in program services. The Society did not reflect an amount in these financial statements for contributed services, as these services do not meet the criteria for recognition as contributed services.

Financial Dependency

The Society's largest source of revenue is foundation grants. The Society is economically dependent on these grants to carry on its operations.

AMERICAN LITTORAL SOCIETY

Notes to Financial Statements

December 31, 2008

(1) Organization and Summary of Significant Accounting Policies - continued

Summary of Significant Accounting Policies - continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Investments and Investment Income

Investments are recorded at fair value as determined by quoted market values. A summary of cost and fair values as of December 31, 2008, by investment type, is as follows:

	<u>Cost</u>	<u>Fair value</u>
Money market accounts	\$ <u>440,762</u>	\$ <u>440,762</u>

Investment income consists of the following:

Interest and dividend income	\$ <u>28,120</u>
	\$ <u>28,120</u>

(3) Equipment and Leasehold Improvements

Equipment and leasehold improvements as of December 31, 2008 consist of the following:

Equipment and leasehold improvements	\$ 67,325
Less accumulated depreciation and amortization	(38,477)
Net	\$ <u>28,848</u>

AMERICAN LITTORAL SOCIETY

Notes to Financial Statements

December 31, 2008

(4) Deferred Revenue

Deferred revenue represents grant funds received for programs that will be completed in future periods.

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs as of December 31, 2008:

DEL	\$ 313,298
RMCP	206,120
NE	83,194
ALS	43,582
SE	<u>2,099</u>
	<u>\$ 648,293</u>

(6) Functional Expenses

The Society reports its expenses by natural classification and fund in the statement of activities. Expenses grouped by functional classification are as follows for 2008:

Program	\$ 2,384,639
General and administrative	355,037
Fundraising	<u>160,600</u>
	<u>\$ 2,900,276</u>

(7) Payroll Expenses and Employee Leasing

The Society is currently under contract with an employee leasing company to lease-back certain employees at an annual rate. This rate includes the employee's salary, employee benefits, employment taxes and a fee for the leasing company. These amounts are reflected as payroll, taxes and fringe benefits in the accompanying financial statements. Fees paid to the employee leasing company amounted to approximately \$30,784 during 2008.

AMERICAN LITTORAL SOCIETY

Notes to Financial Statements

December 31, 2008

(8) Commitments

The Society leases office space for its operations at seven locations. Three of the leases are separate noncancellable operating leases (Trenton, NJ; Bristol, Pennsylvania; Portland, Oregon). The lease for the Trenton, NJ office expires on August 31, 2009. The lease for the Bristol, Pennsylvania office expires on July 1, 2009. The lease for the Portland, Oregon office expires on June 30, 2009.

Future minimum annual rental payments required under the above mentioned three leases as of December 31, 2008 is approximately \$37,584.

As of December 31, 2008, the Society has five agreements to sublease a portion of the Portland, Oregon office under leases expiring June 30, 2009. The future minimum base rental income under those leases as of December 31, 2008 is approximately \$18,815.

The Society also leases the Sandy Hook, New Jersey office building from the U.S. Department of Interior, National Park Service ("NPS") on a month-to-month basis. The Society has agreed to pay for the repairs and maintenance on the building in place of a fixed monthly rent. During 2008, the Society paid \$14,808 for repairs and maintenance which approximates the fair market value of the rent for said property. The Society is in the process of negotiating a long-term written lease agreement with the NPS.

The Society has an agreement to sublease a portion of the Sandy Hook, New Jersey office on a month-to-month basis for \$750 per month.

The Society leases the Bridgeton, New Jersey office on a month-to-month basis for \$700 per month.

The Society leases the Broad Channel, New York office from the director of that program on a month-to-month basis for \$1,000 per month.

The Sarasota, Florida office space is donated to the Society by the director of that program. The fair market value of the annual rent of \$6,000 has been reflected in the financial statements as both a donation and rent expense.

AMERICAN LITTORAL SOCIETY

Notes to Financial Statements

December 31, 2008

(8) Commitments - continued

The following shows the composition of total rental expense for the year ended December 31, 2008:

Rent expense including utility charges	\$ 116,957
Less: Sublease income	<u>(43,520)</u>
	<u>\$ 73,437</u>

(9) Contingency

The Society has received funds from the State and Federal government in the form of grants. Entitlement to the resources is conditional upon compliance with terms and conditions of the grant agreements and applicable regulations. Substantially all grants are subject to financial and compliance audits by the grantors. Management is of the opinion that a liability, if any, resulting from any financial or compliance audits would not have a material adverse effect on the Society's financial statements.