

SANTA MONICA BAYKEEPER

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

SANTA MONICA BAYKEEPER
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Santa Monica Baykeeper

We have reviewed the accompanying statement of financial position of Santa Monica Baykeeper (a nonprofit organization) (the organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion. The prior year summarized comparative information was derived from the December 31, 2010 financial statements of the organization and in our report dated September 1, 2011, we were not aware of any material modifications that should be made to those financial statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Green Hasson & Janks LLP

July 31, 2012
Los Angeles, California

SANTA MONICA BAYKEEPER**STATEMENT OF FINANCIAL POSITION**

December 31, 2011

With Summarized Totals at December 31, 2010

| ASSETS | 2011 | | | 2010 |
|---|-------------------|------------------------|-------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| Cash and Cash Equivalents | \$ 194,646 | \$ 93,339 | \$ 287,985 | \$ 224,660 |
| Accounts Receivable | 20,816 | - | 20,816 | 32,006 |
| Prepaid Expenses and Other Assets | 39,466 | - | 39,466 | 38,752 |
| Property and Equipment (Net) | 17,202 | - | 17,202 | 36,388 |
| TOTAL ASSETS | \$ 272,130 | \$ 93,339 | \$ 365,469 | \$ 331,806 |
| LIABILITIES AND NET ASSETS | | | | |
| LIABILITIES: | | | | |
| Accounts Payable | \$ 18,464 | \$ - | \$ 18,464 | \$ 22,837 |
| Accrued Vacation | 9,137 | - | 9,137 | 4,525 |
| TOTAL LIABILITIES | 27,601 | - | 27,601 | 27,362 |
| NET ASSETS: | | | | |
| Unrestricted | 244,529 | - | 244,529 | 179,779 |
| Temporarily Restricted | - | 93,339 | 93,339 | 124,665 |
| TOTAL NET ASSETS | 244,529 | 93,339 | 337,868 | 304,444 |
| TOTAL LIABILITIES AND AND NET ASSETS | \$ 272,130 | \$ 93,339 | \$ 365,469 | \$ 331,806 |

See Independent Accountants' Review Report and Accompanying Notes

SANTA MONICA BAYKEEPER**STATEMENT OF ACTIVITIES**

Year Ended December 31, 2011

With Summarized Totals for the Year Ended December 31, 2010

| | 2011 | | | 2010 Total |
|--|-------------------|---------------------------|-------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total | |
| REVENUE AND SUPPORT: | | | | |
| Grants and Contributions | \$ 69,639 | \$ 351,000 | \$ 420,639 | \$ 347,304 |
| Government Grants | 45,712 | - | 45,712 | 117,356 |
| Memberships | 91,919 | - | 91,919 | 90,284 |
| In-Kind Contributions | 1,561 | - | 1,561 | 9,435 |
| Special Events (Net of Direct Donor Benefit Expenses of \$34,000) | 168,500 | - | 168,500 | - |
| Case Recovery | 22,094 | - | 22,094 | 13,744 |
| Other Income | 9,978 | - | 9,978 | 328 |
| Net Assets Released from Program Restrictions | 382,326 | (382,326) | - | - |
| TOTAL REVENUE AND SUPPORT | 791,729 | (31,326) | 760,403 | 578,451 |
| EXPENSES: | | | | |
| Program Services | 623,535 | - | 623,535 | 609,922 |
| Support Services: | | | | |
| Management and General | 23,815 | - | 23,815 | 19,925 |
| Fundraising | 79,629 | - | 79,629 | 55,385 |
| TOTAL EXPENSES | 726,979 | - | 726,979 | 685,232 |
| CHANGE IN NET ASSETS | 64,750 | (31,326) | 33,424 | (106,781) |
| Net Assets - Beginning of Year | 179,779 | 124,665 | 304,444 | 411,225 |
| NET ASSETS - END OF YEAR | \$ 244,529 | \$ 93,339 | \$ 337,868 | \$ 304,444 |

See Independent Accountants' Review Report and Accompanying Notes

SANTA MONICA BAYKEEPER

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2011

With Summarized Totals for the Year Ended December 31, 2010

| | 2011 | | | | | | | | | | 2010 Total |
|---|-------------------|-------------------|-------------------|------------------------|------------------------------|---------------------------|------------------|------------------------------|-------------------|-------------------|---------------|
| | Program Services | | | | Total Program Services | Support Services | | Total Support Services | Total | | |
| | Advocacy | Marine | Watershed | Education/ Outreach | | Management and General | Fundraising | | | | |
| Salaries and Wages | \$ 138,087 | \$ 44,082 | \$ 54,135 | \$ 21,736 | \$ 258,040 | \$ 12,728 | \$ 34,817 | \$ 47,545 | \$ 305,585 | \$ 246,928 | |
| Benefits and Payroll Taxes | 20,332 | 6,491 | 3,200 | 7,971 | 37,994 | 1,873 | 5,127 | 7,000 | 44,994 | 32,914 | |
| TOTAL PERSONNEL EXPENSES | 158,419 | 50,573 | 57,335 | 29,707 | 296,034 | 14,601 | 39,944 | 54,545 | 350,579 | 279,842 | |
| Program Expenses | 82,332 | 21,018 | 49,466 | 8,015 | 160,831 | - | 16,152 | 16,152 | 176,983 | 167,197 | |
| Rent | 32,354 | 10,328 | 13,561 | 5,095 | 61,338 | 2,979 | 8,161 | 11,140 | 72,478 | 69,690 | |
| Professional and Consulting Fees | 29,221 | 9,328 | 12,247 | 4,602 | 55,398 | 2,690 | 7,371 | 10,061 | 65,459 | 93,422 | |
| Depreciation | 9,897 | 3,159 | 1,558 | 3,880 | 18,494 | 913 | 2,495 | 3,408 | 21,902 | 24,961 | |
| Miscellaneous | 1,431 | 457 | 600 | 225 | 2,713 | 130 | 360 | 490 | 3,203 | 3,469 | |
| Office Expense | 3,576 | 1,142 | 1,498 | 564 | 6,780 | 328 | 2,985 | 3,313 | 10,093 | 7,531 | |
| Telephone | 4,112 | 1,313 | 1,723 | 648 | 7,796 | 379 | 1,036 | 1,415 | 9,211 | 9,314 | |
| Insurance | 2,183 | 697 | 344 | 856 | 4,080 | 201 | 551 | 752 | 4,832 | 4,472 | |
| Repairs and Maintenance | - | 4,585 | - | - | 4,585 | - | - | - | 4,585 | 7,193 | |
| Equipment Rental | 1,376 | 439 | 577 | 217 | 2,609 | 128 | 345 | 473 | 3,082 | 3,263 | |
| Supplies | 727 | 232 | 305 | 115 | 1,379 | 67 | 183 | 250 | 1,629 | 1,190 | |
| In-Kind Expense | 183 | 59 | 1,227 | 29 | 1,498 | 17 | 46 | 63 | 1,561 | 9,435 | |
| Bad Debt Expense | - | - | - | - | - | 1,382 | - | 1,382 | 1,382 | - | |
| Special Event Expense | - | - | - | - | - | - | - | - | - | 4,253 | |
| TOTAL FUNCTIONAL EXPENSES - 2011 | \$ 325,811 | \$ 103,330 | \$ 140,441 | \$ 53,953 | \$ 623,535 | \$ 23,815 | \$ 79,629 | \$ 103,444 | \$ 726,979 | | |
| TOTAL FUNCTIONAL EXPENSES - 2010 | \$ 190,369 | \$ 155,202 | \$ 150,429 | \$ 113,922 | \$ 609,922 | \$ 19,925 | \$ 55,385 | \$ 75,310 | | \$ 685,232 | |

See Independent Accountants' Review Report and Accompanying Notes

SANTA MONICA BAYKEEPER

STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

With Summarized Totals for the Year Ended December 31, 2010

| | 2011 | 2010 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in Net Assets | \$ 33,424 | \$ (106,781) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities: | | |
| Depreciation | 21,902 | 24,961 |
| Provision for Bad Debt Expense | 1,382 | - |
| (Increase) Decrease in: | | |
| Accounts Receivable | 9,808 | 57,241 |
| Prepaid Expenses and Other Assets | (714) | (795) |
| Increase (Decrease) in: | | |
| Accounts Payable | (4,373) | (88,874) |
| Accrued Vacation | 4,612 | (12,358) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 66,041 | (126,606) |
| CASH FLOWS USED IN INVESTING ACTIVITY: | | |
| Purchase of Property and Equipment | (2,716) | (4,931) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 63,325 | (131,537) |
| Cash and Cash Equivalents - Beginning of Year | 224,660 | 356,197 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 287,985 | \$ 224,660 |

See Independent Accountants' Review Report and Accompanying Notes

SANTA MONICA BAYKEEPER

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - ORGANIZATION

Founded in 1993, Santa Monica Baykeeper's (the organization) mission is to protect and restore the Santa Monica Bay, San Pedro Bay, and adjacent waters through enforcement, fieldwork, and community action. Santa Monica Baykeeper runs three major programs: Advocacy/Litigation, Marine, and Watershed. All of these programs also conduct public outreach and education. We work to preserve inland and coastal waters throughout Los Angeles County.

ADVOCACY/LITIGATION - Advocacy has been at the core of Santa Monica Baykeeper's work since its founding. This work consists of both promoting progressive regulation by various local, state, and federal agencies in addition to enforcing our current laws.

Santa Monica Baykeeper played a major role in reaching an agreement with the U.S. Environmental Protection Agency in 1999 to establish Total Maximum Daily Loads (TMDLs) for Los Angeles and Ventura Counties. TMDLs are a component of the Clean Water Act that requires the government to regulate pollutants at a watershed level where waters are impaired. Both Counties are home to numerous impaired water bodies. In this landmark agreement, the Los Angeles Regional Water Quality Control Board and U.S. Environmental Protection Agency are establishing precedent-setting TMDLs over a thirteen-year period that culminates in 2012. In conjunction with TMDL establishment, Santa Monica Baykeeper has successfully advocated for Los Angeles County to be the subject of one of the most progressive storm water permits in the nation. In 2006, Santa Monica Baykeeper was instrumental in establishing bacteria limits in Santa Monica Bay Beaches during the summer months.

Enforcement of the Clean Water Act and related environmental laws is Santa Monica Baykeeper's chief pursuit. While the organization has sued scrap metal yards, industrial manufacturing facilities, developers of hillside lots, and power plants, Santa Monica Baykeeper's biggest win was the August 2004 settlement with the City of Los Angeles concerning the thousands of sewage spills from the largest sewer collection system in the nation. The settlement agreement requires the City to make extensive improvements to the sewage system infrastructure over the next ten years, preserve wetlands and other sensitive ecological areas to mitigate the damage from past spills, and provide the public with better information on the system's performance. This multi-billion dollar settlement has reverberated around the country, particularly in locations with failing sewage systems. Through the execution of the terms in this settlement the City of Los Angeles has achieved a 71% reduction in sewage spills in 2008 compared to 2000.

In addition, Santa Monica Baykeeper has worked since 2000 to stop the destructive practice of once-through cooling at our coastal power plants; once-through cooling is responsible for the deaths of billions of marine organisms each year. Santa Monica Baykeeper has pursued once through cooling reform via legal actions namely as co-plaintiff at the Second Circuit Court of Appeals and at the US Supreme Court and through the State of California Ocean Protection Council and State Water Quality Control Board.

SANTA MONICA BAYKEEPER

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - ORGANIZATION (continued)

Santa Monica Baykeeper was engaged in a campaign to educate the general public regarding the impacts of a proposed Liquefied Natural Gas terminal and pipeline in Santa Monica Bay directly impacting the communities of Playa Vista, El Segundo, Westchester, Inglewood, South Gate, and Los Angeles. This proposed project was in development for ten years for Woodside Petroleum Inc. Woodside is Australia's largest energy producer with near 40% ownership by Shell Oil. This effort involved a great deal of community outreach and the selection and preparation of a team of legal and technical experts to support our claims in court and at a variety of commissions and other governmental bodies. Woodside announced they were dropping their application to build the terminal and pipeline on January 15, 2009.

Also, in 2011, Santa Monica Baykeeper had several federal court victories to enforce storm water permits in the City of Malibu and the County of Los Angeles. These cases are primarily focused on protecting swimmers and surfers at some of Los Angeles' most popular beaches from illnesses caused by unsafe levels of bacteria and toxic metals.

MARINE PROGRAM - Santa Monica Baykeeper's Kelp Project has worked since 1997 to restore and monitor vital kelp forest habitat in Santa Monica Bay. The giant kelp beds off of Southern California are one of the most biologically diverse communities known to exist in our world's oceans. One-fourth of California's marine organisms depend on kelp forests at some point in their life history. Kelp canopies in Santa Monica Bay have been reduced by approximately 80% over the past 100 years. The over-harvest of key sea urchin predators, coastal development, pollution, and El Niño events have contributed to the decline of our magnificent kelp forests. This has left our coastal waters more prone to invasion by non-native species, increased coastal erosion, and resulted in the loss of recreational and commercial opportunities.

The Kelp Project relies on volunteer divers from local communities who assist in research, monitoring, and restoration of historic kelp beds off of Malibu and the Palos Verdes Peninsula. Since the project's inception, thousands of hours have been donated by volunteer divers. The direct results of these efforts are the restoration of 6.5 acres of kelp forest, a better understanding of the status of the near shore habitat of Santa Monica Bay, and the first steps towards the widespread recovery of our coastal kelp forest. The biological monitoring associated with the kelp project has contributed valuable information to decision makers and the scientific community.

In 2008, the Kelp Project partnered with the Vantuna Research Group of Occidental College to perform state endorsed monitoring of our coastal resources using Cooperative Resource Assessment of Nearshore Ecosystems (CRANE) surveys. The execution of this project has generated a comprehensive data set describing the extant resources of the Los Angeles County coastline. This data will be of direct benefit to the South Coast Study Region under the Marine Life Protection Act Initiative.

The Marine Life Protection Act Initiative is a State of California sponsored response to the California Marine Life Protection Act. Wherein the California Department of Resources has instituted a process by which Marine Protected Areas are to be established throughout California's storied coast. To inform this process and advocate for the protections and benefits ascribed to the establishment of Marine Protected Areas, Santa Monica Baykeeper collected biological data via CRANE surveys, instituted aerial surveys in partnership with LightHawk, authored an External Proposal in partnership with Santa Barbara Channelkeeper, and has performed outreach to the SCUBA diving community, Universities, and schools.

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SANTA MONICA BAYKEEPER

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - ORGANIZATION (continued)

The Marine Program works on coastal related issues with frequent outreach and advocacy work relating to the operations of the State Coastal Conservancy, State Lands Commission, Ocean Protection Council, California Coastal Commission, Santa Monica Bay Restoration Commission, Los Angeles Long Beach Harbor Safety Committee, United States Coast Guard, California Department of Fish and Game, National Oceanic and Atmospheric Administration, National Marine Fisheries Service, National Marine Sanctuaries, United States Mineral Management Service, and the California Oil Spill Prevention and Response Technical Advisory Committee.

WATERSHED PROGRAM - Santa Monica Baykeeper's Watershed Program encompasses water quality monitoring and has expanded to include ecological restoration, relating to: (1) Santa Monica Baykeeper's enforcement/advocacy program i.e., water quality monitoring; (2) restoration of creeks; (3) removal of fish barriers; (4) restoration of coastal wetlands; and (5) Low Impact Development (LID) Projects. All of the aforementioned projects are led by the Watershed Program Coordinator. This program was established in June 2007 with the express purpose to coordinate upstream and coastal monitoring and restoration projects. Santa Monica Baykeeper approaches work in the context of Watersheds and this new organizational structure reflects this commitment.

Past projects include the management of a low impact parking lot at Surfrider Beach in Malibu. This parking lot captures and treats a five-year storm event and is phase one of a larger effort to restore several acres of salt marsh and associated habitats in Malibu Lagoon. Another project is the restoration of a section of Stone Canyon Creek on UCLA's campus and directly upstream behind the UCLA Lab School. The UCLA Stone Canyon project incorporates volunteers from the University and other community members from the Los Angeles Area. Whenever applicable the Watershed Programs rely heavily on community volunteer labor. The UCLA Stone Canyon Project continues to progress with the participation of 70 plus volunteers per restoration event and focuses on the last day lighted section of this stream south of Sunset Blvd. Further, this project incorporates the support of the State Coastal Conservancy, Santa Monica Bay Restoration Commission, UCLA Institute of the Environment, UCLA Facilities, West Basin Municipal Water District, Environmental Charter High School, Boeing Employees Community Fund, and numerous social service groups from UCLA's student body. The UCLA Lab School project involves curriculum development and once the new curriculum is adopted, teachers, parents, students and other community supporters will learn and perform ecological restoration techniques applied to riparian corridors in southern California. These techniques include: water quality sampling and testing, removal of invasive vegetation, cultivation and planting of native plants, and monitoring project success utilizing GIS mapping. Further, all participants will enjoy presentations from Santa Monica Baykeeper staff regarding the progress and context of the project. Santa Monica Baykeeper and UCLA Lab School recognize the potential of this project to start a long-term understanding and respect for the Santa Monica Bay and Ballona watersheds and will provide students with the tools needed to remain active participants in restoring their own portion of the watershed.

SANTA MONICA BAYKEEPER

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - ORGANIZATION (continued)

In addition to hands on monitoring and restoration actions Santa Monica Baykeeper's Watershed Program provides technical and scientific review and comments to a variety of development proposals and policies in the Los Angeles area and throughout the State of California. These comments are often complimentary to advocacy work and encompass a number of state agencies and their respective jurisdictions including the Ocean Protection Council, California Coastal Commission, State Lands Commission, California State and Regional Water Quality Control Boards, California Energy Commission, United States EPA, Army Corps of Engineers, and numerous local, city and county agencies and departments.

PUBLIC OUTREACH AND EDUCATION - Santa Monica Baykeeper's public outreach and education activities are designed to teach local residents and schoolchildren the value of our coastal resources and what each of us can do to protect them. Protecting the natural resources that support our communities is the responsibility of every resident and thus Santa Monica Baykeeper offers various programs that educate and involve residents, families, and students in conservation of coastal resources.

Santa Monica Baykeeper continues to coordinate volunteer clean ups several times a year. These include participation in Coastal Cleanup Day, where we attract hundreds of participants to Marina Del Rey and Redondo Beach to remove trash from Jetties and Breakwaters. Our Adopt a Highway program in coordination with Caltrans enables volunteers to assist us in our monthly removal of trash from Lincoln Blvd. in Venice and Marina Del Rey. Volunteer events include educational presentations regarding the cause and purpose to the actions undertaken by Santa Monica Baykeeper and those volunteering their time. Volunteer education and outreach is integrated into Santa Monica Baykeeper's other programs, many of our seasoned volunteers are advocates in their own right, in part a result of their training and experiences with Santa Monica Baykeeper staff. Much of the public outreach and education performed by Santa Monica Baykeeper occurs within the Kelp Restoration and Monitoring Program, Advocacy Program and Watershed Program. This outreach includes presentations, curriculum development, development of building codes and standards, inclusion of volunteers in restoration actions, informal environmental education, and education of public representatives and public agencies related to the mission of Santa Monica Baykeeper.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

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

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the organization are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

See Independent Accountants' Review Report

SANTA MONICA BAYKEEPER

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ACCOUNTING (continued)

- **Unrestricted Net Assets.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted Net Assets.** The organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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 program or capital restrictions. The organization has temporarily restricted net assets at December 31, 2011 of \$93,339.
- **Permanently Restricted Net Assets.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the organization to expend all of the income (or other economic benefits) derived from the donated assets. The organization has no permanently restricted net assets at December 31, 2011.

(c) CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. The carrying value of cash and cash equivalents at December 31, 2011 approximates its fair value.

The organization maintains its cash and cash equivalents in bank deposit and money market accounts, which, at times, may exceed federally insured limits. The organization has not experienced any losses in such accounts. The organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

(d) ACCOUNTS RECEIVABLE

Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectibility of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. Accounts receivable are primarily from governmental agencies. As of December 31, 2011, the organization evaluated the collectibility of its accounts receivable and no allowance for doubtful accounts was considered necessary.

See Independent Accountants' Review Report

SANTA MONICA BAYKEEPER

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets as follows:

| | |
|------------------|---------|
| Boat | 5 Years |
| Office Equipment | 5 Years |
| Website | 3 Years |

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized.

(f) LONG-LIVED ASSETS

The organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. No impairment losses were recognized on long-lived assets during the year ended December 31, 2011.

(g) CONTRIBUTED GOODS AND SERVICES

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

During the year ended December 31, 2011, the organization recorded unrestricted contributions of in-kind goods. For the year ended December 31, 2011, the fair value of in-kind contributions received was \$35,561, including \$34,000 of direct donor benefit expenses.

(h) INCOME TAXES

The organization is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

(i) FUNCTIONAL ALLOCATION OF EXPENSES

Costs of providing the organization's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The organization uses proportional salary dollars to allocate indirect costs.

See Independent Accountants' Review Report

SANTA MONICA BAYKEEPER

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) USE OF 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.

(k) COMPARATIVE TOTALS

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

(l) SUBSEQUENT EVENTS

The organization has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2011 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through July 31, 2012, the date these financial statements were available to be issued. The organization has changed their name to Los Angeles Coastkeeper effective June 28, 2012. No other material events or transactions were noted to have occurred.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2011 consist of the following:

| | | |
|-----------------------------------|----|----------------------|
| Boat | \$ | 64,780 |
| Office Equipment | | 44,851 |
| Website (Donated) | | 25,000 |
| TOTAL | | <u>134,631</u> |
| Less: Accumulated Depreciation | | <u>(117,429)</u> |
| NET PROPERTY AND EQUIPMENT | \$ | <u><u>17,202</u></u> |

Depreciation expense for the year ended December 31, 2011 amounted to \$21,902.

SANTA MONICA BAYKEEPER

NOTES TO FINANCIAL STATEMENTS December 31, 2011

NOTE 4 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The organization rents office space under a non-cancelable lease agreement that expires in September 2014. Future minimum rental payments associated with this lease are as follows:

Years Ending December 31

| | | |
|--------------|-----------|----------------|
| 2012 | \$ | 75,377 |
| 2013 | | 78,392 |
| 2014 | | 60,540 |
| TOTAL | \$ | 214,309 |

Rent expense for the year ended December 31, 2011 was \$72,478.

(b) GRANTS AND CONTRACTS

The organization's grants and contracts are subject to inspection and audit by the appropriate government funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the organization has no provision for the possible disallowance of program costs in its financial statements.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2011:

| | | |
|--|-----------|---------------|
| Advocacy Fund | \$ | 77,880 |
| Watershed Revenue | | 9,890 |
| Kelp Restoration | | 5,569 |
| TOTAL TEMPORARILY RESTRICTED NET ASSETS | \$ | 93,339 |

NOTE 6 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, Santa Monica Baykeeper Board members contributed a total of \$57,919, which included \$34,000 worth of donated catering expenses for the special event held this year. In September 2009 the organization entered into an office lease agreement with a company affiliated with a Board member, and incurred \$72,478 for the year ended December 31, 2011 in rent expense and paid a \$30,000 rent deposit, which is included in prepaid expenses and other assets at December 31, 2011.

See Independent Accountants' Review Report