

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**

**For the Years Ended**  
**June 30, 2010 and 2009**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Coral Reef Alliance  
San Francisco, California

We have audited the accompanying statements of financial position of The Coral Reef Alliance (a California nonprofit public benefit corporation) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 The Coral Reef Alliance as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of functional expenses are presented for the purposes of additional analysis and are not a required part of the basic financial statements of The Coral Reef Alliance. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Doran & Associates*

September 7, 2010

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2010**

	Unrestricted	Temporarily Restricted	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents (Note 1)	\$ 118,759	\$ 172,358	\$ 291,117
Grants receivable, current portion (Note 2)	-	85,000	85,000
Pledges receivable, current portion, net of allowance for doubtful accounts (Note 2)	5,400	259,747	265,147
Accounts receivable (Note 2)	36,677	-	36,677
Prepaid expenses	<u>4,994</u>	<u>-</u>	<u>4,994</u>
Total current assets	165,830	517,105	682,935
Property and equipment, net of accumulated depreciation of \$24,629 (Notes 1 and 3)	16,960	-	16,960
Marketable equity securities (Note 4)	36,825	-	36,825
Grants receivable, net of current portion (Note 2)	-	20,000	20,000
Pledges receivable, net of current portion and allowance for doubtful accounts (Note 2)	-	38,713	38,713
Rental deposit	<u>9,422</u>	<u>-</u>	<u>9,422</u>
Total assets	<u>\$ 229,037</u>	<u>\$ 575,818</u>	<u>\$ 804,855</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable	\$ 21,831	\$ -	\$ 21,831
Accrued expenses	52,802	-	52,802
Deferred revenue (Note 1)	<u>2,823</u>	<u>-</u>	<u>2,823</u>
Total liabilities	77,456	-	77,456
Net assets (Note 5)	<u>151,581</u>	<u>575,818</u>	<u>727,399</u>
Total liabilities and net assets	<u>\$ 229,037</u>	<u>\$ 575,818</u>	<u>\$ 804,855</u>

The accompanying notes are an integral part of these financial statements.

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**June 30, 2009**

	Unrestricted	Temporarily Restricted	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents (Note 1)	\$ 38,874	\$ 424,313	\$ 463,187
Grants receivable, current portion (Note 2)	87,442	47,558	135,000
Pledges receivable, current portion, net of allowance for doubtful accounts (Note 2)	45,356	25,000	70,356
Accounts receivable (Note 2)	55,700	-	55,700
Prepaid expenses	<u>43,413</u>	<u>-</u>	<u>43,413</u>
Total current assets	270,785	496,871	767,656
Property and equipment, net of accumulated depreciation of \$20,572 (Notes 1 and 3)	21,017	-	21,017
Grants receivable, net of current portion (Note 2)	30,000	-	30,000
Pledges receivable, net of current portion and allowance for doubtful accounts (Note 2)	55,544	-	55,544
Rental deposit	<u>10,530</u>	<u>-</u>	<u>10,530</u>
Total assets	<u>\$ 387,876</u>	<u>\$ 496,871</u>	<u>\$ 884,747</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable	\$ 45,346	\$ -	\$ 45,346
Accrued expenses	71,779	-	71,779
Deferred revenue (Note 1)	<u>45,345</u>	<u>-</u>	<u>45,345</u>
Total liabilities	162,470	-	162,470
Net assets (Note 5)	<u>225,406</u>	<u>496,871</u>	<u>722,277</u>
Total liabilities and net assets	<u>\$ 387,876</u>	<u>\$ 496,871</u>	<u>\$ 884,747</u>

The accompanying notes are an integral part of these financial statements.

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENTS OF ACTIVITIES**  
**For the year ended June 30, 2010**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE AND TRANSFERS</b>			
Public support:			
Foundation and government grants	\$ 258,407	\$ 260,150	\$ 518,557
Individual and corporate donations	582,782	398,000	980,782
In-kind contributions	<u>12,020</u>	<u>-</u>	<u>12,020</u>
Total public support	<u>853,209</u>	<u>658,150</u>	<u>1,511,359</u>
Revenue:			
Interest income	454	-	454
Program fees and other income	<u>56,061</u>	<u>-</u>	<u>56,061</u>
Total revenue	<u>56,515</u>	<u>-</u>	<u>56,515</u>
Temporarily restricted net assets released from restrictions (Note 6)	<u>659,663</u>	<u>(659,663)</u>	<u>-</u>
Total support, revenue and transfers	<u>1,569,387</u>	<u>(1,513)</u>	<u>1,567,874</u>
<b>EXPENSES</b>			
Program services	1,178,328	-	1,178,328
General and administrative	156,086	-	156,086
Fundraising	<u>228,338</u>	<u>-</u>	<u>228,338</u>
Total expenses	<u>1,562,752</u>	<u>-</u>	<u>1,562,752</u>
Change in net assets	6,635	(1,513)	5,122
Reclassification (Note 7)	(80,460)	80,460	-
Net assets, beginning of year	<u>225,406</u>	<u>496,871</u>	<u>722,277</u>
Net assets, end of year	<u>\$ 151,581</u>	<u>\$ 575,818</u>	<u>\$ 727,399</u>

The accompanying notes are an integral part of these financial statements.

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENTS OF ACTIVITIES (CONTINUED)**  
**For the year ended June 30, 2009**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE AND TRANSFERS</b>			
Public support:			
Foundation and government grants	\$ 228,798	\$ 360,000	\$ 588,798
Individual and corporate donations	595,810	125,901	721,711
In-kind contributions	<u>6,974</u>	<u>-</u>	<u>6,974</u>
Total public support	<u>831,582</u>	<u>485,901</u>	<u>1,317,483</u>
Revenue:			
Interest and dividend income	6,339	-	6,339
Program fees and other income	<u>2,146</u>	<u>-</u>	<u>2,146</u>
Total revenue	<u>8,485</u>	<u>-</u>	<u>8,485</u>
Temporarily restricted net assets released from restrictions (Note 6)	<u>739,845</u>	<u>(739,845)</u>	<u>-</u>
Total support, revenue and transfers	<u>1,579,912</u>	<u>(253,944)</u>	<u>1,325,968</u>
<b>EXPENSES</b>			
Program services	1,156,170	-	1,156,170
General and administrative	151,327	-	151,327
Fundraising	<u>255,687</u>	<u>-</u>	<u>255,687</u>
Total expenses	<u>1,563,184</u>	<u>-</u>	<u>1,563,184</u>
Change in net assets	16,728	(253,944)	(237,216)
Net assets, beginning of year	<u>208,678</u>	<u>750,815</u>	<u>959,493</u>
Net assets, end of year	<u>\$ 225,406</u>	<u>\$ 496,871</u>	<u>\$ 722,277</u>

The accompanying notes are an integral part of these financial statements.

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENTS OF CASH FLOWS**  
**For the years ended June 30, 2010 and 2009**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 5,122	\$ (237,216)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	4,057	4,875
Donated marketable equity securities	(42,938)	(10,362)
Changes in assets and liabilities:		
Grants receivable	60,000	208,404
Pledges receivable	(177,960)	(34,000)
Accounts receivable	19,023	(38,774)
Prepaid expenses	38,419	(33,888)
Inventory	-	1,025
Rental deposit	1,108	-
Accounts payable	(23,515)	(6,956)
Accrued expenses	(18,977)	10,850
Deferred revenue	(42,522)	20,218
Total adjustments	<u>(183,305)</u>	<u>121,392</u>
Net cash used by operating activities	<u>(178,183)</u>	<u>(115,824)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of marketable equity securities	<u>6,113</u>	<u>10,362</u>
Net cash provided by investing activities	<u>6,113</u>	<u>10,362</u>
Net decrease in cash and cash equivalents	(172,070)	(105,462)
Cash and cash equivalents, beginning of year	<u>463,187</u>	<u>568,649</u>
Cash and cash equivalents, end of year	<u>\$ 291,117</u>	<u>\$ 463,187</u>
Supplementary information:		
Non-cash transactions:		
Contributions of marketable equity securities	<u>\$ 42,938</u>	<u>\$ 10,362</u>

The accompanying notes are an integral part of these financial statements.

**THE CORAL REEF ALLIANCE**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2010 and 2009**

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NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Coral Reef Alliance (a California public benefit corporation) is a member-supported, non-profit organization, dedicated to protecting the health of coral reefs by integrating ecosystem management, sustainable tourism, and community partnerships. The organization works with communities to identify and solve conservation challenges; changes attitudes and behavior through education and training; provides resources to strengthen conservation efforts; and creates incentives for sustainable tourism. The Corporation's major sources of revenue are foundation and government grants and donations.

Basis of Presentation - Resources are classified for accounting and reporting purposes into three classes of net assets, according to externally imposed restrictions:

*Unrestricted net assets* - Net assets that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year.

*Temporarily restricted net assets* - Net assets resulting (a) from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Corporation pursuant to those stipulations, (b) from other asset enhancements and diminishment that are subject to the same kind of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Corporation pursuant to those stipulations.

*Permanently restricted net assets* - Net assets resulting (a) from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Corporation, (b) from other asset enhancements and diminishment that are subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

There were no permanently restricted net assets as of June 30, 2010 and 2009.

Method of Accounting - The financial statements of the Corporation are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2010 and 2009**

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NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions - Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Property and Equipment - The Corporation records property and equipment at cost of acquisition, or, if donated, fair market value at date of donation. Depreciation is recognized using the straight-line method over the useful life of the assets, which range from 5 to 10 years. The Corporation capitalizes all property and equipment with a cost in excess of \$1,500.

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.

Income Taxes - The Corporation is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Service Code and Section 23701d of the California Revenue and Taxation Code, and is considered by the IRS to be an organization other than a private foundation. In the opinion of management, there is no unrelated business income.

Donated Services - Many individuals have donated significant amounts of time in furthering the Corporation's programs and objectives. No amounts have been included in the financial statements for these program-related donated services since no objective basis is available to measure the value of such services.

Deferred Revenue - During the year ended June 30, 2009, the Corporation received deposits for an expedition to Fiji scheduled for November 2009, which was recognized during the year ended June 30, 2010. The total of deposits held as of June 30, 2009, was \$45,345. As of June 30, 2010, deferred revenue consisted of \$2,823 in an advance payment.

Advertising Costs - Advertising costs are expensed as incurred and totaled \$2,179 for the year ended June 30, 2010.

Recent Account Pronouncement - Accounting Standards Codification - In June 2009, the Financial Accounting Standards Board ("FASB") issued the Accounting Standards Codification ("Codification"). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of the Corporation's accounting policies. The adoption of the Codification did not have a material impact on the Corporation's financial position or results of activities.

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2010 and 2009**

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NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement, ASC 820-10, *Fair Value Measurements* - In September 2006, the Financial Accounting Standards Board issued Accounting Standards Codification 820-10 (formerly Statement of Financial Accounting Standards No. 157 (FAS-157)), *Fair Value Measurements*. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The provisions of ASC 820-10 are effective for the Corporation for fiscal years beginning January 1, 2008. The adoption of ASC 820-10 did not have a material impact on the Corporation's financial statements.

Subsequent Events - Subsequent events have been evaluated through September 7, 2010, which is the date the financial statements were available to be issued.

New Accounting Principles, ASC 740-10, *Accounting for Uncertainty in Income Taxes* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. The Corporation has determined whether any tax positions have met the recognition threshold and have measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Corporation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Reclassifications - Certain balances at, and for the year ended June 30, 2009, were reclassified to conform with June 30, 2010, balances.

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2010 and 2009**

NOTE 2 RECEIVABLES

The Corporation had recorded the following receivables as of June 30, 2010 and 2009:

<u>June 30, 2010:</u>	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Total</u>
Grants receivable	\$ 85,000	\$ 20,000	\$ 105,000
Pledges receivable	\$ 273,960	\$ 40,000	\$ 313,960
Less: allowance for doubtful accounts	<u>8,813</u>	<u>1,287</u>	<u>10,100</u>
	<u>\$ 265,147</u>	<u>\$ 38,713</u>	<u>\$ 303,860</u>
Accounts receivable, including completed government contracts billed	<u>\$ 36,677</u>	<u>\$ -</u>	<u>\$ 36,677</u>
<u>June 30, 2009:</u>			
Grants receivable	<u>\$ 135,000</u>	<u>\$ 30,000</u>	<u>\$ 165,000</u>
Pledges receivable	\$ 76,000	\$ 60,000	\$ 136,000
Less: allowance for doubtful accounts	<u>5,644</u>	<u>4,456</u>	<u>10,100</u>
	<u>\$ 70,356</u>	<u>\$ 55,544</u>	<u>\$ 125,900</u>
Accounts receivable, including completed government contracts billed	<u>\$ 55,700</u>	<u>\$ -</u>	<u>\$ 55,700</u>

In the opinion of management, the allowance for doubtful accounts accurately reflects the expected collectibility of related receivables, and there is no material allowance for a present value discount on long-term receivables as of year-end.

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2010 and 2009**

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2010 and 2009:

	Furniture and Leasehold Improvements	Equipment	Total
<u>Property and equipment, at cost</u>			
Balance, June 30, 2008	\$ 28,092	\$ 13,497	\$ 41,589
Additions	-	-	-
Balance, June 30, 2009	28,092	13,497	41,589
Additions	-	-	-
Balance, June 30, 2010	<u>28,092</u>	<u>13,497</u>	<u>41,589</u>
<u>Accumulated depreciation</u>			
Balance, June 30, 2008	6,932	8,765	15,697
Depreciation expense	<u>3,128</u>	<u>1,747</u>	<u>4,875</u>
Balance, June 30, 2009	10,060	10,512	20,572
Depreciation expense	<u>3,128</u>	<u>929</u>	<u>4,057</u>
Balance, June 30, 2010	<u>13,188</u>	<u>11,441</u>	<u>24,629</u>
Property and equipment, net	<u>\$ 14,904</u>	<u>\$ 2,056</u>	<u>\$ 16,960</u>

NOTE 4 MARKETABLE EQUITY SECURITIES

The following are the major categories of marketable equity securities measured at fair value on a recurring basis during the year ended June 30, 2010, using quoted prices in active markets for identified assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

<u>Description</u>	<u>Fair Value Measurements at June 30, 2010, Using</u>			<u>Total</u>
	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Stocks	<u>\$ 36,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,825</u>

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2010 and 2009**

NOTE 5 NET ASSETS

Unrestricted net assets:

The Corporation has unrestricted net assets that are not subject to donor imposed restrictions.

Temporarily restricted net assets:

Temporarily restricted net assets are restricted by time and/or purpose and consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Time-restricted	\$ 388,460	\$ 30,000
Mesoamerica CRSD	81,388	167,843
Smithsonian exhibit	50,000	-
Raja Ampat	26,328	32,820
Belize	15,000	20,652
Saving Hawaii reefs	9,511	-
San Pedro	3,675	-
Park Buddy program	1,346	1,346
Microgrants	110	110
Indo-Pacific Coral Reef		
Sustainable Destination (CRSD)	-	89,015
Deepening CRSD in Hawaii	-	74,085
Major gift campaign	-	50,000
Video and event	-	26,000
Handbook printing	-	5,000
	<u>\$ 575,818</u>	<u>\$ 496,871</u>

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2010 and 2009**

**NOTE 6 TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS**

The Corporation fulfilled the use restrictions of the following temporarily restricted items and they were released to unrestricted net assets during the years ended June 30, 2010 and 2009:

	2010	2009
Mesoamerica CRSD	\$ 204,455	\$ 228,650
Time-restricted	130,000	30,000
Indo-Pacific Coral Reef		
Sustainable Destination (CRSD)	89,015	158,493
Deepening CRSD in Hawaii	74,085	68,755
Major gift campaign	50,000	50,000
Raja Ampat	31,493	45,208
Video and event	26,000	-
Changing Tides	17,150	-
Belize	16,977	12,348
Saving Hawaii reefs	15,488	-
Handbook printing	5,000	-
UNEP	-	100,000
CRSD	-	40,000
Fiji	-	3,951
Park Buddy program	-	2,440
	\$ 659,663	\$ 739,845

**NOTE 7 RECLASSIFICATION**

During the year ended June 30, 2010, the Corporation identified three pledges receivable, time-restricted under Generally Accepted Accounting Principles, which were classified as unrestricted in a prior year. As a result, \$80,460 was reclassified to temporarily restricted net assets during the year ended June 30, 2010.

**NOTE 8 LINE OF CREDIT**

The Corporation has established a bank line of credit that provides for maximum borrowings of \$150,000 at an original interest rate of 8% per annum; the effective interest rate was 6.25% during fiscal year 2010, and 6.77% during fiscal year 2009, which is based on the prime rate plus 3.0%. At June 30, 2010 and 2009, the Corporation had no balance drawn on the line of credit.

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2010 and 2009**

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NOTE 9 COMMITMENTS AND CONTINGENCIES

On October 1, 2007, the Corporation entered into a seven year lease for office space in San Francisco, California. Under the terms of the lease, the Corporation is required to pay its proportionate share of property taxes and operating expenses. The lease provides for a base monthly rent of \$7,020, increasing to \$8,190 in the final year. During each of the years ended June 30, 2010 and 2009, the Corporation paid \$7,020 per month in rent.

The future minimum payments for base rent are as follows:

Year ended <u>June 30,</u>	
2011	\$ 86,872
2012	90,383
2013	93,893
2014	97,403
Thereafter	<u>24,570</u>
	<u>\$ 393,121</u>

NOTE 10 JOINT COSTS

The Corporation achieves some of its programmatic goals in newsletter mailings which include requests for contributions. In 2010 and 2009, the costs of these activities include \$176,945 and \$140,240, respectively, of joint costs that are not directly attributable to the program, fundraising, or management and general component of the activities. These joint costs were allocated \$144,730 and \$85,812 to program expenses, respectively, and \$32,215 and \$54,428, respectively, to fundraising expenses.

NOTE 11 RETIREMENT PLANS

Prior to January 1, 2008, the Corporation had a 403(b) deferred income plan for all employees who wished to participate. Voluntary contributions were made up to the extent permissible by law.

On January 1, 2008, the Corporation adopted a 401(k) retirement plan and trust for the benefit of its employees. All employees over the age of 21 that complete one month of service are eligible to participate. Employees must work at least 1,000 hours per year in order to receive employer matching contributions, which are discretionary. The Corporation contributed \$15,904 and \$15,405, respectively, to the plan on behalf of employees during the years ended June 30, 2010 and 2009.

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended June 30, 2010 and 2009**

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**NOTE 12 RISKS, UNCERTAINTIES AND CONCENTRATIONS**

The Corporation relies on a significant amount of funding received in the form of donations and grants from individuals and foundations to support its operations. The current global financial markets and discussions of a U.S. economic downturn may have an impact on the level of funding provided by these funding sources. While it is impracticable to determine the impact of these events, management is taking steps to address potential changes in funding levels and reduce the Corporation's exposure to impact from these events.

**NOTE 13 SUBSEQUENT EVENTS**

Subsequent to year-end, the Corporation's Executive Director resigned from CORAL to pursue other interests. The Board of Directors is in the process of conducting an executive search to fill the position.

**SUPPLEMENTARY INFORMATION**

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**SCHEDULES OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2010**

	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 383,345	\$ 99,224	\$ 118,296	\$ 600,865
Consultants	259,550	1,156	17,716	278,422
Travel	123,658	1,011	889	125,558
Payroll taxes and benefits	73,175	21,453	18,667	113,295
Printing and production	75,522	315	18,405	94,242
Occupancy	68,530	8,070	9,098	85,698
Community initiatives	64,208	-	-	64,208
Mailing services	37,387	-	11,366	48,753
Postage	26,806	364	9,201	36,371
Telecommunications	21,535	2,304	5,073	28,912
Audit and legal	5,277	11,776	7,394	24,447
Contributions to retirement plan	9,473	2,846	3,585	15,904
Supplies and equipment	9,442	877	3,741	14,060
Community training and workshops	11,047	-	-	11,047
Insurance	420	5,733	-	6,153
Other expenses	783	540	4,437	5,760
In-kind services and supplies	5,000	-	-	5,000
Depreciation	3,170	417	470	4,057
	<u>\$ 1,178,328</u>	<u>\$ 156,086</u>	<u>\$ 228,338</u>	<u>\$ 1,562,752</u>

**THE CORAL REEF ALLIANCE**  
**(A California Nonprofit Public Benefit Corporation)**

**SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)**  
**For the year ended June 30, 2009**

	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 436,367	\$ 95,196	\$ 109,924	\$ 641,487
Consultants	235,764	1,024	36,238	273,026
Community initiatives	90,196	-	-	90,196
Travel	82,584	1,245	5,317	89,146
Rent	54,890	8,435	11,189	74,514
Printing and production	57,689	803	10,546	69,038
Mailing services	40,174	-	25,477	65,651
Payroll taxes and insurance	30,297	7,366	12,095	49,758
Medical benefits	24,130	8,526	6,298	38,954
Telecommunications	20,429	1,826	5,283	27,538
Postage	15,640	1,068	8,189	24,897
Community training and workshops	24,619	-	-	24,619
Supplies and equipment	10,185	2,582	4,912	17,679
Bank charges	6,413	1,498	9,362	17,273
Retirement plan	11,025	2,561	3,104	16,690
Audit and legal	40	11,900	-	11,940
Staff development and recruitment	4,364	859	2,309	7,532
In-kind services and supplies	3,650	-	3,324	6,974
Depreciation	3,501	647	727	4,875
Insurance	105	4,444	-	4,549
Conferences and meetings	3,467	-	771	4,238
Taxes, dues and fees	641	1,347	622	2,610
	<u>\$ 1,156,170</u>	<u>\$ 151,327</u>	<u>\$ 255,687</u>	<u>\$ 1,563,184</u>