

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

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

**For the Year Ended**  
**June 30, 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 statement of financial position of The Coral Reef Alliance (a California nonprofit public benefit corporation) as of June 30, 2009, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Coral Reef Alliance as of June 30, 2009, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses is presented for the purposes of additional analysis and is 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 audit 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 4, 2009

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

**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2009**

	Unrestricted	Temporarily Restricted	Total
<b>Current assets:</b>			
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 deposits	<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>Current liabilities:</b>			
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	<u>162,470</u>	<u>-</u>	<u>162,470</u>
Net assets (Note 4)	<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**  
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**STATEMENT OF ACTIVITIES**  
**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 5)	<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**  
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**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2009**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ (237,216)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	4,875
Changes in assets and liabilities:	
Grants receivable	208,404
Pledges receivable	(34,000)
Accounts receivable	(38,774)
Prepaid expenses	(33,888)
Inventory	1,025
Accounts payable	(6,956)
Accrued expenses	10,850
Deferred revenue	<u>20,218</u>
Total adjustments	<u>131,754</u>
Net cash used by operating activities	<u>(105,462)</u>
Net decrease in cash and cash equivalents	(105,462)
Cash and cash equivalents, beginning of year	<u>568,649</u>
Cash and cash equivalents, end of year	<u>\$ 463,187</u>

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 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 diminishments 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 diminishments 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, 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**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 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 will be recognized in the subsequent fiscal year. The total of deposits held as of June 30, 2009, was \$45,345.

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

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

NOTE 2 RECEIVABLES

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

	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Total</u>
Grants receivable	\$ 135,000	\$ 30,000	\$ 165,000
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.

NOTE 3 PROPERTY AND EQUIPMENT

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

	<u>Furniture and Leasehold Improvements</u>	<u>Equipment</u>	<u>Total</u>
<u>Property and equipment, at cost</u>			
Balance, June 30, 2008	\$ 28,092	\$ 13,497	\$ 41,589
Additions	<u>-</u>	<u>-</u>	<u>-</u>
Balance, June 30, 2009	<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	<u>10,060</u>	<u>10,512</u>	<u>20,572</u>
Property and equipment, net	<u>\$ 18,032</u>	<u>\$ 2,985</u>	<u>\$ 21,017</u>

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

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NOTE 4 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, 2009:

Mesoamerica CRSD	\$ 167,843
Indo-Pacific Coral Reef Sustainable Destination (CRSD)	89,015
Deepening CRSD in Hawaii	74,085
Major gift campaign	50,000
Raja Ampat	32,820
Time-restricted	30,000
Video and event	26,000
Belize	20,652
Handbook printing	5,000
Park Buddy program	1,346
Microgrants	<u>110</u>
	<u>\$ 496,871</u>

NOTE 5 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 year ended June 30, 2009:

Mesoamerica CRSD	\$ 228,650
Indo-Pacific Coral Reef Sustainable Destination (CRSD)	158,493
UNEP	100,000
Deepening CRSD in Hawaii	68,755
Major gift campaign	50,000
Raja Ampat	45,208
CRSD	40,000
Time-restricted	30,000
Belize	12,348
Fiji	3,951
Park Buddy program	<u>2,440</u>
	<u>\$ 739,845</u>

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

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NOTE 6    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 6.77% during fiscal year 2009, which is based on the prime rate plus 3.0%. At June 30, 2009, the Corporation had no balance drawn on the line of credit.

NOTE 7    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 the year ended June 30, 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>	
2010	\$    84,240
2011	86,872
2012	90,383
2013	93,893
2014	97,403
Thereafter	<u>24,570</u>
	<u>\$    477,361</u>

NOTE 8    JOINT COSTS

The Corporation achieves some of its programmatic goals in newsletter mailings which include requests for contributions. In 2009, the costs of these activities include \$140,240 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 \$85,812 to program expenses and \$54,428 to fundraising expenses.

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

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**NOTE 9    CONCENTRATIONS**

The majority of the Corporation's revenue is from memberships. The number of members and amount received as a result of membership may vary from year to year.

Some of the Corporation's revenue is from public and private donations throughout the year. The donations may vary from year to year in their amount and nature.

**NOTE 10    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 \$15,405 to the plan on behalf of employees during the year ended June 30, 2009.

**NOTE 11    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.

**SUPPLEMENTARY INFORMATION**

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

**SCHEDULE OF FUNCTIONAL EXPENSES**  
**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>