

SALISH SEA EXPEDITIONS

FINANCIAL REPORT

DECEMBER 31, 2009

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CERTIFIED PUBLIC ACCOUNTANTS
601 UNION STREET, SUITE 2300
SEATTLE, WASHINGTON 98101

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Salish Sea Expeditions
Bainbridge Island, Washington

We have audited the accompanying statements of financial position of Salish Sea Expeditions ("Salish") as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Salish'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. 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 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 Salish Sea Expeditions as of December 31, 2009 and 2008, 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.

Peterson Sullivan LLP.

May 24, 2010

SALISH SEA EXPEDITIONS

STATEMENTS OF FINANCIAL POSITION

December 31, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and cash equivalents	\$ 192,623	\$ 175,742
Accounts receivable	9,807	32,094
Current portion of pledges receivable	37,421	2,087
Prepaid expenses	5,138	10,135
	<u>244,989</u>	<u>220,058</u>
Pledges Receivable, less current portion, net of discount and allowance for doubtful accounts	86,197	
Property and Equipment, net	6,233	10,065
	<u>337,419</u>	<u>230,123</u>
Total assets	<u>\$ 337,419</u>	<u>\$ 230,123</u>
 LIABILITIES AND NET ASSETS 		
Current Liabilities		
Accounts payable	\$ 9,637	\$ 2,250
Accrued expenses	229	2,379
Deferred revenue	60,575	29,176
	<u>70,441</u>	<u>33,805</u>
Total liabilities	70,441	33,805
Net Assets		
Unrestricted	92,842	123,252
Temporarily restricted	174,136	73,066
	<u>266,978</u>	<u>196,318</u>
Total net assets	266,978	196,318
Total liabilities and net assets	<u>\$ 337,419</u>	<u>\$ 230,123</u>

See Notes to Financial Statements

SALISH SEA EXPEDITIONS

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions	\$ 44,549	\$ 52,500	\$ 97,049	\$ 66,662	\$ -	\$ 66,662
Foundation and business grants	36,547	10,007	46,554	87,085	61,066	148,151
Government grants	94,894		94,894	17,206	2,000	19,206
In-kind contributions	22,055		22,055	22,269		22,269
Program income	176,900		176,900	171,735		171,735
Special events, net of direct expenses of \$48,731 and \$42,632, respectively	75,162	101,629	176,791	75,123		75,123
Interest	2,151		2,151	2,692		2,692
Net assets released from restriction	63,066	(63,066)		6,000	(6,000)	
Total support and revenue	515,324	101,070	616,394	448,772	57,066	505,838
Expenses						
Program services	437,372		437,372	385,108		385,108
Management and general	47,630		47,630	43,667		43,667
Fundraising	60,732		60,732	40,187		40,187
Total expenses	545,734		545,734	468,962		468,962
Change in net assets	(30,410)	101,070	70,660	(20,190)	57,066	36,876
Net assets, beginning of year	123,252	73,066	196,318	143,442	16,000	159,442
Net assets, end of year	<u>\$ 92,842</u>	<u>\$ 174,136</u>	<u>\$ 266,978</u>	<u>\$ 123,252</u>	<u>\$ 73,066</u>	<u>\$ 196,318</u>

See Notes to Financial Statements

SALISH SEA EXPEDITIONS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2009

	Program Services	Management and General	Fundraising	Total Expenses
Salaries, wages, and payroll taxes	\$ 249,830	\$ 35,709	\$ 34,410	\$ 319,949
Employee benefits	12,027	1,719	1,657	15,403
Facilities	17,688	3,459	691	21,838
Computing and technology	7,630	713	656	8,999
Insurance	15,227	264	137	15,628
Bank fees	646	60	16	722
Taxes and licenses	3,091	289	265	3,645
Printing and copying	8,357	781	719	9,857
Postage and mail	2,012	188	173	2,373
Professional dues and subscriptions	631	59	54	744
Professional services and consultants	24,087	2,251	2,071	28,409
Equipment and supplies	31,411	285	263	31,959
Transportation	4,998	429	395	5,822
Phone and internet	4,755	208	190	5,153
Vessel expenses	27,737			27,737
Depreciation	3,832			3,832
In-kind expenses	19,720	1,216	1,119	22,055
Doubtful accounts			17,727	17,727
Other	3,693		189	3,882
	\$ 437,372	\$ 47,630	\$ 60,732	\$ 545,734

See Notes to Financial Statements

SALISH SEA EXPEDITIONS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2008

	Program Services	Management and General	Fundraising	Total Expenses
Salaries, wages, and payroll taxes	\$ 232,470	\$ 33,719	\$ 33,408	\$ 299,597
Employee benefits	9,082	1,317	1,305	11,704
Facilities	18,243	3,567	713	22,523
Computing and technology	8,997	923	872	10,792
Insurance	12,103	431	188	12,722
Bank fees	236	24	23	283
Taxes and licenses	2,250	231	218	2,699
Printing and copying	6,974	716	676	8,366
Postage and mail	5,485	563	532	6,580
Professional dues and subscriptions	435	45	42	522
Professional services and consultants	10,711	1,099	1,039	12,849
Equipment and supplies	25,665	324	320	26,309
Transportation	6,665	89	84	6,838
Phone and internet	3,295	214	202	3,711
Vessel expenses	25,254			25,254
Depreciation	1,824			1,824
In-kind expenses	14,580	405	383	15,368
Other	839		182	1,021
	\$ 385,108	\$ 43,667	\$ 40,187	\$ 468,962

See Notes to Financial Statements

SALISH SEA EXPEDITIONS

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from Operating Activities:		
Change in net assets	\$ 70,660	\$ 36,876
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	3,832	1,824
Donated equipment		(6,925)
Change in assets and liabilities		
Accounts receivable	22,287	(32,154)
Pledges receivable	(121,531)	5,505
Prepaid expenses	4,997	(10,135)
Accounts payable	7,387	(16,783)
Accrued expenses	(2,150)	(1,574)
Deferred revenue	31,399	17,676
	<u>16,881</u>	<u>(5,690)</u>
Net cash flows from operating activities and net change in cash and cash equivalents	16,881	(5,690)
Cash and cash equivalents, beginning of year	<u>175,742</u>	<u>181,432</u>
Cash and cash equivalents, end of year	<u>\$ 192,623</u>	<u>\$ 175,742</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

Salish Sea Expeditions ("Salish") is a 501(c)(3) nonprofit organization established to provide an opportunity for students to design and conduct original scientific research from the decks of a 61 foot sailing vessel on the Puget Sound. These innovative "science-under-sail" programs are tailored for students from 5th through 12th grades. Salish believes that today's youth are the future leaders who will develop policies, conduct research, and make decisions affecting our world. To help today's youth be engaged citizens of the future, Salish's multi-day science education programs stimulate young minds and anchor an understanding of science and critical thinking. To date, over 5,000 middle and high school students and 1,000 teachers from 100 schools have sailed the waters of the Puget Sound as student-scientists.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Financial Statement Presentation

Net assets, revenue, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, Salish's net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by actions of Salish or the passage of time. Temporarily restricted net assets consist of the following at December 31:

	2009	2008
For use in subsequent years' operations	\$ 154,129	\$ -
GearUp! Clothing Fund	1,325	
Sound and Source		30,000
Equipment purchases	500	5,981
Capital campaign	7,000	7,000
Sea investigators		21,085
Low-income initiative	11,182	9,000
	<u>\$ 174,136</u>	<u>\$ 73,066</u>

Revenue is reported as an increase in unrestricted net assets unless use of the related assets 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 (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reported as unrestricted.

Salish did not have any permanently restricted net assets at December 31, 2009 and 2008.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of cash held in checking accounts and Salish's money market account. Cash balances may exceed federally insured limits.

Receivables

Accounts and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management may provide for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off against the valuation allowance. The allowance for doubtful accounts (related to pledges receivable) was \$16,652 at December 31, 2009. No allowance was considered necessary for either accounts or pledges receivable at December 31, 2008.

Accounts and pledges receivable from two sources comprised approximately 67% of the total receivable balance at December 31, 2009. Accounts and pledges receivable from one source comprised approximately 60% of the total receivable balance at December 31, 2008.

In 2009, Salish received pledges primarily related to special events. The pledges have been discounted at a rate of 4%. Pledges receivable are summarized in the statement of financial position as follows as of December 31, 2009 and 2008:

	2009	2008
Current	\$ 37,421	\$ 2,087
Long-term, net of discount of \$15,063 and net of allowance for doubtful accounts of \$16,652	86,197	
	\$ 123,618	\$ 2,087

Property and Equipment

Salish capitalizes assets with a cost greater than \$1,000. Purchased property is recorded at cost and donated property is recorded at estimated fair value when received. Depreciation is computed using the straight-line method based on estimated useful lives of the assets (typically five years).

Contributions / Grants

Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received. Promises to give are recorded as they are made. All promises to give are recorded at the net present value as of the date of the gift.

Grants received from one government granting agency comprise approximately 15% of total revenue in 2009.

Program Income

Program income is composed of program fees related to research expeditions. During 2009, there were 25 expeditions serving 570 students. Of total students served, approximately 30% came from schools that are considered low-income and, therefore, receive reduced program fees and scholarships supplemented by Salish donors and grantors.

In-kind Contributions

In-kind contributions primarily consist of donated computer services and reduced vessel rent. Donated services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. Donated goods for the years ended December 31, 2009 and 2008, totaled \$22,055 and \$22,269.

Subsequent Events

Salish has evaluated subsequent events through the date these financial statements were available to be issued, which was on May 24, 2010.

Note 2. Property and Equipment

Property and equipment consists of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 12,237	\$ 12,237
Automobiles	<u>10,405</u>	<u>10,405</u>
	22,642	22,642
Accumulated depreciation	<u>(16,409)</u>	<u>(12,577)</u>
	<u>\$ 6,233</u>	<u>\$ 10,065</u>

Note 3. Commitments

Salish leases a vessel under renewable lease agreements expiring in 2012. Under the lease agreement, Salish receives free charter days for expeditions that serve students from schools that are low-income. The fair value of the free charter days is recorded as an in-kind contribution. The lease requires a minimum of 67 days chartered with the option to extend additional days up to the full extent of the charter period. Lease expense (cash portion only) related to the vessel was approximately \$23,000 in 2009 and \$20,000 in 2008. Total minimum required payments are as follows for the years ending December 31:

2010	\$ 22,780
2011	22,780
2012	<u>22,780</u>
	<u>\$ 68,340</u>

Salish also leases office equipment under non-cancelable operating leases that expire in 2012. Future minimum lease payments under non-cancelable operating leases for the office equipment are as follows for the years ending December 31:

2010	\$ 3,056
2011	3,056
2012	<u>1,576</u>
	<u>\$ 7,688</u>

Total lease expense related to non-cancelable operating leases for the office equipment totaled \$3,056 for both 2009 and 2008.

Salish also leases office space on a month-to-month basis. Rent expense for the office space for the years ended December 31, 2009 and 2008, totaled \$18,000 and \$17,800, respectively.