

**SALISH SEA EXPEDITIONS**

FINANCIAL REPORT

DECEMBER 31, 2008

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CERTIFIED PUBLIC ACCOUNTANTS  
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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statement of financial position of Salish Sea Expeditions ("Salish") as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year 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 audit.

We conducted our audit 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 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 Salish as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

/S/ PETERSON SULLIVAN LLP

July 10, 2009

## SALISH SEA EXPEDITIONS

### STATEMENT OF FINANCIAL POSITION

December 31, 2008

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 175,742
Accounts receivable	32,094
Pledges receivable	2,087
Prepaid expenses	<u>10,135</u>
Total current assets	220,058
Property and Equipment, net	<u>10,065</u>
Total assets	<u><u>\$ 230,123</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 2,250
Accrued expenses	2,379
Deferred revenue	<u>29,176</u>
Total liabilities	33,805
Net Assets	
Unrestricted	123,252
Temporarily restricted	<u>73,066</u>
Total net assets	<u>196,318</u>
Total liabilities and net assets	<u><u>\$ 230,123</u></u>

See Notes to Financial Statements

## SALISH SEA EXPEDITIONS

### STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions	\$ 66,662	\$ -	\$ 66,662
Foundation and business grants	87,085	61,066	148,151
Government grants	17,206	2,000	19,206
In-kind income	22,269		22,269
Interest	2,692		2,692
Program income	171,735		171,735
Special events, net of \$42,632 of direct expenses	75,123		75,123
Net assets released from restriction	6,000	(6,000)	
Total support and revenue	448,772	57,066	505,838
Expenses			
Program services	385,108		385,108
Management and general	43,667		43,667
Fundraising	40,187		40,187
Total expenses	468,962		468,962
<b>Change in net assets</b>	<b>(20,190)</b>	<b>57,066</b>	<b>36,876</b>
Net assets, beginning of year	143,442	16,000	159,442
Net assets, end of year	\$ 123,252	\$ 73,066	\$ 196,318

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
Conferences and exhibits	476			476
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	363		182	545
	\$ 385,108	\$ 43,667	\$ 40,187	\$ 468,962

See Notes to Financial Statements

**SALISH SEA EXPEDITIONS**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2008

Cash flows from Operating Activities:	
Change in net assets	\$ 36,876
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	1,824
Donated equipment	(6,925)
Change in assets and liabilities	
Accounts receivable	(32,154)
Pledges receivable	5,505
Prepaid expenses	(10,135)
Accounts payable	(16,783)
Accrued expenses	(1,574)
Deferred revenue	17,676
	17,676
<b>Net cash flows from operating activities and net change in cash and cash equivalents</b>	<b>(5,690)</b>
Cash and cash equivalents, beginning of year	181,432
	181,432
Cash and cash equivalents, end of year	<u><u>\$ 175,742</u></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' 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, 1,000 teachers, and 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:

Program restricted contributions

Sound and Source	\$ 30,000
Equipment purchases	5,981
Capital campaign	7,000
Sea investigators	21,085
Low-income initiative	9,000
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	\$ 73,066
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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, 2008.

**Contributions**

Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received. Contributions from five organizations comprise approximately 77% of foundation and business grants on the Statement of Activities for 2008. All government grants are from one funding source in 2008.

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.

**Program Income**

Program income is composed of program fees related to sailing expeditions. During 2008, there were 25 sailings serving 550 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.

**Cash and Cash Equivalents**

Cash and cash equivalents consist principally of cash held in checking accounts and Salish's money market account.

## **Receivables**

Accounts 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. Salish has historically not experienced significant losses related to uncollectible receivables. No allowance for doubtful accounts was considered necessary at December 31, 2008. Accounts receivable from one source comprised approximately 60% of the balance at December 31, 2008.

## **Property and Equipment**

Salish capitalizes assets with a cost greater than \$1,000. Purchased property is carried 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).

## **Donated Services**

In-kind contributions consist of donated goods and services. 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 year ending December 31, 2008, totaled \$22,269.

## **Income Taxes**

Salish is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

## **Note 2. Property and Equipment**

Property and equipment consists of the following at December 31:

Equipment	\$	12,237
Automobiles		10,405
		<hr/>
		22,642
Accumulated depreciation		(12,577)
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	\$	<u>10,065</u>

### **Note 3. Commitments**

Salish leases a vessel under renewable lease agreements expiring in 2009. 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. Total minimum required payment for 2009 is \$21,440.

Salish 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:

2009	\$	3,056
2010		3,056
2011		3,056
2012		<u>1,576</u>
	\$	<u><u>10,744</u></u>

Total expenses related to non-cancelable operating leases for the office equipment totaled \$4,261 for the year ended December 31, 2008.

Salish also leases office space on a month-to-month basis. Rent expense for the office space for the year ended December 31, 2008, totaled \$17,800.

### **Note 4. Subsequent Events**

As of July 10, 2009, Salish has entered into negotiations to renew the lease on the current vessel used for expeditions, the Carlyn, beyond 2009. The lease has not yet been executed. However, a verbal agreement has been reached whereas the terms of the previous lease are consistent, requiring a minimum of 67 days chartered with the option to extend additional days up to the full extent of the charter period. The rate per day charter expense increased from \$320 to \$340.