

GALVESTON BAY FOUNDATION, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2008

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FINANCIAL STATEMENTS
DECEMBER 31, 2008

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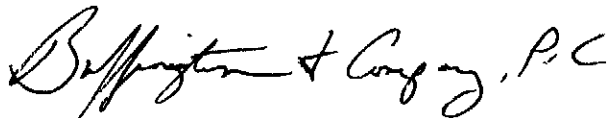
Independent Auditor's Report

Board of Directors and President
Galveston Bay Foundation, Inc.
Webster, Texas

We have audited the accompanying statement of financial position of Galveston Bay Foundation, Inc. (a non-profit organization) 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 Galveston Bay Foundation'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 our 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 Galveston Bay Foundation, Inc. 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 of America.



November 17, 2009

GALVESTON BAY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2008

ASSETS:

Current assets

Cash (Note 2)	\$	480,195
Receivables		206,362
Inventories		31,998
Other current assets		<u>1,975</u>

Total current assets 720,530

Fixed assets, at cost, net of accumulated depreciation (Note 3) 490,640

Other assets 3,598

Total assets \$ 1,214,768

LIABILITIES:

Current liabilities

Accounts payable	\$	7,609
Accrued liabilities		25,352
Note payable (Note 4)		<u>75,000</u>

Total current liabilities 107,961

Total liabilities 107,961

NET ASSETS:

Unrestricted		198,727
Temporarily restricted (Note 8)		453,024
Permanently restricted (Note 9)		<u>455,056</u>

Total net assets 1,106,807

Total liabilities and net assets \$ 1,214,768

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

GALVESTON BAY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 TOTALS
CHANGES IN UNRESTRICTED NET ASSETS:				
Support and Revenue:				
Grants and contributions	\$ 326,686	\$ 461,188	\$ -	\$ 787,874
Contract revenue	379,492			379,492
Special events revenues	128,380			128,380
Less: Costs of direct benefits provided to donors	(11,761)			(11,761)
Membership dues	-			-
Sales of merchandise, net of costs	(13,210)			(13,210)
Investment and other income	11,214			11,214
<i>Total support and revenue</i>	820,801	461,188	-	1,281,989
Net assets released from restrictions	395,699	(395,699)		-
<i>Total support, revenue and reclassifications</i>	1,216,500	65,489	-	1,281,989
Expenses:				
Program expenses (Note 5)-				
Education	319,441			319,441
Conservation	535,060			535,060
Research	17,903			17,903
Advocacy	130,458			130,458
<i>Total program services</i>	1,002,862			1,002,862
Supporting services-				
Management and general	100,339			100,339
Fund raising expenses	89,409			89,409
<i>Total supporting services</i>	189,748			189,748
<i>Total Functional Expenses</i>	1,192,610			
Interest expense (Note 4)	6,000			6,000
<i>Total expenses</i>	1,198,610			1,198,610
Increase in net assets	17,890	65,489	-	83,379
Net Assets - Beginning of period	180,837	387,535	455,056	1,023,428
Net Assets - End of period	\$ 198,727	\$ 453,024	\$ 455,056	\$ 1,106,807

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

GALVESTON BAY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2008

	Program Services				Total Program Services	Management and General	Committees	Fund- raising	Total Functional Expenses
	Education	Conservation	Research	Advocacy					
Salaries	\$ 110,403	\$ 125,245	\$ 9,527	\$ 44,656	\$ 289,833	\$ 36,818	\$ 5,765	\$ 34,994	\$ 367,409
Benefits	14,125	16,023	1,219	5,713	37,080	4,710	737	4,477	47,004
Payroll Taxes	10,306	11,646	879	3,925	26,756	2,951	511	3,408	33,625
Legal and accounting	-	-	-	-	-	16,126	-	-	16,126
Professional and Technical Services	14,570	1,405	-	51,672	67,646	1,932	-	11,240	80,817
Supplies and materials	7,368	76,315	33	47	83,763	3,193	2	36	86,994
Communications/ Telephone	1,332	4,888	145	302	6,668	1,652	-	601	8,920
Postage & Shipping	3,328	1,710	12,710	131	5,182	(157)	54	4,424	9,502
Occupancy	3,279	31,720	1,551	769	37,319	3,359	99	802	41,580
Equipment rental and maintenance	326	7,566	800	-	8,691	785	-	34	9,511
Printing and publications	45,463	6,624	113	145	52,346	1,184	-	19,094	72,624
Travel, meals and entertainment	12,052	9,820	1,481	9,594	32,948	781	111	1,559	35,399
Conferences, workshops	371	2,313	535	1,150	4,369	480	-	605	5,454
Depreciation	2,668	3,028	230	1,080	7,006	890	139	846	8,882
Contracted materials & services	8,765	205,053	-	-	213,818	-	-	-	213,818
Insurance	11,312	12,833	976	4,576	29,697	3,772	591	3,586	37,646
Event costs	13,971	12,583	69	235	26,858	406	388	619	28,271
Membership dues and subscriptions	-	2,040	-	4,500	6,540	1,749	-	400	8,689
Advertising and Development	56,099	-	-	450	56,549	12,050	-	1,280	69,879
Property Taxes	672	762	58	272	1,763	224	35	213	2,235
Licenses and permits	-	619	-	-	619	294	-	-	913
Other costs	458	(52)	50	199	654	6,281	-	375	7,310
Committee expenses- Allocated	2,574	2,920	222	1,041	6,758	859	(8,433)	816	-
<i>Total Functional Expenses</i>	<u>\$ 319,441</u>	<u>\$ 535,060</u>	<u>\$ 17,903</u>	<u>\$ 130,458</u>	<u>\$ 1,002,862</u>	<u>\$ 100,339</u>	<u>\$ -</u>	<u>\$ 89,409</u>	<u>\$ 1,192,610</u>

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

GALVESTON BAY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 83,379
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,883
Forgiven debt	(25,000)
Change in assets and liabilities-	
Increase in receivables	(108,357)
Decrease in inventories	20,481
Decrease in other assets	3,527
Decrease in accounts payable	(27,747)
Increase in accrued liabilities	973
<i>Net cash used by operating activities</i>	<u>(43,861)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of fixed assets	<u>(7,320)</u>
<i>Net cash used by investing activities</i>	<u>(7,320)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:	
<i>Net cash provided by financing activities</i>	<u>-</u>
 Net decrease in cash	 (51,181)
 Cash, beginning of year	 <u>531,376</u>
 Cash, end of year	 <u>\$ 480,195</u>
 Supplemental information –	
Interest paid	\$ ---
Income taxes paid	---

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

GALVESTON BAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

1. *NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES*

A. Organization - The Galveston Bay Foundation, Inc. (Foundation) is a Texas non-profit corporation formed to preserve and enhance Galveston Bay for its multiple uses through education, conservation, research and advocacy. The Foundation is supported primarily through contributions and grants made to fund programs and contracts with governmental agencies to provide services that meet the Foundation's mission.

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below.

B. Support and Expenses - Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

The Foundation reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

C. Conditional Promises to Give - During the year ended December 31, 2008, the Foundation received conditional promises to give that were contingent upon the Foundation's raising matching gifts. All matching requirements have been met at December 31, 2008.

D. Contract Revenue and Receivables - Receivables consist of amounts due, both billed and unbilled, under reimbursable contracts with government agencies. Contract revenue is recognized as the Foundation incurs allowable costs under the contracts on a matching basis. The Foundation provides an allowance for estimated uncollectible receivables. No provision was considered necessary at December 31, 2008.

E. Special Events - The Foundation holds various fund raising events during the year in which the donors receive direct benefits for their donations. The costs of the direct benefits have been subtracted from the contributions received from the donors in determining total support and revenue for the Foundation.

GALVESTON BAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

1. *NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)*

- F. Conservation Easements* – The Foundation assigns no value to conservation easements for which it has no ownership rights other than monitoring and enforcing the easement to protect and conserve the property. The costs associated with the Foundation’s monitoring and enforcement activities are recorded as expenses when they are incurred.
- G. Concentrations of Credit and Market Risk* - Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash and cash equivalents. Cash and cash equivalents are primarily maintained with a major brokerage house in money market funds that are federally insured for \$250,000 and insured by the brokerage firm to \$10,000,000. Funds are generally distributed from the cash account to various money market accounts in amounts of less than \$250,000, however from time to time balances may exceed federally insured amounts. The Foundation has not experienced any losses on its cash and cash equivalents.
- H. Fixed Assets* - Fixed assets include land, furniture and fixtures, office equipment and equipment for program services, which are either currently used or planned to be used for the program services of the foundation. Fixed assets are recorded at cost or, in the case of donated property, at estimated fair market value at the time of the donation. Fixed assets, excluding land, are depreciated using the straight-line method over the estimated useful lives of the assets, generally from 5 to 20 years.
- I. Compensated Absences* - Under the Foundation's policy for compensated absences generally, employees are entitled to one to four weeks of vacation each year. However, any earned vacation not taken within six months of the employee’s anniversary date of the year it is available is treated as expired and may not be carried over from year to year. Additionally, up to ten days of sick leave may be carried over from year to year. The Foundation has accrued \$20,677 for compensated absences that have been earned but not taken at December 31, 2008.
- J. Income Taxes* - The Foundation is exempt from Federal and state income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code.
- K. Advertising Costs* – Advertising costs are expensed as incurred.
- L. Cash Flows* - Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities less than 90 days at inception. Interest received during the year totaled \$11,214. Noncash investing and financing activities during the year consisted of \$25,000 of forgiven debt recorded as contributions. There were no payments of interest or taxes during the year.
- M. Use of Estimates* - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions

GALVESTON BAY FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2008

1. *NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)*

that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. *CASH*

At December 31, 2008, the Foundation had deposits of \$454,216 in a cash management account with a securities brokerage firm. Those deposits were all maintained in money market accounts and interest was being paid on deposited funds at annual rates of 0.47%. Cash balances in excess of \$250,000 are not covered by federal deposit insurance. Interest earned on deposits during the year ended December 31, 2008, totaled \$11,214.

3. *FIXED ASSETS*

At December 31, 2008, fixed assets owned and used by the Foundation consisted of the following:

<u>Description</u>	<u>Totals</u>
<i>Nondepreciable assets-</i>	
Restricted land (See Note 9)	\$ 455,034
Artwork	9,400
<i>Depreciable assets-</i>	
Equipment for program services	137,316
Furniture and fixtures	14,338
Office equipment and other assets	<u>58,677</u>
 Total Fixed Assets	 674,765
 Less: Accumulated Depreciation	 <u>(184,125)</u>
 Net Fixed Assets	 <u>\$ 490,640</u>

Assets with a cost of \$7,320 were acquired with operating funds during the year ended December 31, 2008.

Depreciation expense for the year ended December 31, 2008, totaled \$8,883.

GALVESTON BAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

4. *NOTE PAYABLE*

During 2004, the Foundation obtained a loan of \$250,000 from a corporate member. The terms of the loan called for the Foundation to make repayment on June 28, 2005, with no interest accruing on the loan. The loan was extended at its maturity. Under the terms of the loan \$25,000 of the principal balance is forgiven each year when the Foundation raises \$25,000 in matching funds, which has been achieved in each period. The Foundation has also recorded \$6,000 in interest expense on the loan during 2008, and has treated the unpaid interest as an additional contribution from the corporation. Payment on the loan balance has been extended each year. Currently it is extended until June 2009.

5. *FUNCTIONAL ALLOCATION OF EXPENSES*

The costs of providing the various programs and activities of the Foundation as well as fund raising costs and management and general costs have been summarized on a functional basis in the statement of activities and reported in detail in the statement of functional expenses for the year ended December 31, 2008. Costs that have been directly identified are reported in the appropriate program expense or supporting service category. Certain shared costs have been allocated among the program categories and supporting services. Allocations are made based on direct salary costs that are charged to the categories.

6. *COMMITMENTS*

The Foundation executed an agreement containing a commitment to lease its office space from July 1, 2007, through July 31, 2012, and continuing month-to-month thereafter. The lease calls for monthly rent of \$2,046 in months two through twenty-four and \$2,203 in months twenty-five through sixty-one. No rent was due in the first month. Monthly estimated common area maintenance charges are \$378 and monthly estimated property taxes and insurance are \$504.

Total office rent expense incurred, including common area charges, was \$32,394 for the year ended December 31, 2008.

7. *CONTRIBUTED GOODS AND SERVICES*

A substantial number of unpaid volunteers, including professional service providers, provide significant services to the Foundation. The value of the contributed time is not susceptible to objective measurement and it has not been reflected in the financial statements. Supplies, project materials and other goods and professional services provided to the Foundation have been recorded as revenues and expenses or assets at their estimated fair values.

GALVESTON BAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

7. *CONTRIBUTED GOODS AND SERVICES (Continued)*

The values of donated goods and services during the year ended December 31, 2008, were as follows:

Donation of cord grass for marsh conservation	\$34,250
Donations provided for educational projects-	
Advertising	11,544
Printing	2,465
Interest donated	<u>6,000</u>
Total donated goods and services	<u>\$54,249</u>

8. *TEMPORARILY RESTRICTED NET ASSETS*

Temporarily restricted net assets at December 31, 2008, are available for the following specific program services and supporting services for subsequent periods:

Education	\$ 63,303
Conservation	218,778
Research	---
Advocacy	70,943
Multiple services	<u>100,000</u>
Total temporarily restricted net assets at December 31, 2008	<u>\$ 453,024</u>

Net assets were released from temporary restrictions by the following:

Incurring expenses satisfying the purpose specified by the donors	<u>\$ 395,699</u>
Total net assets released from restrictions	<u>\$ 395,699</u>

It is anticipated that all temporarily restricted net asset funds at December 31, 2008, will be utilized during 2009.

GALVESTON BAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

9. *PERMANENTLY RESTRICTED NET ASSETS*

Permanently restricted assets of the Foundation are currently comprised of five contributed tracts of land with fair values of \$455,056 at the dates of their contribution that are restricted for preservation in perpetuity. Any costs associated with maintaining the properties have been provided by unrestricted or temporarily restricted funds and the costs have been classified as conservation expenses in the period expended.

10. *CONSERVATION EASEMENTS*

Land Trust Activities-

The Galveston Bay Foundation works to conserve land and valuable aquatic habitats such as wetlands and marshes through ownership of approximately 3,000 acres of land, and through its continually growing conservation easement program. By holding either the title or a conservation easement on a parcel of land containing wetlands or other valuable habitats, the Foundation endeavors to maintain the mosaic of natural system functions and values of the Galveston Bay system that are important to maintaining quality of life, economic vitality, and a unique population of resident and migratory wildlife.

The Foundation accepts donations of land and conservation easements on a case-by-case basis. Conservation easements are also a tool for landowners who wish to conserve habitat on their land in perpetuity, but who also wish to retain ownership of the land to enjoy or for their family. Donors of land or easements can often take federal tax benefits for the value of their donation. When the Foundation accepts a title to a property or a conservation easement on that property, the Foundation accepts the responsibility to maintain the property and/or easement forever. For that reason, the Foundation evaluates each tract carefully to determine that the tract supports our conservation goals and strategic plan. Also, the Foundation maintains a Stewardship Fund, which is designed to provide the financial resources necessary to maintain its land holdings and conservation easement in perpetuity.

The Galveston Bay Foundation is a member of the National Land Trust Alliance (LTA) and has adopted and supports the Standards and Practices of LTA. The Foundation is also a participating member of the Texas Land Trust Council (TLTC).