

Three Bays Preservation, Inc.
December 31, 2010

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To the Board of Directors
Three Bays Preservation, Inc.
Osterville, Massachusetts

Independent Accountant's Review Report

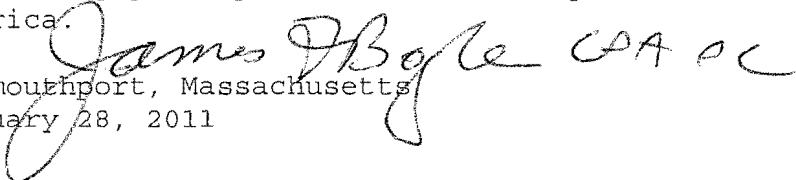
We have reviewed the accompanying statements of financial position of Three Bays Preservation, Inc. as of December 31, 2010 and the related statements of activities and cash flows for the years then ended.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of the organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such as an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles generally accepted in the United States of America.


Yarmouthport, Massachusetts
January 28, 2011

Three Bays Preservation, Inc.
STATEMENT OF FINANCIAL POSITION
December 31, 2010

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 320,990
Investments	832,460
Interest receivable	750
Prepaid expenses	<u>8,685</u>
Total current assets	<u>1,162,885</u>

PROPERTY AND EQUIPMENT

Land	934,700
Equipment	56,430
Less: Accumulated depreciation	<u>(52,418)</u>
Net property and equipment	<u>938,712</u>

TOTAL ASSETS \$ 2,101,597

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	<u>\$ 12,219</u>
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NET ASSETS

Unrestricted	1,130,358
Temporarily Restricted	24,320
Permanently Restricted	<u>934,700</u>

TOTAL NET ASSETS 2,089,378

TOTAL LIABILITIES AND NET ASSETS \$ 2,101,597

See Accompanying Notes and Accountants' Report

THREE BAYS PRESERVATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT				
Grants	\$ 25,000	\$ 27,063	\$ -	\$ 52,063
Contributions	136,418	1,215	-	137,633
Memberships	11,955	-	-	11,955
Fundraisers	2,985	-	-	2,985
Interest and dividends	21,857	-	-	21,857
Loss on sale of investments	(28,876)	-	-	(28,876)
Appreciation of investment values	105,710	-	-	105,710
Net assets released from restrictions satisfied by payments	57,063	(57,063)	-	-
	<u>332,112</u>	<u>(28,785)</u>	<u>-</u>	<u>303,327</u>
Total revenue gains and other support				
EXPENSES				
Program services	205,802	-	-	205,802
Management and administrative	50,723	-	-	50,723
Fund raising	42,991	-	-	42,991
	<u>299,516</u>	<u>-</u>	<u>-</u>	<u>299,516</u>
Total expenses				
DECREASE IN NET ASSETS	32,596	(28,785)	-	3,811
NET ASSETS-BEGINNING OF PERIOD	<u>1,097,762</u>	<u>53,105</u>	<u>934,700</u>	<u>2,085,567</u>
NET ASSETS-END OF PERIOD	<u>\$ 1,130,358</u>	<u>\$ 24,320</u>	<u>\$ 934,700</u>	<u>\$ 2,089,378</u>

See Accompanying Notes and Accountants' Report

Three Bays Preservation, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 3,811
Adjustment to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	2,105
Decrease in prepaid expenses	52
Decrease in accounts payable and accrued expenses	(2,826)
Appreciation of investment values	(105,710)
Realized losses in investments	28,876
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Net cash used by operating activities	(73,692)

CASH FLOWS USED BY INVESTING ACTIVITIES

Proceeds from sale of investments	341,604
Purchase of investments	(345,947)
Purchase of fixed assets	(1,278)
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Net cash used by investing activities	(5,621)

NET DECREASE IN CASH AND CASH EQUIVALENTS	(79,313)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	400,303
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CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 320,990

See Accompanying Notes and Accountants' Report

Three Bays Preservation, Inc.
Notes to Financial Statements
December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operation of Three Bays Preservation, Inc.

Three Bays Preservation, Inc. is a not-for-profit organization, incorporated under the laws of Massachusetts on December 4, 1996. The Organization was established to protect, maintain, and enhance the ecosystem and quality of life of the aquatic and related environment of the West Bay, North Bay and Cotuit Bay of Cape Cod.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statement of Not for Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in (SFAS) No. 116, Accounting for Contributions Received and Contributions Made. Under SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence or nature of any donor restrictions.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$250. Purchases of property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) (1) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Donated Property

Donations of property are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. Asset donated with the explicit restrictions regarding the use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions.

NOTE B - RETIREMENT PLAN

The Organization has established a retirement plan. The Organization's funding policy is to contribute 12% of compensation of each covered employee. Contributions of \$14,518 were made to the plan during the period ended December 31, 2010.

NOTE C - INVESTMENTS

Investments in marketable debt and marketable securities are reported at fair market value at December 31, 2010. These investments consist of:

Equity Securities	\$782,418
Corporate Bonds	<u>50,042</u>
	<u>\$832,460</u>

Investment return is summarized as follows:

Interest and Dividends	\$21,857
Net Realized Losses	(28,876)
Net Unrealized Gains	<u>105,710</u>
	<u>\$87,691</u>

Investment management fee for the year amounted to \$3,477

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following

Land	\$934,700
Equipment	48,803
Software	6,352
Boats	<u>1,275</u>
	991,130
Less Accumulated Depreciation	<u>(52,418)</u>
	<u>\$938,712</u>

Depreciation expense for the year amount to \$4,347.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of:

Scholarship Fund	\$24,320
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NOTE F - Subsequent Events

The organization did not have any recognized or non-recognized subsequent events after December 31, 2010, the date of the statement of financial position. Subsequent events have been evaluated through January 28, 2011 the date the financial statements were issued.

NOTE G - RELATED PARTY TRANSACTIONS

The organization leases its office from its Treasurer as a tenant at will.