

**SAVE THE HARBOR / SAVE THE BAY, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011 and 2010**

**SAVE THE HARBOR / SAVE THE BAY, INC.**  
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**Years Ended December 31, 2011 and 2010**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Save the Harbor / Save the Bay, Inc.  
Boston, Massachusetts

We have audited the accompanying statements of financial position of Save the Harbor / Save the Bay, Inc. (a nonprofit organization) as of December 31, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 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 Save the Harbor / Save the Bay, Inc. as of December 31, 2011 and 2010, 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 of America.

As discussed in Note 2 to the financial statements, the Organization has restated its 2010 financial statements during the current year to account for a liability due to an officer based on an employment contract signed in 2009 and to retrospectively restate 2010 opening net assets to reflect liabilities incurred from the employment contract from 2000 to 2009, 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 financial statements as a whole. The schedule of functional expenses on pages 14-15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates

directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Stanton & Co.*

Stanton & Co.  
July 23, 2012

**SAVE THE HARBOR / SAVE THE BAY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2011 AND 2010**

<b>ASSETS</b>	<u>2011</u>	<u>2010</u> <u>Restated</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 181,272	\$ 240,068
Grant receivable	75,000	29,500
Other receivable	13,824	20,529
Prepaid expenses	10,392	10,971
Security deposits	<u>3,517</u>	<u>3,517</u>
<b>TOTAL CURRENT ASSETS</b>	<u>284,005</u>	<u>304,585</u>
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment, net	<u>5,730</u>	<u>11,940</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 289,735</u></u>	<u><u>\$ 316,525</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 4,320	\$ 4,362
Accrued payroll and related taxes	19,306	20,025
Accrued expenses	<u>1,293</u>	<u>1,293</u>
<b>TOTAL CURRENT LIABILITIES</b>	24,919	25,680
<b>LONG-TERM LIABILITIES:</b>		
Accrued employment agreement	<u>70,733</u>	<u>64,942</u>
<b>TOTAL LIABILITIES</b>	<u>95,652</u>	<u>90,622</u>
<b>NET ASSETS:</b>		
Unrestricted net assets	90,683	119,016
Temporarily restricted net assets	<u>103,400</u>	<u>106,887</u>
<b>TOTAL NET ASSETS</b>	<u>194,083</u>	<u>225,903</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 289,735</u></u>	<u><u>\$ 316,525</u></u>

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

**SAVE THE HARBOR / SAVE THE BAY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE:</b>			
Grant income	\$ 421,800	\$ 75,000	\$ 496,800
Event income	271,967		271,967
Membership & corporate income	46,825		46,825
In-kind contributions	31,750		31,750
Interest income	237		237
Satisfaction of program restrictions	<u>78,487</u>	<u>(78,487)</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u>851,066</u>	<u>(3,487)</u>	<u>847,579</u>
<b>EXPENSES:</b>			
Program services	646,192		646,192
Management and general	80,265		80,265
Fundraising	<u>152,942</u>		<u>152,942</u>
<b>TOTAL EXPENSES</b>	<u>879,399</u>	<u>-</u>	<u>879,399</u>
Change in net assets	(28,333)	(3,487)	(31,820)
Net assets, beginning of year, as restated	<u>119,016</u>	<u>106,887</u>	<u>225,903</u>
Net assets, end of year	<u>\$ 90,683</u>	<u>\$ 103,400</u>	<u>\$ 194,083</u>

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

**SAVE THE HARBOR / SAVE THE BAY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2010**  
**(RESTATED)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE:</b>			
Grant income	\$ 424,000	\$ 79,500	\$ 503,500
Event income	213,582		213,582
Membership & corporate income	36,380		36,380
In-kind contributions	25,441		25,441
Interest income	548		548
Satisfaction of program restrictions	<u>101,589</u>	<u>(101,589)</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u>801,540</u>	<u>(22,089)</u>	<u>779,451</u>
<b>EXPENSES:</b>			
Program services	546,915		546,915
Management and general	90,426		90,426
Fundraising	<u>146,101</u>		<u>146,101</u>
<b>TOTAL EXPENSES</b>	<u>783,442</u>	<u>-</u>	<u>783,442</u>
Change in net assets	18,098	(22,089)	(3,991)
Net assets, December 31, 2009 as previously reported	160,069	128,976	289,045
Change in accounting principle (Note 2)	(59,151)		(59,151)
Net assets, December 31, 2009 as restated	<u>100,918</u>	<u>128,976</u>	<u>229,894</u>
Net assets, December 31, 2010	<u>\$ 119,016</u>	<u>\$ 106,887</u>	<u>\$ 225,903</u>

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

**SAVE THE HARBOR / SAVE THE BAY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u> <u>Restated</u>
Cash flows from operating activities:		
Change in net assets	\$ (31,820)	\$ (3,991)
Non-cash items included in change in net assets-		
net cash used by operating activities:		
Depreciation expense	7,873	9,441
(Increase) decrease in operating assets:		
Grant receivable	(45,500)	(24,500)
Other receivable	6,705	(3,753)
Prepaid expenses	579	(6,725)
Increase (decrease) in operating liabilities:		
Accounts payable	(42)	(2,105)
Accrued payroll and related taxes	(719)	2,466
Accrued employment agreement	5,791	5,791
	(57,133)	(23,376)
Net cash used by operating activities		
Cash flows from investing activities:		
Computer purchase	(1,663)	
Net decrease in cash	(58,796)	(23,376)
Cash and cash equivalents:		
Beginning of Year	240,068	263,444
End of Year	\$ 181,272	\$ 240,068

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



**SAVE THE HARBOR / SAVE THE BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Save the Harbor / Save the Bay, Inc. (SHSB) is a nonprofit public-interest harbor advocacy organization made up of citizens, scientists and civic, corporate, cultural and community leaders whose mission is to restore and protect Boston Harbor and Massachusetts Bay and keep them clean forever for everyone to enjoy.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board, *Financial Statements of Not-For-Profit Organizations*. Under these professional standards, 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) based upon the existence or absence of donor-imposed restrictions.

In accordance with *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Basis of Accounting

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

Cash Equivalents

Cash equivalents include all highly liquid debt instruments with purchased maturities of three months or less.

**SAVE THE HARBOR / SAVE THE BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Grants and other receivables

Receivables are reported at the amount the organization expects to collect. At year end management evaluates amounts outstanding and writes off any balances deemed uncollectible. Receivables are unsecured and noninterest bearing.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization's policy is to report as unrestricted support contributions with donor imposed restrictions when these restrictions are met in the same year that the contribution was received.

Property and Equipment

Property and equipment purchased by Save the Harbor / Save the Bay, Inc. are recorded at cost at the date of acquisition. Contributed assets are capitalized at their fair values at the date of contribution. Proceeds from the sale of assets, if unrestricted, are transferred to unrestricted net assets or, if restricted, restricted for future acquisitions.

Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives of the assets. The net property and equipment balance has been recorded as a separate component in unrestricted net assets.

**SAVE THE HARBOR / SAVE THE BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Save the Harbor / Save the Bay, Inc. is exempt from federal income taxes under section 501 (c) 3 of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. There was no unrelated business income for the years ended December 31, 2011 and 2010.

The Organization has evaluated its tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financials statements. The Organization does not believe their evaluation of tax positions will significantly change within twelve months of December 31, 2011. Any changes in tax position will be recorded when the ultimate outcome becomes known. The Organization's tax returns are subject to examination by taxing authorities generally for the years ended December 31, 2009, 2010 and 2011.

Advertising

The Organization's policy is to expense advertising costs as incurred.

**SAVE THE HARBOR / SAVE THE BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Functional Expenses -

The Organization allocates expenses on a functional basis among its programs and supporting services. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis and are composed of the following:

*Management and general* – includes all activities related to the Organization’s internal management and accounting for program services.

*Fundraising* – includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials, and other similar projects related to the procurement of funds for the Organization’s programs.

Expenses that can be identified with a specific program or supporting service are allocated directly to those classifications. Other expenses that are common to several functions are allocated in accordance with the Organization’s indirect costs allocation plan.

Allocations of functional expenses are based on management’s discretion, time sheets, and estimates. These variables may change from year to year. As a result, there may be a fluctuation in the comparative presentation of the data from year to year.

**2. PRIOR PERIOD ADJUSTMENT**

The Organization and the Executive Director entered into an employment agreement in 2009, as described in Note 11. During the year ended December 31, 2011 it was determined that a termination accrual was not recorded in the 2009 and 2010 financial statements. As a result, 2009 retained earnings and the 2010 financial statements have been restated to reflect the accrual of the Executive Director’s compensation to be received upon termination of her employment with the Organization.

**SAVE THE HARBOR / SAVE THE BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted assets are available for the following purposes at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Waters Edge Trust	\$ 28,400	\$ 28,400
25 <sup>th</sup> Anniversary Event	-	25,000
Branding, Development & Marketing	-	48,987
Time restricted donations	75,000	-
Capital equipment upgrade	-	4,500
	<u>\$ 103,400</u>	<u>\$ 106,887</u>

**4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Office equipment	\$27,664	\$27,664
Furniture and fixtures	2,987	2,987
Computer equipment	48,141	46,478
Leasehold improvements	24,331	24,331
Software	920	920
Website	7,500	7,500
Less accumulated depreciation	<u>(105,813)</u>	<u>(97,940)</u>
	<u>\$ 5,730</u>	<u>\$ 11,940</u>

**5. CONCENTRATIONS**

Cash

The Organization maintains two bank accounts at one bank. The total account balances at December 31, 2011 and 2010 did not exceed the federally insured limit of \$250,000. An uninsured amount could be subject to loss should the bank fail. However, the Organization has not experienced any such losses and management does not believe that there is a significant risk of loss.

**SAVE THE HARBOR / SAVE THE BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**5. CONCENTRATIONS (continued)**

Contributors

For the years ended December 31, 2011 and 2010, contributions from individually significant contributors, which are contributors donating \$25,000 or more, amounted to approximately 63% and 73% of total contributions, respectively.

**6. DONATED SERVICES, MATERIALS, AND FACILITIES**

The Organization chartered a boat, motor and accessory during the summer months for which no rent was paid. The charter company has estimated the approximate fair value of the vessel rentals to be \$16,750 and \$11,375 in 2011 and 2010, respectively. In 2011 and 2010 the Organization's entered into an agreement with the lessor who agreed to donate 4 months of rent, valued at \$15,000 and \$14,066, respectively, in exchange for sponsorship of the Organization's youth environmental education programs. These amounts are included as contributions and expenses in the statement of activities.

In addition, the Organization receives donated services from a variety of unpaid volunteers assisting the Organization in protecting Boston Harbor and Massachusetts Bay and working at its various youth and other harbor activities for which no financial value has been recorded in the statement of activities.

**7. LEASE COMMITMENTS**

On July 1, 2010 the Organization commenced a two year lease for office space. The Organization has the option to renew the lease on an annual basis for an additional three years. Future minimum lease payments for the next year are \$14,664. Total occupancy expense, including rent and utilities for the years ended December 31, 2011 and 2010 is \$49,991 and \$43,638, respectively.

**8. LINE OF CREDIT**

In October 2006, the Organization obtained a \$100,000 demand line of credit agreement, bearing interest at prime, secured by substantially all of the Organization's assets to be drawn down as needed. The Organization did not utilize the line of credit during the years ended 2011 and 2010.

**SAVE THE HARBOR / SAVE THE BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**9. EMPLOYEE BENEFIT PLANS**

In January 2004, the Organization established a defined contribution profit sharing plan under Internal Revenue Code Section 401 (k) and substantially all eligible employees of the Organization may participate in this plan. The Organization provided a safe-harbor contribution of 3% of salary earned by a participant. The Organization made contributions of \$7,726 and \$8,044 for the years ended December 31, 2011 and 2010. The Organization offers 100% paid health and dental benefits to all full time employees.

**10. RELATED PARTY TRANSACTION**

The Organization paid \$86,400 each year for consulting services to a company owned by the spouse of the President of the Organization during the years ended December 31, 2011 and 2010, respectively. These services included serving as Director of Strategy, Communications and Programs.

**11. EMPLOYMENT AGREEMENT**

In 2009 the Organization entered into an employment agreement with the Executive Director. Upon termination of the agreement by either party, with certain exceptions, two weeks pay for each year of service to the Organization shall be due to the Executive Director, computed as of January 2000. Retained earnings as of December 31, 2009 has been restated to record an accrual of \$59,151 for the liability due to the Executive Director incurred from 2000 through 2009. Additional expense of \$5,791 has been accrued for each of the years ended December 31, 2010 and 2011.

**12. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through July 23, 2012, the date the financial statements were available to be issued.

**SAVE THE HARBOR / SAVE THE BAY, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2011**

	Programs	Management and General	Fund Raising	Total
Accounting	\$ 4,751	\$ 14,252		\$ 19,003
Bank charges	2,166	376	\$ 400	2,942
Better Beaches	25,000			25,000
Computer expense	7,863	1,368	1,453	10,684
Consultants	85,545		25,600	111,145
DBH event	14,378		14,378	28,756
Depreciation	5,795	1,006	1,072	7,873
Dues and memberships	2,225			2,225
Employee benefits	32,369	5,394	5,707	43,470
Other events	12,493		12,493	24,986
Boat rental expense	16,750			16,750
Fees			95	95
Insurance	4,506	782	833	6,121
Interns	24,297			24,297
Internet expense	6,782	1,177	1,254	9,213
Meetings & conferences	3,290	571	608	4,469
Occupancy	31,999	5,555	5,916	43,470
Payroll service	3,460	601	640	4,701
Payroll taxes	19,720	3,423	3,646	26,789
Postage and shipping	4,715	818	872	6,405
Printing	1,189	4,627	16,205	22,021
Stipends	38,191			38,191
Supplies & office expense	6,824	1,185	1,262	9,271
Taxes		318		318
Telephone	2,838	493	525	3,856
Travel	1,621	281	300	2,202
25th Anniversary Event	19,166		19,165	38,331
Utilities	4,800	833	888	6,521
Youth services	6,364			6,364
Water Transportation	20,900			20,900
Wages - staff	236,195	37,205	39,630	313,030
<b>TOTAL</b>	<b>\$ 646,192</b>	<b>\$ 80,265</b>	<b>\$ 152,942</b>	<b>\$ 879,399</b>



**SAVE THE HARBOR / SAVE THE BAY, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2010**  
**RESTATED**

	Programs	Management and General	Fund Raising	Total
Accounting	\$ 4,821	\$ 14,464		\$ 19,285
Bank charges	1,296	272	\$ 265	1,833
Better Beaches	24,000			24,000
Computer expense	5,862	1,201	1,170	8,233
Consultants	80,941		32,280	113,221
Depreciation	6,722	1,377	1,342	9,441
Dues and memberships	1,937			1,937
Employee benefits	32,489	6,300	6,141	44,930
Event expense	6,907		30,379	37,286
Boat rental expense	11,375			11,375
Fees			120	120
Insurance	4,124	845	823	5,792
Interns	34,811			34,811
Internet expense	6,470	1,326	1,292	9,088
Meetings & conferences	1,924	394	384	2,702
Occupancy	28,276	5,795	5,646	39,717
Payroll service	3,546	727	708	4,981
Payroll taxes	20,287	4,158	4,050	28,495
Postage and shipping	3,516	721	702	4,939
Printing	3,160	3,305	12,852	19,317
Supplies & office expense	7,091	1,453	1,416	9,960
Taxes		328		328
Telephone	3,198	655	639	4,492
Travel	840	172	168	1,180
Utilities	2,792	572	557	3,921
Youth services	6,461			6,461
Water Transportation	17,850			17,850
Wages - staff	226,219	46,361	45,167	317,747
<b>TOTAL</b>	<b>\$ 546,915</b>	<b>\$ 90,426</b>	<b>\$ 146,101</b>	<b>\$ 783,442</b>