



**Financial Statements**

Years ended June 30, 2017 and 2016

with

Report of Independent Auditors

**Report of Independent Auditors**

CERTIFIED PUBLIC  
ACCOUNTANTS

DONALD WILSON  
ALAN MARKLE  
CHARLES STUCKEY  
DAVID HARDESTY  
DAVID BOTT  
DAVID BAILEY  
MICHAEL SMITH  
SHIRLEY CHEN-BLUM

To the Board of Directors of Baykeeper

We have audited the accompanying financial statements of Baykeeper (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Responsibility of Management for the Financial Statements

The management of Baykeeper 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; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Auditors

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted the audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures we select depend on our judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the management of Baykeeper, and evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for the audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Baykeeper as of June 30, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Wilson Markle Stuckey Hardesty & Bott*  
Wilson Markle Stuckey Hardesty & Bott, LLP  
Larkspur, California  
April 20, 2018

**Baykeeper**  
**Statements of Financial Position**  
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and cash equivalents – Unrestricted	\$ 818,874	\$ 333,222
Cash and cash equivalents – Restricted	187,783	123,732
Investments	224,689	197,242
Grants and contributions receivable	28,720	14,200
Settlements receivable – Current	19,250	481,750
Settlements receivable – Long-term	84,382	20,266
Prepaid expenses – Litigation	7,564	14,027
Prepaid expenses – Other	12,710	18,521
Property and equipment, net	31,559	9,924
Deposits	8,611	8,611
	<u>8,611</u>	<u>8,611</u>
<b>Total assets</b>	<u><u>\$ 1,424,142</u></u>	<u><u>\$ 1,221,495</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 172,510	\$ 115,586
Advances - Litigation	95,000	75,000
Deferred rent	11,430	12,114
	<u>11,430</u>	<u>12,114</u>
<b>Total liabilities</b>	278,940	202,700
<b>Net assets</b>		
<b>Unrestricted</b>		
Undesignated	676,249	598,994
Board-designated	214,880	192,833
	<u>214,880</u>	<u>192,833</u>
<b>Total unrestricted</b>	891,129	791,827
<b>Temporarily restricted</b>	<u>254,073</u>	<u>226,968</u>
<b>Total net assets</b>	<u>1,145,202</u>	<u>1,018,795</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 1,424,142</u></u>	<u><u>\$ 1,221,495</u></u>

See accompanying notes.

**Baykeeper**  
 Statements of Activities and Changes in Net Assets  
 June 30, 2017 and 2016

	Unrestricted	Temporarily restricted	2017 Totals	Unrestricted	Temporarily restricted	2016 Totals
Support and revenue						
Contributions	\$ 664,187	\$ 79,654	\$ 743,841	\$ 662,854	\$ 5,854	\$ 668,708
In-kind, net	219,848	-	219,848	243,443	-	243,443
Fee and cost recovery	649,437	-	649,437	679,288	-	679,288
Investment, net	25,379	-	25,379	(519)	-	( 519)
Other	234	-	234	4,520	-	4,520
Net assets reclassified	52,549	( 52,549)	-	26,297	( 26,297)	-
Total support and revenue	1,611,634	27,105	1,638,739	1,615,883	( 20,443)	1,595,440
Expenses						
Program services	1,107,740	-	1,107,740	776,593	-	776,593
Management and general	147,859	-	147,859	154,752	-	154,752
Fundraising	256,733	-	256,733	355,063	-	355,063
Total expenses	1,512,332	-	1,512,332	1,286,408	-	1,286,408
Changes in net assets	99,302	27,105	126,407	329,475	( 20,443)	309,032
Net assets, beginning of year	791,827	226,968	1,018,795	462,352	247,411	709,763
Net assets, end of year	<u>\$ 891,129</u>	<u>\$ 254,073</u>	<u>\$ 1,145,202</u>	<u>\$ 791,827</u>	<u>\$ 226,968</u>	<u>\$ 1,018,795</u>

See accompanying notes.

**Baykeeper**  
**Statements of Functional Expenses**  
June 30, 2017 and 2016

Expenses	Supporting services			2017 Totals
	Program services	Management and general	Fund-raising	
Salaries	\$ 472,006	\$ 88,023	\$ 148,295	\$ 708,324
Payroll taxes	36,427	5,086	11,131	52,644
Employee benefits	47,020	7,250	14,540	68,810
Maintenance	40,000	-	-	40,000
Bay patrol	14,441	-	-	14,441
Meetings and events	11,033	749	6,643	18,425
Information technology	11,955	1,809	5,840	19,604
Insurance	3,010	4,538	1,638	9,186
Occupancy	43,462	6,068	13,280	62,810
Operating	11,695	2,805	39,524	54,024
Professional services				
Accounting	-	29,998	-	29,998
Legal – Environmental law enforcement	386,233	-	-	386,233
Other	2,320	680	3,500	6,500
Publications and outreach	20,805	312	10,544	31,661
Travel	1,543	23	665	2,231
Depreciation	5,790	518	1,133	7,441
<b>Total expenses</b>	<b>\$ 1,107,740</b>	<b>\$ 147,859</b>	<b>\$ 256,733</b>	<b>\$ 1,512,332</b>

Expenses	Supporting services			2016 Totals
	Program services	Management and general	Fund-raising	
Salaries	\$ 416,374	\$ 87,419	\$ 204,704	\$ 708,497
Payroll taxes	31,692	5,743	15,573	53,008
Employee benefits	46,340	8,928	22,776	78,044
Bay patrol	9,283	-	35	9,318
Meetings and events	3,914	1,639	8,925	14,478
Information technology	9,261	1,891	7,242	18,394
Insurance	1,605	3,481	1,205	6,291
Occupancy	37,552	7,105	18,454	63,111
Operating	7,693	2,937	64,977	75,607
Professional services				
Accounting	-	32,341	-	32,341
Legal – Environmental law enforcement	167,043	-	-	167,043
Other	2,320	1,880	1,956	6,156
Publications and outreach	39,094	583	6,373	46,050
Travel	494	93	913	1,500
Depreciation	3,928	712	1,930	6,570
<b>Total expenses</b>	<b>\$ 776,593</b>	<b>\$ 154,752</b>	<b>\$ 355,063</b>	<b>\$ 1,286,408</b>

See accompanying notes.

**Baykeeper**  
**Statements of Cash Flows**  
**June 30, 2017 and 2016**

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 126,407	\$ 309,032
Adjustments to reconcile change in net assets with cash flows provided by operating activities		
Realized (gains) losses and unrealized (appreciation) depreciation of investments	( 21,752)	3,897
Contributions of investments	( 5,148)	-
Depreciation	7,441	6,570
Contributions of restricted cash	-	( 5,854)
Changes in assets and liabilities		
Grants and contributions receivable	( 14,520)	24,397
Settlements receivable	398,384	( 391,046)
Prepaid expenses – Litigation	6,463	19,284
Prepaid expenses – Other	5,811	( 6,248)
Accounts payable and accrued expenses	56,924	( 35,565)
Deferred rent	( 684)	1,164
	559,326	( 74,369)
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Purchases of investments	( 2,558)	( 5,316)
Proceeds from sale of investments	2,010	-
Purchases of property and equipment	( 29,075)	( 3,578)
	( 29,623)	( 8,894)
Net cash provided (used) by investing activities		
Cash flows from financing activities		
Advances - Litigation	( 75,000)	-
Repayments of litigation advances	95,000	-
Contributions of restricted cash	-	5,854
	20,000	5,854
Net cash provided by financing activities		
Net change in cash and cash equivalents	549,703	( 77,409)
Cash and cash equivalents, beginning of year	456,954	534,363
Cash and cash equivalents, end of year	\$ 1,006,657	\$ 456,954

See accompanying notes.

Baykeeper  
Notes to Financial Statements  
June 30, 2017

**Note 1 – Basis of presentation**

The mission of San Francisco Baykeeper (Baykeeper) is to protect and restore the water quality and habitat of San Francisco Bay. For more than 27 years, Baykeeper has taken on the greatest threats to San Francisco Bay's health. Baykeeper's vision is a San Francisco Bay where the water is clean, the ecosystem is healthy, recreation is safe, and wildlife can thrive.

Baykeeper is working toward a San Francisco Bay that is:

- Free from pollution—so communities and wildlife aren't threatened by toxics, trash, or oil spills.
- Safe for recreation—where swimmers, surfers, boaters, and beach-goers can enjoy the water without fear of contamination.
- With healthy beaches—protected from erosion caused by sand mining and dredging.
- Ready for the future—with shorelines and wetlands that can withstand sea level rise, and where our communities make the most of scarce water resources.

Using water quality monitoring, science, and on-the-water patrols, Baykeeper identifies the greatest threats to the health of the Bay's ecosystem. Then we strategically use advocacy, public education, and legal action to secure smart solutions that stop pollution and restore water quality.

Baykeeper has won critical victories at the national, regional, and local level to protect and restore San Francisco Bay. Since 1989, we have:

- Compelled cleanup of hundreds of refineries, chemical companies, landfills, and city streets;
- Kept hundreds of millions of gallons of untreated sewage out of the Bay and local neighborhoods;
- Won federal court victories to regulate pesticides, invasive species, and vessel pollution;
- Been recognized as a national leader in oil spill prevention and response;
- Conducted regular patrols of San Francisco Bay to monitor and stop pollution; and
- Responded to hundreds of citizen pollution reports through our pollution hotline.

We have a staff of eleven with scientific and legal expertise, a board of directors with a breadth of experience with the Bay, an expert advisory board, a team of volunteer boat skippers, and the only pollution patrol boat regularly monitoring and investigating pollution in the Bay.

And, Baykeeper helped found the Waterkeeper Alliance, an international network of on-the-water activists, led by Robert F. Kennedy, Jr. There are now more than 300 Waterkeeper organizations and affiliates around the world. Baykeeper holds the "Baykeeper" trademark and licenses its use by other organizations. To avoid confusion, Baykeeper operates primarily under the name San Francisco Baykeeper.

**Baykeeper**  
Notes to Financial Statements  
June 30, 2017

**Note 1 – Basis of presentation (continued)**

Baykeeper incorporated as a nonprofit, public benefit corporation in California on January 23, 1987, as the San Francisco Bay-Delta Preservation Association, and became Baykeeper in May 1989, the fourth “Waterkeeper” organization in the country.

With the help of our dedicated community of supporters, Baykeeper pursues the work that is most critical to protecting San Francisco Bay. We are making the Bay cleaner for recreation, healthier for wildlife, and more sustainable for all. For more information, please visit us online at [baykeeper.org](http://baykeeper.org).

**Note 2 – Summary of significant accounting policies**

Basis of accounting

Baykeeper prepares its financial statements using accounting principles generally accepted in the United States of America (US-GAAP). Baykeeper records support when promised, revenue when earned and expenses when incurring the related obligations.

Fair value

Baykeeper uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs consist of unobservable inputs that reflect internal judgments and have the lowest priority. Baykeeper uses appropriate valuation techniques based on the available inputs to measure fair value. When available, Baykeeper measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Baykeeper only uses Level 3 inputs when Level 1 or Level 2 inputs are not available.

Baykeeper values contributions initially at fair value when promised. Baykeeper only revalues debt and marketable equity securities at least as often as it presents financial statements. For contributions valued initially at fair value but not revalued, Baykeeper treats the initial fair value as cost in subsequent financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of amounts on hand and on deposit with a commercial bank, available within 90 days of demand.



**Baykeeper**  
Notes to Financial Statements  
June 30, 2017

**Note 2 – Summary of significant accounting policies (continued)**

Restricted cash and cash equivalents consist of amounts held in separate commercial bank accounts as temporarily restricted net assets related to the Dolphin Club Pier/Building project (Note 6).

Investments

Investments (Note 3) consist principally of units of a pooled investment fund (PIF) of a community foundation. Baykeeper records the PIF at its contract value. Contract value represents the amount Baykeeper would realize upon sale, transfer, exchange or liquidation of the investment when transacted with the investment custodian. Contract value of the units of the PIF is the Baykeeper share of the fair value of the underlying investments, determined by the community foundation, net of certain custodial and administrative fees.

Baykeeper records interest, dividends, gains, losses and changes in contract value (unrealized appreciation and depreciation) as net investment income, but not net of custodial and administrative fees.

The PIF of the community foundation is subject to variance power under an agreement dated August 25, 1992. The board of trustees of the community foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization, if, in the sole judgment of the board of trustees, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the needs of the community served by the community foundation.

Receivables

Receivables (Note 4) consist principally of amounts due from governmental and corporate entities related to compliance activities and from corporations, foundations and individuals as contributions. Baykeeper initially records receivables at fair value. Baykeeper estimates the initial fair value of receivables as the estimated present value of expected future cash flows, taking into consideration risk-free interest rates and expected collection timing and risks. These are Level 2 (income) and Level 3 (income) inputs. Baykeeper records a discount representing the difference between the future cash flows promised by the defendant or donor and the estimated present value of the expected future cash flows. Baykeeper accretes the discount, using the interest method and based on actual collections, to interest and contributions, respectively.

Allowance for uncollectible receivables

Baykeeper uses the allowance method to estimate any uncollectible receivables. Under this method, Baykeeper reviews all receivables, and estimates an allowance, based on aging, debtor history and other information. When Baykeeper exhausts all attempts to collect specific receivables or the debtor discharges the receivable in bankruptcy, Baykeeper writes off the receivable

**Baykeeper**  
Notes to Financial Statements  
June 30, 2017

**Note 2 – Summary of significant accounting policies (continued)**

against the estimated allowance. As of June 30, 2017 and 2016, the management of Baykeeper estimated that any allowance for uncollectible receivables was immaterial.

Property and equipment

Property and equipment consist of furniture, office, computer, boat and laboratory equipment and leasehold improvements. Baykeeper records property and equipment at cost or initially at fair value for contributed items. Baykeeper bases the initial fair value of contributed property and equipment on comparable sales of identical or similar items in markets available to Baykeeper, which is a Level 2 (market) input. Baykeeper expenses property and equipment with a cost or fair value under \$500 and the costs of maintenance and repairs that do not improve or extend the lives of the property and equipment. Baykeeper computes depreciation using the straight-line method over the estimated useful lives of the property and equipment or the shorter remaining lease term for leasehold improvements.

Prepaid expenses – Litigation

Baykeeper contracts with various attorneys, under Attorney Retention and Co-Counseling or similar Agreements (Retainer), to assist Baykeeper to compel governmental agencies and corporations to comply with various laws and regulations that protect the health of San Francisco Bay and its habitats (Litigation). Generally, contracted Litigation attorneys work on a contingency fee basis; i.e., the contracted Litigation attorneys only receive legal fees based on successful Litigation resulting in a settlement or Court ruling that includes payments for legal fees.

When represented by outside counsel on a contingency fee basis, Baykeeper agrees to be responsible for expert, consultant and other Litigation costs that are necessary to carry out the Litigation. Additionally, Baykeeper may pursue Litigation internally, without contracting with outside counsel. In both circumstances, Baykeeper capitalizes all direct costs of Litigation, except staff salaries. Baykeeper expenses capitalized Litigation costs upon resolution of the case and records any related recovery as revenue.

Successful Litigation against governmental agencies and corporations (Defendant) under federal and state environmental laws usually results in Settlement Agreements, Consent Decrees or similar arrangements (Settlement). Settlements generally require the Defendant to take corrective actions at their own expense; perform or contribute to an environmental mitigation project (not conducted by Baykeeper); and reimburse Baykeeper for the direct costs of bringing the Litigation, including legal fees (internal and external). Baykeeper records revenue for Settlement funds received that reimburse Baykeeper for the direct costs of bringing the Litigation.

In addition, Defendants generally agree to provide funds to enable Baykeeper to monitor compliance by the Defendant with the Settlement (Compliance). Compliance awards represent a ne-

**Baykeeper**  
Notes to Financial Statements  
June 30, 2017

**Note 2 – Summary of significant accounting policies (continued)**

gotiated estimate by Baykeeper and the Defendant of any remaining Litigation and Settlement costs and the future costs Baykeeper will incur to monitor Compliance. When Compliance monitoring by Baykeeper is optional, Baykeeper recognizes revenue from Compliance awards immediately. When Compliance monitoring by Baykeeper is required, in addition to recognizing revenue from Compliance awards immediately, Baykeeper recognizes a liability equal to the estimated future costs Baykeeper will incur to monitor Compliance.

Advances – Litigation

Two nonprofit organizations advance Baykeeper amounts to pursue and pay some costs of certain Litigation. Outstanding advances do not bear interest and there is no fixed maturity date. Upon successful Litigation resulting in an award to Baykeeper that covers its costs of Litigation, Baykeeper will repay the nonprofit organization. If Litigation is unsuccessful or does not result in an award that covers the costs of Litigation, then the nonprofit organization will forgive unpaid advances. The management of Baykeeper believes that it is at least possible that it will succeed with Litigation. Accordingly, Baykeeper treats the outstanding advances as a loan until Litigation partially funded by the nonprofit organization proves to be unsuccessful or will not result in an award that covers the costs of Litigation, at which time; Baykeeper will reclassify the outstanding advances as contribution support.

Net assets

Net assets include cumulative unrestricted, temporarily restricted and permanently restricted net assets, net of cumulative expenses. Unrestricted net assets consist of revenue and support not restricted to a particular purpose or time by the donor, net of expenses. Temporarily restricted net assets consist of support restricted by the donor to a particular purpose or time. Temporarily restricted net assets become unrestricted net assets when Baykeeper meets the donor purpose or time restriction. Permanently restricted net assets consist of support restricted by the donor for Baykeeper to hold permanently, allowing for use of only the revenue generated by investing the support. As of June 30, 2017 and 2016, Baykeeper held no permanently restricted net assets.

Contributed services

Attorneys, paralegals and others contribute substantial professional services to Baykeeper. Baykeeper determines the fair value of attorney fees by following judicial precedent to compare a proposed rate with the prevailing rate in the region for similar work performed by attorneys of comparable skill, experience and reputation, considering the novelty and complexity of the issues. In addition, Baykeeper uses the "Laffey Matrix" as a guide for calculating attorney rates. The D.C. Circuit Court approved the Laffey Matrix to provide objective guidance in assessing appropriate hourly rates depending on attorney experience. Baykeeper adjusts the Laffey Matrix by straight-lining annually the multi-year step increases and by the regional difference between attorney rates in the Washington, DC and San Francisco metropolitan areas. Finally, Baykeeper

**Baykeeper**  
Notes to Financial Statements  
June 30, 2017

**Note 2 – Summary of significant accounting policies (continued)**

compares rates of other San Francisco attorneys who specialize in environmental litigation. The U.S. District Court for the Northern District of California, in *Baykeeper v. West Bay Sanitary District* 2011 U.S. Dist. LEXIS 138093, upheld this process and approved the rates of Baykeeper staff attorneys and outside counsel. Baykeeper records contributed professional services, including contingent fees, at fair value. This process involves principally Level 2 (market) inputs. Baykeeper bases the fair value of non-legal professional services on the cost of similar services from comparable purchases, which is a Level 3 (cost) input. Baykeeper only reports contributions of in-kind professional services when Baykeeper needs expertise or education not available to Baykeeper and Baykeeper would have paid for the professional services if donors had not contributed them.

Allocation of functional expenses

Baykeeper summarizes the costs of providing its program and supporting services on a functional basis. Accordingly, Baykeeper allocates certain indirect costs between program and support services based on annual estimates of time and usage.

Income taxes

In letters to Baykeeper, the Internal Revenue Service (IRS) and California Franchise Tax Board (FTB) stated that Baykeeper is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and from California bank and corporation taxes under Section 23701(d) of the California Revenue and Taxation Code, respectively. In addition, Baykeeper qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as a publicly supported organization as described in IRC Section 509(a)(1). Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by law. The management of Baykeeper believes that no activities of Baykeeper jeopardized its exemption from income taxes, classification as a “public charity” or subjected it to unrelated business income or excise taxes. Accordingly, Baykeeper did not provide for income taxes.

The management of Baykeeper considers certain tax positions taken by Baykeeper. A tax position is a position taken in a previously filed tax return or a position the management of Baykeeper expects to take in a future tax return that figures in measuring current or deferred income tax assets and liabilities for interim or annual periods. A tax position can result in a permanent reduction in income taxes payable, a deferral of income taxes otherwise currently payable to future years or a change in the expected realizability of deferred tax assets. A tax position also encompasses, but is not limited to a decision to classify a transaction, entity or other position in a tax return as tax exempt and the status of an entity, including its status as a pass-through or tax-exempt entity.

**Baykeeper**  
Notes to Financial Statements  
June 30, 2017

**Note 2 – Summary of significant accounting policies (continued)**

Baykeeper files tax returns with the IRS and FTB. As of June 30, 2017, open tax periods subject to future examination by taxing authorities cover periods from July 1, 2013 through June 30, 2017.

Risks and concentrations

Cash and cash equivalents held by the commercial bank exceeded federal deposit insurance limits at various times during the years ended June 30, 2017 and 2016.

Investments are subject to credit and market risks. Credit risk is the probability that parties holding or supporting an investment will default or otherwise fail to perform. Market risk is the inherent change in the value of an investment due to changes in conditions.

As of June 30, 2017 and 2016, the PIF held by the community foundation totaled approximately 97% and 97% of total investments, respectively.

During the year ended June 30, 2017, in-kind services received from one law firm totaled 69% of gross in-kind support and 10% of total expenses.

During the year ended June 30, 2016, in-kind services received from one law firm totaled 58% of gross in-kind support and 11% of total expenses.

Use of estimates

The preparation of financial statements in conformity with US-GAAP requires the management of Baykeeper to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimated.

Subsequent events

The management of Baykeeper has evaluated subsequent events through April 20, 2018, the date these financial statements were available for issuance, and discloses them in Note 11.

**Baykeeper**  
Notes to Financial Statements  
June 30, 2017

**Note 3 – Investments**

As of June 30, 2017 and 2016, investments totaled as follows:

	<u>2017</u>	<u>2016</u>
Cost		
Cash	\$ 6,458	\$ 4,409
Contract value		
PIFs	<u>218,231</u>	<u>192,833</u>
Total investments	<u>\$224,689</u>	<u>\$197,242</u>

During the years ended June 30, 2017 and 2016, net investment income totaled as follows:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 3,627	\$ 3,378
Unrealized appreciation (depreciation)	<u>21,752</u>	<u>(3,897)</u>
Net investment income	<u>\$ 25,379</u>	<u>\$ (519)</u>

In addition, during the years ended June 30, 2017 and 2016, Baykeeper incurred custodial and administrative fees on its investments in PIFs, totaling \$1,752, and \$1,537, respectively, and included those amounts with operating expenses.

**Note 4 – Receivables**

As of June 30, 2017 and 2016, receivables totaled as follows:

	<u>2017</u>	<u>2016</u>
Campbell Foundation	\$ 4,196	\$ –
City of Burlingame	–	5,000
Dutra	2,000	–
Eco Box	–	16,000
Hanson Marine Operations, Inc.	–	450,000
Levin Enterprises, Inc. and Levin-Richmond Terminal Corporation	7,500	15,000
Pacific Rim Recycling	–	2,000
Pinole Rodeo Auto Wreckers	6,000	–
San Rafael Rock Quarry	–	4,000
San Jose Municipal	90,000	–

**Baykeeper**  
Notes to Financial Statements  
June 30, 2017

**Note 4 – Receivables (continued)**

Shamrock Materials, Inc.	3,000	6,750
Syar Industries, Inc.	2,000	4,000
Wine & Spirits Magazine	19,524	14,200
Waterkeeper Alliance	<u>5,000</u>	<u>—</u>
Receivables, gross	139,220	516,950
Less discount on receivables	<u>6,868</u>	<u>734</u>
Receivables, net	132,352	516,216
Settlements receivable – Long-term	<u>84,382</u>	<u>20,266</u>
Receivables – Current	<u>\$47,970</u>	<u>\$495,950</u>

Receivables due during the years ending June 30, 2018 and 2019 total \$49,220 and \$90,000, respectively.

**Note 5 – Property and equipment**

As of June 30, 2017 and 2016, property and equipment totaled as follows:

	<u>2017</u>	<u>2016</u>
Furniture	\$ 8,092	\$ 8,092
Office equipment	5,640	5,636
Computer equipment	36,988	29,762
Boat and laboratory equipment	140,471	118,625
Leasehold improvements	<u>5,860</u>	<u>5,860</u>
Property and equipment, at cost	197,051	167,975
Less accumulated depreciation	<u>165,492</u>	<u>158,051</u>
Property and equipment, net	<u>\$ 31,559</u>	<u>\$ 9,924</u>

**Baykeeper**  
Notes to Financial Statements  
June 30, 2017

**Note 6 – Temporarily restricted net assets**

During the year ended June 30, 2017, temporarily restricted net assets reconciled as follows:

<u>Activity</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Dolphin Club Pier/Building	\$ 126,212	\$ 69,654	\$ 40,009	\$ 155,857
Sacramento River Project	50,000	–	–	50,000
San Francisco Bay Shoreline Project	50,756	–	12,540	38,216
2017 Bay Parade Event	<u>–</u>	<u>10,000</u>	<u>–</u>	<u>10,000</u>
Totals	<u>\$ 226,968</u>	<u>\$ 76,654</u>	<u>\$ 52,549</u>	<u>\$ 254,073</u>

During the year ended June 30, 2016, temporarily restricted net assets reconciled as follows:

<u>Activity</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Data and legal capacity building	\$ 15,000	\$ –	\$ 15,000	\$ –
Dolphin Club Pier/Building	120,416	5,854	58	126,212
Sacramento River Project	50,000	–	–	50,000
San Francisco Bay Shoreline mapping	5,000	–	5,000	–
San Francisco Bay Shoreline Project	55,095	–	4,339	50,756
Telephone equipment	<u>1,900</u>	<u>–</u>	<u>1,900</u>	<u>–</u>
Totals	<u>\$ 247,411</u>	<u>\$ 5,854</u>	<u>\$ 26,297</u>	<u>\$ 226,968</u>

**Note 7 – Endowment funds**

Baykeeper follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds” and the related state of California version of the UPMIFA (CA-UPMIFA).

Endowment funds subject to FASB ASC 958-205 include all the endowment funds described below. As of June 30, 2017 and 2016, no endowment funds are subject to the CA-UPMIFA.

The endowment funds of Baykeeper consist of an individual fund held by a community foundation. The endowment funds of Baykeeper include only funds designated by the Board of



**Baykeeper**  
Notes to Financial Statements  
June 30, 2017

**Note 7 – Endowment funds (continued)**

Directors to function as endowments. Baykeeper classifies and records net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, based on the existence or absence of donor-imposed restrictions.

As of June 30, 2017, endowment funds totaled as follows:

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Totals</u>
Board designated	<u>\$214,880</u>	<u>\$=</u>	<u>\$=</u>	<u>\$214,880</u>

During the year ended June 30, 2017, endowment funds reconciled as follows:

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Totals</u>
Beginning of year	\$192,833	\$-	\$-	\$192,833
Dividends and interest	2,299	-	-	2,299
Realized gain	-	-	-	-
Unrealized appreciation	21,500	-	-	21,500
Investment management and administrative fees	( 1,752)	-	-	( 1,752)
Appropriations for expenditure	(-----)	=	=	(-----)
End of year	<u>\$214,880</u>	<u>\$=</u>	<u>\$=</u>	<u>\$214,880</u>

As of June 30, 2016, endowment funds totaled as follows:

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Totals</u>
Board designated	<u>\$192,833</u>	<u>\$=</u>	<u>\$=</u>	<u>\$192,833</u>

During the year ended June 30, 2016, endowment funds reconciled as follows:

	<u>Unrestricted</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Totals</u>
Beginning of year	\$195,823	\$-	\$-	\$195,823
Dividends and interest	2,287	-	-	2,287
Realized gain	-	-	-	-
Unrealized depreciation	( 3,740)	-	-	( 3,740)

**Baykeeper**  
Notes to Financial Statements  
June 30, 2017

**Note 7 – Endowment funds (continued)**

Investment management and administrative fees	( 1,537)	–	–	( 1,537)
Appropriations for expenditure	(—)	=	=	(—)
End of year	<u>\$192,833</u>	<u>\$=</u>	<u>\$=</u>	<u>\$192,833</u>

Baykeeper has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets.

Because Baykeeper invests all endowment assets with a community foundation, Baykeeper has adopted the investment policy of the community foundation. Actual returns in any given year may vary from expected returns under the investment policy of the community foundation.

Because Baykeeper invests all endowment assets with a community foundation, Baykeeper has adopted the spending policy of the community foundation. This is consistent with the objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

In addition, the endowment assets held by the community foundation are subject to the “Spending Rule” of the community foundation.

Unrestricted (board designated) endowment funds are subject to redesignation at any time, including redesignation as other than endowment funds.

**Note 8 – In-kind contributions and recoveries**

During the years ended June 30, 2017 and 2016, in-kind contributions, net of recoveries from Settlements (Note 2), reconcile as follows:

	<u>2017</u>	<u>2016</u>
Contributed services		
Attorneys	\$151,595	\$141,631
Others	39,491	56,076
Contributed goods		
Fundraising events	<u>28,762</u>	<u>45,736</u>
In-kind contributions, net	<u>\$219,848</u>	<u>\$243,443</u>

**Baykeeper**  
Notes to Financial Statements  
June 30, 2017

**Note 9 – Retirement plan**

Baykeeper sponsors a defined contribution salary deferral plan under IRC section 401(k) for its eligible employees. Eligible employees may contribute up to 100% of their eligible salary to the plan, subject to limits imposed under the IRC. The plan allows, but does not require, Baykeeper to contribute. Except for a certain executive officer, during the years ended June 30, 2017 and 2016, Baykeeper contributed to eligible employees, based on 5% of their eligible compensation, amounts totaling \$29,695, and \$31,422, respectively. During the year ending June 30, 2018, Baykeeper will contribute 5% to all eligible employees.

**Note 10 – Commitments and contingencies**

Baykeeper leases office space in Oakland under an operating lease that expires March 31, 2020. The lease contains an automatic fixed amount escalation clause and Baykeeper must pay its share of additional building operating expenses and taxes, as defined. Future minimum office space lease payments for the year ending June 30, total as follows:

2018	\$65,400
2019	67,362
2020	51,395

During the years ended June 30, 2017 and 2016, office space rent expense totaled \$62,810 annually.

**Note 11 – Subsequent Events**

On July 1, 2017, the Board of Directors elected to designate a portion of unrestricted net assets to a reserve for the payment of costs associated with Baykeeper's legal program. This board designated reserve, totaling \$400,000, was created with the primary purpose to better assist in the recording of legal costs in conjunction with each open litigation.