

Financial Statements

Friends of Casco Bay

December 31, 2007

Dawson, Smith, Purvis & Bassett, P.A.

CONTENTS

FRIENDS OF CASCO BAY

December 31, 2007

Independent Accountants' Report	1
Financial Statements	
Statements of Financial Position.....	2
Statements of Activities.....	3
Statement of Functional Expenses	4
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7

Dawson, Smith, Purvis & Bassett, P.A.

Certified Public Accountants

Richard B. Dawson, CPA
David E. Smith, CPA
Eric A. Purvis, CPA/ABV, MST, CVA
Joel H. Bassett, CPA/PFS, CMA

Kirk J. Purvis, CPA
Craig M. Pike, CPA
Adam P. Johnson, CPA

15 Casco Street
Portland, Maine 04101-2902
TEL. (207) 874-0355
FAX (207) 874-0865
EMAIL: dspb@dspbcpa.com
www.dspbcpa.com

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors
Friends of Casco Bay
South Portland, Maine

We have compiled the accompanying statements of financial position of Friends of Casco Bay (a nonprofit organization) as of December 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Dawson, Smith, Purvis & Bassett, P.A.

August 20, 2008

STATEMENTS OF FINANCIAL POSITION

FRIENDS OF CASCO BAY

December 31, 2007 and 2006

ASSETS	2007	2006
CURRENT ASSETS		
Cash and cash equivalents	\$ 140,734	\$ 101,147
Contingency fund cash	85,566	85,566
Accounts receivable	23,534	32,874
Prepaid expenses	10,592	10,111
TOTAL CURRENT ASSETS	260,426	229,698
PROPERTY AND EQUIPMENT		
Equipment and furnishings	91,151	94,179
Vehicle	23,891	23,891
Boats	96,149	82,225
TOTAL PROPERTY AND EQUIPMENT	211,191	200,295
Less accumulated depreciation	172,912	171,025
NET PROPERTY AND EQUIPMENT	38,279	29,270
OTHER ASSETS		
Beneficial interest in assets held by others	1,122,514	1,033,282
	1,122,514	1,033,282
TOTAL ASSETS	\$ 1,421,219	\$ 1,292,250
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 12,809	\$ 12,931
Contingent liability		5,000
Accrued vacation	18,512	16,375
TOTAL CURRENT LIABILITIES	31,321	34,306
NET ASSETS		
Unrestricted		
Undesignated	108,691	71,934
Designated	1,208,080	1,118,848
TOTAL UNRESTRICTED NET ASSETS	1,316,771	1,190,782
Temporarily restricted net assets	73,127	67,162
TOTAL NET ASSETS	1,389,898	1,257,944
TOTAL LIABILITIES AND NET ASSETS	\$ 1,421,219	\$ 1,292,250

See independent accountants' report and notes to financial statements.

STATEMENTS OF ACTIVITIES

FRIENDS OF CASCO BAY

Years Ended December 31, 2007 and 2006

	2007			2006 Total
	Unrestricted	Temporarily Restricted	Total	
OPERATING ACTIVITY				
Operating Revenues				
Individual gifts	\$ 168,534	\$ -	\$ 168,534	\$ 140,524
Corporate gifts	55,695	10,000	65,695	56,240
Foundation grants	144,610	17,500	162,110	111,150
Government grants and contracts	126,474	9,000	135,474	164,674
Nonprofit contributions	12,112	-	12,112	6,796
In-kind gifts	135,680	-	135,680	101,253
Fundraising events	37,996	-	37,996	37,997
Investment income	5,312	-	5,312	1,895
Miscellaneous income	7,725	3,050	10,775	1,263
Transfers from beneficial interest in assets held by others to operations	43,020	-	43,020	36,930
Net assets released from restrictions	33,585	(33,585)	-	-
TOTAL OPERATING REVENUES	770,743	5,965	776,708	658,722
Program Service Expenses				
Baykeeper operations	333,582	-	333,582	285,279
Water quality monitoring program	174,609	-	174,609	148,642
Pumpout boat program	29,722	-	29,722	34,582
BayScaping and storm water program	10,534	-	10,534	8,697
TOTAL PROGRAM SERVICES	548,447	-	548,447	477,200
Management and general expenses	85,694	-	85,694	94,708
Fundraising expenses	110,838	-	110,838	126,365
TOTAL OPERATING EXPENSES	744,979	-	744,979	698,273
CHANGES IN NET ASSETS FROM OPERATIONS	25,764	5,965	31,729	(39,551)
NONOPERATING ACTIVITY				
Capital campaign	-	-	-	430
Investment income	21,112	-	21,112	17,469
Net realized and unrealized investment gains	120,063	-	120,063	114,853
Gain on disposal of equipment	10,993	-	10,993	-
Transfers to operations from beneficial interest in assets held by others	(43,020)	-	(43,020)	(36,930)
Investment fees	(8,923)	-	(8,923)	(8,078)
NET NONOPERATING ACTIVITY	100,225	-	100,225	87,744
INCREASE IN NET ASSETS	125,989	5,965	131,954	48,193
NET ASSETS AT BEGINNING OF YEAR	1,190,782	67,162	1,257,944	1,209,751
NET ASSETS AT END OF YEAR	\$ 1,316,771	\$ 73,127	\$ 1,389,898	\$ 1,257,944

See independent accountants' report and notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

FRIENDS OF CASCO BAY

Year Ended December 31, 2007

	Baykeeper Operations	Water Quality Monitoring	Pumpout Boat	BayScaping and Stormwater	Total Programs	Management & General	Fundraising Expenses	Total Expenses
PERSONNEL								
Salaries and wages	\$ 178,137	\$ 77,018	\$ 14,310	\$ 6,206	\$ 275,671	\$ 51,850	\$ 71,827	\$ 399,348
Employee benefits and taxes	38,982	15,318	1,875	1,746	57,921	10,992	15,266	84,179
	<u>217,119</u>	<u>92,336</u>	<u>16,185</u>	<u>7,952</u>	<u>333,592</u>	<u>62,842</u>	<u>87,093</u>	<u>483,527</u>
OTHER EXPENSES								
Bay Caper								
Board expenses	4,352	5,074	3,206		12,632	745		745
Boat and truck operations	2,658	1,211	277	90	4,236	1,235	1,013	12,632
Computer/copier expenses	1,712	273			1,985	876	126	6,484
Conferences and meetings	4,874		3,719		8,593	2,392		2,987
Depreciation expense	1,300	246	56	18	1,620	250	945	10,985
Dues and publications		2,500			2,500			2,815
Equipment								2,500
Equipment rentals and repairs	73,758	56,192	2,740	1,775	134,465	650	565	135,680
In-kind expenses		1,603	1,579		3,182	2,636		5,818
Insurance	490	223	51	17	781	227	187	1,195
Internet fees			103		103	265		368
Licenses and fees	1,851	844	192	62	2,949	860	706	4,515
Office supplies/services	929	395	69	34	1,427	270	373	2,070
Payroll processing	8,645	584	173	39	9,421	1,937	3,495	14,853
Printing and postage	2,216	3,736			5,952	3,576		9,528
Professional fees						905		905
Recruitment	6,150	2,805	639	207	9,801	2,855	2,344	15,000
Rent						1,479		1,479
Service charges and fees	1,316	1,096	428	40	2,880	200	1,536	4,616
Supplies	1,551	808	178	48	2,585	667	546	3,798
Telephone		1,991			1,991			1,991
Training supplies	4,112	2,462	70	233	6,877	571	467	7,915
Travel	549	250	57	19	875	256	209	1,340
Utilities								
Special events							11,233	11,233
TOTAL EXPENSES	\$ 333,582	\$ 174,609	\$ 29,722	\$ 10,534	\$ 548,447	\$ 85,694	\$ 110,838	\$ 744,979

See independent accountants' report and notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

FRIENDS OF CASCO BAY

Year Ended December 31, 2006

	Baykeeper Operations	Water Quality Monitoring	Pumpout Boat	BayScaping and Stormwater	Total Programs	Management & General	Fundraising Expenses	Total Expenses
PERSONNEL								
Salaries and wages	\$ 156,771	\$ 70,963	\$ 17,320	\$ 4,822	\$ 249,876	\$ 54,667	\$ 64,270	\$ 368,813
Employee benefits and taxes	35,843	13,292	2,301	1,278	52,714	13,198	12,115	78,027
	192,614	84,255	19,621	6,100	302,590	67,865	76,385	446,840
OTHER EXPENSES								
Bay Caper						930	14,921	14,921
Board expenses								930
Boat and truck operations	6,073	6,299	5,629		18,001			18,001
Computer/copier expenses	1,294	629	169	46	2,138	645	460	3,243
Conferences and meetings	1,371	683			2,054	705	1,528	4,287
Depreciation expense	4,618	987	855		6,460	2,652		9,112
Dues and publications	906				906	1,298	500	2,704
Equipment		2,252			2,252	3,865		6,117
Equipment rentals and repairs		1,400			1,400			1,400
In-kind expenses	41,549	30,332	3,355		75,236	1,123	24,894	101,253
Insurance		925	1,540		2,465	2,535		5,000
Internet fees	461	224	60	16	761	230	164	1,155
Licenses and fees			60		60	535		595
Office supplies/services	2,393	1,162	312	85	3,952	1,193	852	5,997
Payroll processing	749	328	76	24	1,177	261	297	1,735
Printing and postage	8,323	277	219	239	9,058	397	2,215	11,670
Professional fees	3,473	7,350		1,790	12,613	4,773		17,386
Recruitment			1,017		1,017			1,017
Rent	5,986	2,907	780	212	9,885	2,985	2,130	15,000
Service charges and fees					-	1,011		1,011
Supplies	9,769	4,463	403	8	14,643	238	1,139	16,020
Telephone	1,778	868	211	53	2,910	743	530	4,183
Training supplies		1,576			1,576			1,576
Travel	3,459	1,500	215	108	5,282	493	185	5,960
Utilities	463	225	60	16	764	231	165	1,160
TOTAL EXPENSES	\$ 285,279	\$ 148,642	\$ 34,582	\$ 8,697	\$ 477,200	\$ 94,708	\$ 126,365	\$ 698,273

See independent accountants' report and notes to financial statements.

STATEMENTS OF CASH FLOWS

FRIENDS OF CASCO BAY

Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 131,954	\$ 48,193
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation	10,985	9,112
Net realized and unrealized investment gains	(120,063)	(114,853)
Changes in operating assets and liabilities:		
Accounts receivable	9,340	16,200
Promises to give		12,690
Prepaid expenses	(481)	(532)
Accounts payable	(122)	3,155
Contingency payable	(5,000)	5,000
Accrued vacation	2,137	836
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>28,750</u>	<u>(20,199)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(19,994)	(20,686)
Transfers from beneficial interest in assets held by others	43,020	36,930
Net purchases of investments	(12,189)	(22,511)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>10,837</u>	<u>(6,267)</u>
NET INCREASE (DECREASE) IN CASH	39,587	(26,466)
Cash at beginning of year	<u>186,713</u>	<u>213,179</u>
CASH AT END OF YEAR	<u>\$ 226,300</u>	<u>\$ 186,713</u>
Operating cash	\$ 140,734	\$ 101,147
Contingency fund cash	<u>85,566</u>	<u>85,566</u>
	<u>\$ 226,300</u>	<u>\$ 186,713</u>

See independent accountants' report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

FRIENDS OF CASCO BAY

December 31, 2007 and 2006

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Friends of Casco Bay is a nonprofit environmental organization located in South Portland, Maine, dedicated to improving and protecting the environmental health of Casco Bay. Its programs include the BayKeepers program, water quality monitoring, vessel pumpout services, and BayScaping programs. Friends of Casco Bay's operations are funded through donations, foundation grants, and government grants and contracts.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The accompanying financial statements include the assets, liabilities, and net assets of the Organization. The Organization prepares its financial statements in accordance with Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made" (SFAS No. 116) and SFAS No. 117, "Financial Statements for Not-for-Profit Organizations". Under these provisions, 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. In addition, the Organization is required to present a statement of cash flows.

Cash and Cash Equivalents

For purposes of the statements of cash flows, management considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable is recorded net of an allowance for doubtful accounts. The allowance is estimated from historical performance and projections of trends. At December 31, 2007 and 2006, the allowance for doubtful accounts was \$0.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 additions and deductions during the reporting period. Actual results could differ from those estimates.

See independent accountants' report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

December 31, 2007 and 2006

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support when received, depending on the existence or nature of donor restrictions. Promises to give are recorded as temporarily restricted net assets until collected. When a restriction has been met or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of assets other than cash are recorded at their estimated market value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions received is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and the nature of the fund raising activity.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenue of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the same time of acquisition of such long-lived assets.

Revenues

Revenues are reported as increases 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 by fulfillment of the donor-stipulated purposes or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

Property and Equipment

The Organization records property and equipment at cost, or fair market value if donated. Costs that do not significantly increase the useful life of an asset are charged to repairs and maintenance. Depreciation is computed using the straight-line method over the useful lives of the assets.

Income Taxes

Friends of Casco Bay is a not-for-profit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined not to be a private foundation under Section 509(a) of the Code.

See independent accountants' report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

December 31, 2007 and 2006

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Beneficial Interest in Assets Held by Others

As more fully described in Note B, the Organization is the beneficiary of an endowment fund held by Maine Community Foundation. The assets are invested in debt and equity securities and the Organization records its interest in the endowment fund at the fair value of the underlying assets. Realized and unrealized gains and losses and investment income from the fund are included in the statement of activities as nonoperating revenue. It is the Organization's intent to use transfers from the endowment fund for operations and, accordingly, transfers are included as operating revenue with a corresponding expense as nonoperating activity.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expense classification.

NOTE B--BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2001, the Organization established an endowment fund (the Fund) with the Maine Community Foundation (MCF). The account is used to invest, as long-term investments, proceeds from capital campaign pledges as they are collected. Net income from the Fund may be distributed to Friends of Casco Bay at least annually. Distributions in excess of net income may also be made to Friends of Casco Bay with the approval of MCF's Board of Directors upon recommendation of Friends of Casco Bay.

While the Organization has designated itself as the beneficiary of the Fund, MCF retains a variance power over the funds. The variance power allows MCF to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the judgment of MCF, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

NOTE C--DESIGNATED NET ASSETS

Designated net assets represent unrestricted net assets designated by the Board and are comprised of the following:

	<u>2007</u>	<u>2006</u>
Cash reserved for contingencies	\$ 85,566	\$ 85,566
Beneficial interest in assets held by others	<u>1,122,514</u>	<u>1,033,282</u>
Totals	<u>\$ 1,208,080</u>	<u>\$ 1,118,848</u>

See independent accountants' report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

December 31, 2007 and 2006

NOTE D--TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent net assets restricted by outside donors for the following purposes:

	<u>2007</u>	<u>2006</u>
Curriculum	\$ -	\$ 5,000
Equipment	3,050	
Probe acquisition	1,077	1,077
Bookkeeping assistance	-	16,600
Presumpscot River watershed initiative	4,000	9,485
Gulf of Maine Council	5,000	-
YSI Foundation	7,500	-
Davis Conservation Foundation	7,500	-
Rines/Thompson Fund	2,500	-
Portland Pipeline	10,000	-
Water quality program	32,500	35,000
	<u>\$ 73,127</u>	<u>\$ 67,162</u>
Totals		

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

	<u>2007</u>	<u>2006</u>
Cruise ship work	\$ -	\$ 15,000
Water quality program	-	2,500
Equipment purchases	-	2,000
Bookkeeping assistance	16,600	3,400
Operations	-	50,000
Curriculum	5,000	
Water quality program	2,500	-
Presumpscot River watershed initiative	9,485	-
	<u>\$ 33,585</u>	<u>\$ 72,900</u>
Net assets released from restrictions		

See independent accountants' report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

December 31, 2007 and 2006

NOTE E--SIGNIFICANT CONCENTRATION OF CREDIT RISK

The Organization maintains a majority of its cash balances in one financial institution located in South Portland, Maine. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. During the year, the balances often exceed this amount.

NOTE F--IN-KIND GIFTS

In-kind gifts are valued at the fair market of the services or goods received based on an arms-length transaction.

In 2007 and 2006, in-kind contributions consisted of the following:

	<u>2007</u>	<u>2006</u>
Water quality monitoring - volunteers	\$ 38,767	\$ 19,052
Water quality monitoring - lab testing	17,425	11,280
Rent expenses - boat slips	4,230	6,600
BayCaper event	57,300	49,789
Boat equipment, repairs, and storage	1,350	4,710
CWA Event	14,118	-
Office equipment, supplies, and meetings	2,490	9,822
	<u>\$ 135,680</u>	<u>\$ 101,253</u>

NOTE G--LINE OF CREDIT

At December 31, 2007 and 2006, the Organization had a line of credit available for \$50,000. There was no balance outstanding at December 31, 2007 and 2006. Terms of the credit agreement provide for interest at the Wall Street Journal prime rate. All accounts receivable, equipment, inventory, and general intangibles of Friends of Casco Bay are assigned as collateral.

NOTE H--LEASE COMMITMENTS

The Organization rents its single office location from Southern Maine Community College under an operating lease agreement. The operating lease agreement, which expires in June 2008, requires annual rent of \$15,000 payable in equal monthly installments of \$1,250. Rent expense was \$15,000 in both 2007 and 2006.

The following is a schedule of future minimum lease payments required under the above operating lease agreement for the years following December 31, 2007:

2008	\$	7,500
Thereafter		-

See independent accountants' report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

December 31, 2007 and 2006

NOTE I--RETIREMENT PLAN

The Organization has a tax deferred annuity plan, established under Section 403(b) of the Internal Revenue Code. All employees with at least one year of service are eligible to participate and may elect to defer compensation up to the maximum amount allowed by the IRS. In addition, the Organization makes matching contributions for eligible employees. The Organization's contributions for the years ended December 31, 2007 and 2006 were \$12,808 and \$12,144, respectively.

See independent accountants' report.