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FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Surfrider Foundation:

We have audited the accompanying financial statements of Surfrider Foundation (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's 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 management, as well as 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 our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Surfrider Foundation as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matter*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information presented thereafter in the table of contents 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.



Irvine, California  
November 20, 2015

**SURFRIDER FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

|                             | <b>December 31,</b> |                     |
|-----------------------------|---------------------|---------------------|
|                             | <b>2014</b>         | <b>2013</b>         |
| <b>ASSETS</b>               |                     |                     |
| Cash and cash equivalents   | \$ 3,237,377        | \$ 3,863,622        |
| Investments                 | 334,881             | 312,925             |
| Accounts receivable         | 139,723             | 99,646              |
| Inventory                   | 134,625             | 187,774             |
| Prepaid expenses            | 48,599              | 46,651              |
| Property and equipment, net | 28,747              | 74,103              |
| <b>TOTAL ASSETS</b>         | <b>\$ 3,923,952</b> | <b>\$ 4,584,721</b> |

**LIABILITIES AND NET ASSETS**

|  |                     |                     |
|--|---------------------|---------------------|
| <b>LIABILITIES</b>                       |                     |                     |
| Accounts payable and accrued liabilities | \$ 478,701          | \$ 651,205          |
| Payroll related liabilities              | 246,249             | 261,791             |
| Total Liabilities                        | 724,950             | 912,996             |
| <b>NET ASSETS</b>                        |                     |                     |
| Unrestricted                             | 1,973,218           | 2,370,262           |
| Temporarily restricted                   | 958,134             | 1,033,813           |
| Permanently restricted                   | 267,650             | 267,650             |
| Total Net Assets                         | 3,199,002           | 3,671,725           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <b>\$ 3,923,952</b> | <b>\$ 4,584,721</b> |

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

**SURFRIDER FOUNDATION**  
**STATEMENTS OF ACTIVITIES**

|  | <b>For the Year Ended<br/>December 31,</b> |                                   |
|--|--|-----------------------------------|
|  | <u><b>2014</b></u>                         | <u><b>2013</b></u>                |
| <b>UNRESTRICTED NET ASSETS</b>   |  |                                   |
| <b>SUPPORT AND REVENUES:</b>   |  |                                   |
| Contributions  | \$ 1,978,508                               | \$ 1,926,151                      |
| Contributed materials and services   | 174,851                                    | 137,585                           |
| Membership   | 1,258,659                                  | 1,243,944                         |
| Sales, mail order  | 202,806                                    | 194,382                           |
| Licensing  | 615,525                                    | 836,660                           |
| Investment loss  | ( 2,489)                                   | ( 3,988)                          |
| Special events, net of direct costs of \$282,731 and \$212,209 for 2014 and 2013, respectively | ( 7,015)                                   | ( 6,061)                          |
| Settlement beneficiary   | —  | 18,637                            |
| Mailing list revenue   | 2,236                                      | —                                 |
| Net assets released from restrictions  | <u>1,861,876</u>                           | <u>1,977,918</u>                  |
| <b>TOTAL SUPPORT AND REVENUES</b>  | <u><b>6,084,957</b></u>                    | <u><b>6,325,228</b></u>           |
| <b>EXPENSES:</b>   |  |                                   |
| Environmental programs   | 5,494,375                                  | 5,731,720                         |
| General and administrative   | 471,919                                    | 452,369                           |
| Fund-raising   | <u>515,707</u>                             | <u>513,428</u>                    |
| <b>TOTAL EXPENSES</b>  | <u><b>6,482,001</b></u>                    | <u><b>6,697,517</b></u>           |
| <b>DECREASE IN UNRESTRICTED NET ASSETS</b>   | <u><b>( 397,044)</b></u>                   | <u><b>( 372,289)</b></u>          |
| <b>TEMPORARILY RESTRICTED NET ASSETS</b>   |  |                                   |
| <b>SUPPORT AND REVENUES:</b>   |  |                                   |
| Contributions  | 1,769,372                                  | 1,971,219                         |
| Investment income  | 16,825                                     | 40,397                            |
| Net assets released from restrictions  | <u>( 1,861,876)</u>                        | <u>( 1,977,918)</u>               |
| <b>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</b>                                | <u><b>( 75,679)</b></u>                    | <u><b>33,698</b></u>              |
| <b>PERMANENTLY RESTRICTED NET ASSETS</b>   |  |                                   |
| <b>SUPPORT AND REVENUES:</b>   |  |                                   |
| Contributions  | <u>—</u>                                   | <u>10,000</u>                     |
| <b>INCREASE IN PERMANENTLY RESTRICTED NET ASSETS</b>   | <u><b>—</b></u>                            | <u><b>10,000</b></u>              |
| <b>DECREASE IN NET ASSETS</b>  | <u><b>( 472,723)</b></u>                   | <u><b>( 328,591)</b></u>          |
| <b>NET ASSETS AT BEGINNING OF YEAR</b>   | <u><b>3,671,725</b></u>                    | <u><b>4,000,316</b></u>           |
| <b>NET ASSETS AT END OF YEAR</b>   | <u><u><b>\$ 3,199,002</b></u></u>          | <u><u><b>\$ 3,671,725</b></u></u> |

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

## SURFRIDER FOUNDATION

### STATEMENTS OF FUNCTIONAL EXPENSES

|                               | For the Year Ended December 31, 2014 |                               |                   |                     |
|-------------------------------|--------------------------------------|-------------------------------|-------------------|---------------------|
|                               | Environmental<br>Programs            | General and<br>Administrative | Fund-raising      | Total<br>Expenses   |
| Depreciation and amortization | \$ 49,755                            | \$ 2,152                      | \$ 3,199          | \$ 55,106           |
| Consultation                  | 926,074                              | 104,894                       | 57,803            | 1,088,771           |
| Cost of goods sold            | 111,131                              | —                             | —                 | 111,131             |
| Employee benefits             | 263,687                              | 7,820                         | 17,424            | 288,931             |
| Lobbying and promotions       | 250,668                              | 10,532                        | 97,492            | 358,692             |
| Grants                        | 39,456                               | —                             | 15,979            | 55,435              |
| Insurance                     | 10,952                               | 48,755                        | 808               | 60,515              |
| Membership                    | 155,439                              | —                             | 53,978            | 209,417             |
| Office                        | 627,402                              | 98,969                        | 27,026            | 753,397             |
| Payroll taxes                 | 193,184                              | 8,140                         | 14,361            | 215,685             |
| Postage and delivery          | 31,567                               | 10,141                        | 8,063             | 49,771              |
| Printing                      | 49,555                               | 5,375                         | 4,250             | 59,180              |
| Salaries and wages            | 2,478,495                            | 117,459                       | 197,381           | 2,793,335           |
| Taxes, licenses and permits   | 64,880                               | 871                           | 149               | 65,900              |
| Telephone                     | 26,509                               | 1,627                         | 2,944             | 31,080              |
| Travel                        | 215,621                              | 55,184                        | 14,850            | 285,655             |
|                               | <u>\$ 5,494,375</u>                  | <u>\$ 471,919</u>             | <u>\$ 515,707</u> | <u>\$ 6,482,001</u> |

|                               | For the Year Ended December 31, 2013 |                               |                   |                     |
|-------------------------------|--------------------------------------|-------------------------------|-------------------|---------------------|
|                               | Environmental<br>Programs            | General and<br>Administrative | Fund-raising      | Total<br>Expenses   |
| Depreciation and amortization | \$ 53,732                            | \$ 2,393                      | \$ 4,005          | \$ 60,130           |
| Consultation                  | 966,944                              | 68,284                        | 54,483            | 1,089,711           |
| Cost of goods sold            | 119,974                              | —                             | —                 | 119,974             |
| Employee benefits             | 272,127                              | 10,565                        | 17,250            | 299,942             |
| Lobbying and promotions       | 212,584                              | 9,865                         | 110,983           | 333,432             |
| Grants                        | 10,776                               | —                             | 14,876            | 25,652              |
| Insurance                     | 10,971                               | 39,657                        | 708               | 51,336              |
| Membership                    | 183,309                              | —                             | 62,301            | 245,610             |
| Office                        | 722,089                              | 136,553                       | 25,546            | 884,188             |
| Payroll taxes                 | 200,955                              | 6,160                         | 12,916            | 220,031             |
| Postage and delivery          | 38,358                               | 10,405                        | 10,618            | 59,381              |
| Printing                      | 51,247                               | 6,697                         | 2,649             | 60,593              |
| Salaries and wages            | 2,523,507                            | 121,904                       | 176,700           | 2,822,111           |
| Taxes, licenses and permits   | 66,909                               | 1,224                         | 438               | 68,571              |
| Telephone                     | 34,850                               | 1,270                         | 4,372             | 40,492              |
| Travel                        | 263,388                              | 37,392                        | 15,583            | 316,363             |
|                               | <u>\$ 5,731,720</u>                  | <u>\$ 452,369</u>             | <u>\$ 513,428</u> | <u>\$ 6,697,517</u> |

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

**SURFRIDER FOUNDATION**  
**STATEMENTS OF CASH FLOWS**

|  | <b>For the Year Ended</b>  |                            |
|--|----------------------------|----------------------------|
|  | <b>December 31,</b>        |                            |
|  | <b>2014</b>                | <b>2013</b>                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                            |                            |
| Decrease in net assets   | (\$ 472,723)               | (\$ 328,591)               |
| Adjustments to reconcile decrease in net assets<br>to net cash used in operating activities: |                            |                            |
| Depreciation and amortization  | 55,106                     | 60,130                     |
| Realized (gain) loss on investments  | ( 224)                     | 536                        |
| Unrealized gain on investments   | ( 9,170)                   | ( 33,904)                  |
| Loss on sale of property and equipment   | 3,190                      | 4,004                      |
| Contributed investments  | ( 42,996)                  | ( 33,825)                  |
| Changes in operating assets and liabilities:   |                            |                            |
| Accounts receivable  | ( 40,077)                  | 69,017                     |
| Inventory  | 53,149                     | 10,482                     |
| Prepaid expenses   | ( 1,948)                   | 14,354                     |
| Accounts payable and accrued liabilities   | ( 172,504)                 | 246,969                    |
| Payroll related liabilities  | ( 15,542)                  | ( 16,191)                  |
| Net Cash Used In Operating Activities  | <u>( 643,739)</u>          | <u>( 7,019)</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                            |                            |
| Proceeds from sale or maturities of investments  | 30,434                     | 30,023                     |
| Proceeds from sale of property and equipment   | 317                        | 36                         |
| Purchase of property and equipment   | ( 13,257)                  | ( 20,194)                  |
| Net Cash Provided By Investing Activities  | <u>17,494</u>              | <u>9,865</u>               |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                  | <b>( 626,245)</b>          | <b>2,846</b>               |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>  | <u><b>3,863,622</b></u>    | <u><b>3,860,776</b></u>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <u><b>\$ 3,237,377</b></u> | <u><b>\$ 3,863,622</b></u> |

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



## **SURFRIDER FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013**

#### **NOTE 1 – Organization**

The Surfrider Foundation (the Foundation) is a California nonprofit public benefit corporation. The Foundation was established in 1984 for the protection and enjoyment of the world's oceans, waves and beaches through a powerful activist network. The Foundation has over 250,000 supporters, activists, and members and over 84 chapters, nationally, and operates various programs and activities to fulfill its mission.

#### **NOTE 2 – Summary of Significant Accounting Policies**

A summary of the Foundation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

##### ***Basis of Consolidation***

The accompanying financial statements include all significant activities of the Foundation's headquarters and all chapters based in the United States. Chapters based in the United States are not separate entities and are under the control of the Foundation. Significant intracompany accounts and transactions have been eliminated. The Foundation has engaged in licensing agreements with international organizations that are structured as separate legal entities. As the Foundation does not maintain an economic interest or control, their activities are not included. These international entities are responsible for all aspects of operating Surfrider Foundation-related organizations in their respective countries. However, they are all required to adhere to the Foundation's mission and guiding principles.

##### ***Basis of Accounting***

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

## SURFRIDER FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

#### NOTE 2 – Summary of Significant Accounting Policies (Continued)

##### *Financial Statement Presentation*

The Foundation recognizes contributions as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in carrying out the Foundation’s mission.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Donor-restricted contributions that are received and expended in the same reporting period that the temporary restriction is satisfied are recorded as unrestricted support.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity. Investment income generated from these funds is available for general support of the Foundation’s programs and operations unless otherwise stipulated by the donor.

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 stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished or the stipulated time period has elapsed, are reported as net assets released from restrictions between the applicable classes of net assets.

##### *Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**SURFRIDER FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Cash and Cash Equivalents and Credit Risk Concentration***

For purposes of the statements of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents have an original maturity date of three months or less from the date of purchase.

As of December 31, 2014 and at various times during the year, the Foundation maintained cash balances in its bank accounts in excess of federally insured limits.

***Investments***

Investments are reported in the accompanying statements of financial position at fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income (loss) includes interest earnings, changes in fair value, and any gains or losses realized upon liquidation, maturity, or sale of investments.

***Inventory***

Inventory is recorded at the lower of cost or market on the first-in, first-out method.

***Property and Equipment***

Property and equipment are carried at cost. Expenditures for property and equipment in excess of \$1,000 are capitalized. Depreciation of equipment, furniture and fixtures is computed using the straight-line method over the estimated useful lives of three to five years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of their estimated useful lives or the remaining terms of the leases. The cost of maintenance and repairs is charged to expense as incurred.

***Deferred Rent***

The Foundation rents office facilities under an operating lease agreement that is subject to scheduled escalations. The scheduled rent increases are amortized evenly over the life of the lease. Deferred rent represents the difference between the cash paid and the rent expense recognized since inception of the lease.

**SURFRIDER FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Revenue Recognition***

Membership dues generally range from \$25 to \$500 per member for annual membership. The most substantial cost of serving the member (time, postage, rosters, T-shirts, decals, and initial mailings) occur within 30 days of the member joining. Costs beyond the initial 30 days are not material; therefore, the Foundation records revenue from membership dues fully in the month in which the member joins.

***Recognition of Donor Restrictions***

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

***Licensing***

Licensing revenue is recorded based on the terms of the licensing agreement. Typically companies will sell products with the Surfrider brand or co-brand products for marketing purposes. Licensing revenue is recorded at the time of the sale.

***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

***Settlement Beneficiary and Intervenor Compensation***

In pursuit of protecting the world's oceans, the Foundation acts as an intervenor in litigation. As a result of this and other litigious activities, the Foundation occasionally receives settlements. On occasion, the Foundation is named as a beneficiary in cy-pres (class action) awards. Since the outcome of litigation and the likelihood of payment from settlements and intervenor compensation is uncertain, these monies are recorded as revenue when received.

## **SURFRIDER FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013**

#### **NOTE 2 – Summary of Significant Accounting Policies (Continued)**

##### ***Donated Materials and Services***

Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements, as there is no objective basis of deriving their value. During the years ended December 31, 2014 and 2013, the Foundation received donated professional services and other items valued at approximately \$175,000 and \$138,000, respectively.

##### ***Income Taxes***

The Foundation, including its U.S. chapters, is exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and the corresponding California provisions. The Foundation is subject to income taxes for unrelated business income realized in connection with its unrelated business activities. In addition, the Foundation has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. Beginning with the year ended December 31, 1999, the Foundation made the Section 501(h) election permitting limited expenditures to influence legislation. The expenditures under Section 501(h) for the year ended December 31, 2014 and 2013 totaled \$10,125 and \$22,000, respectively.

The Foundation recognizes the financial statement benefit of tax positions, such as its filing status as tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California purposes is four years.

##### ***Subsequent Events***

Management has evaluated subsequent events through November 20, 2015, the date these financial statements were available to be issued.

**SURFRIDER FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 3 – Cash and Cash Equivalents**

Cash and cash equivalents consist of the following at December 31, 2014 and 2013:

|                                 | <b>2014</b>         | <b>2013</b>         |
|---------------------------------|---------------------|---------------------|
| Petty cash                      | \$ 100              | \$ 100              |
| Deposits                        | 2,523,340           | 2,096,729           |
| Money market funds              | 713,937             | 1,766,793           |
| Total cash and cash equivalents | <b>\$ 3,237,377</b> | <b>\$ 3,863,622</b> |

**NOTE 4 – Investments**

The following schedule summarizes investments:

|                       | <b>Historical Cost<br/>December 31,</b> |             | <b>Fair Value<br/>December 31,</b> |             |
|-----------------------|---|-------------|------------------------------------|-------------|
|                       | <b>2014</b>                             | <b>2013</b> | <b>2014</b>                        | <b>2013</b> |
| Marketable securities | \$ 275,917                              | \$ 260,945  | \$ 334,881                         | \$ 312,925  |

Total investment returns (losses) for the year ended December 31, 2014 is as follows:

|                                   | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> |
|-----------------------------------|---------------------|-----------------------------------|-----------------------------------|
| Investment income (loss)          | (\$ 2,489)          | \$ 7,431                          | \$ —                              |
| Net realized and unrealized gains | —                   | 9,394                             | —                                 |
| Total investment return (loss)    | (\$ 2,489)          | \$ 16,825                         | \$ —                              |

## SURFRIDER FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

#### NOTE 4 – Investments (Continued)

Total investment returns (losses) for the year ended December 31, 2013 is as follows:

|                                   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> |
|-----------------------------------|---------------------|-----------------------------------|-----------------------------------|
| Investment income (loss)          | (\$ 3,988)          | \$ 7,029                          | \$ —                              |
| Net realized and unrealized gains | <u>—</u>            | <u>33,368</u>                     | <u>—</u>                          |
| Total investment return (loss)    | <u>(\$ 3,988)</u>   | <u>\$ 40,397</u>                  | <u>\$ —</u>                       |

#### NOTE 5 – Fair Value Measurements

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Foundation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The Foundation groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**SURFRIDER FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 5 – Fair Value Measurements (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Foundation’s investments at fair value as of December 31, 2014 and 2013:

|                       | <u>Fair Value</u> | <u>Assets at Fair Value as of December 31, 2014</u> |                |                |
|-----------------------|-------------------|---|----------------|----------------|
|                       |                   | <u>Level 1</u>                                      | <u>Level 2</u> | <u>Level 3</u> |
| Assets:               |                   |   |                |                |
| Marketable securities |                   |   |                |                |
| Corporate stock       | \$ 7,190          | \$ 7,190  |                |                |
| Exchange traded funds | 313,087           | 313,087   |                |                |
| Bonds                 | 14,604            | 14,604  | \$ —           | \$ —           |
| <b>Total</b>          | <u>\$ 334,881</u> | <u>\$ 334,881</u>                                   | <u>\$ —</u>    | <u>\$ —</u>    |

|                       | <u>Fair Value</u> | <u>Assets at Fair Value as of December 31, 2013</u> |                |                |
|-----------------------|-------------------|---|----------------|----------------|
|                       |                   | <u>Level 1</u>                                      | <u>Level 2</u> | <u>Level 3</u> |
| Assets:               |                   |   |                |                |
| Marketable securities |                   |   |                |                |
| Corporate stock       | \$ \$4,455        | \$ 4,455  |                |                |
| Exchange traded funds | 308,470           | 308,470   |                |                |
| Bonds                 | —                 | —   | \$ —           | \$ —           |
| <b>Total</b>          | <u>\$ 312,925</u> | <u>\$ 312,925</u>                                   | <u>\$ —</u>    | <u>\$ —</u>    |

**NOTE 6 – Property and Equipment**

Property and equipment consists of the following at December 31, 2014 and 2013:

|  | <u>2014</u>      | <u>2013</u>      |
|--|------------------|------------------|
| Equipment                                      | \$ 101,854       | \$ 107,234       |
| Furniture and fixtures                         | 43,215           | 43,215           |
| Leasehold improvements                         | 228,533          | 228,533          |
|  | <u>373,602</u>   | <u>378,982</u>   |
| Less accumulated depreciation and amortization | ( 344,855)       | ( 304,879)       |
|  | <u>\$ 28,747</u> | <u>\$ 74,103</u> |



**SURFRIDER FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 7 – Net Assets Released from Restrictions**

During the years ended December 31, 2014 and 2013, \$1,861,876 and \$1,977,918, respectively, of temporarily restricted net assets were released to unrestricted net assets as a result of the satisfaction of grantor imposed restrictions. Included in each of the amounts above were \$3,500 and \$7,000 for the years ended December 31, 2014 and 2013, respectively, of temporarily restricted endowment funds that were released to unrestricted net assets as a result of the Foundation granting one summer legal internship and one summer environmental internship relating to the Dillon Henry Memorial Scholarship Endowment Fund.

**NOTE 8 – Temporarily Restricted Net Assets**

The temporarily restricted net assets consist of donor contributions and legal settlements which have placed restrictions on the future use of the assets. The temporarily restricted net assets as of December 31, 2014 and 2013 consisted of the following:

|   | <u>2014</u>       | <u>2013</u>         |
|---|-------------------|---------------------|
| Clean Water Program                     | \$ 22,616         | \$ 60,086           |
| Rise Above Plastics Program             | 63,673            | 111,974             |
| Southern CA Regional Support            | 100,817           | 93,255              |
| Humboldt Settlement                     | 807               | 2,021               |
| Pacific Northwest Regional Support      | 163,540           | 159,698             |
| Chapter Assistance Program              | 93,552            | 213,092             |
| Respect the Beach                       | 60,000            | 7,500               |
| Integrated Water Campaign/Know Your H2O | 6,500             | 18,500              |
| Ocean Friendly Gardens                  | 27,701            | 10,292              |
| North East Regional Support             | —                 | 2,500               |
| Florida Regional Support                | 15,157            | 25,059              |
| Save Trestles                           | —                 | 20,349              |
| Hawaiian Islands Regional Support       | 289,228           | 220,387             |
| Dillon Henry Memorial Internship        | 97,080            | 73,755              |
| International Support                   | 11,000            | 11,000              |
| Animals in Armor                        | 3,100             | 3,100               |
| Organizational Effectiveness            | —                 | 1,245               |
| California Desalination Project         | <u>3,363</u>      | <u>—</u>            |
| Total                                   | <u>\$ 958,134</u> | <u>\$ 1,033,813</u> |

## SURFRIDER FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

#### **NOTE 8 – Temporarily Restricted Net Assets (Continued)**

**Clean Water Program** - Since August 1992, the Foundation has received various contributions. This money is to be used for the purchase of water testing supplies, educational materials to monitor coastal water quality, and program expenses.

**Rise Above Plastics Program** – Rise Above Plastics is designed to reduce the impact of plastics in the marine environment by raising awareness about the dangers of plastic pollution by advocating for a reduction of single-use plastics and the recycling of all plastics.

**Southern CA Regional Support** - Since November 2001, the Foundation has received various grants to provide support for the Southern California Region. The employees coordinate the efforts of chapters within the region, grow regional membership, assist with local campaign planning, attend administrative hearings, and facilitate the needs of chapters.

**Humboldt Settlement** - In March 1992, the Foundation received \$350,000 from Louisiana-Pacific Corporation and Simpson Paper Company. This money was received as a legal settlement to be used exclusively to improve and enhance recreation and water quality in the Humboldt Bay Area, Humboldt County, California. In 1995, the Foundation distributed funds of \$262,000 to the Humboldt Area Foundation as required by a legal settlement modification on July 20, 1995. Retained monies are used for maintenance of a solar call box and shower for the use and safety of oceangoers of the North Jetty area.

**Pacific Northwest Regional Support** - Since September 2001, the Foundation has received various contributions for Pacific Northwest Regional Support. The employees coordinate the efforts of chapters within the region, grow regional membership, assist with local campaign planning, attend administrative hearings, and facilitate the needs of chapters.

**Chapter Assistance Program** - Since July 1998, the Foundation has received various contributions from private foundations. This money is used exclusively in support of the Foundation's Chapter Assistance Program. This program is to conduct a chapter needs assessment, develop training materials, hold conferences, upgrade existing programs/develop new programs and related materials, and enhance/upgrade websites and other communications to facilitate and support the chapters in their grassroots activist works.

## **SURFRIDER FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013**

#### **NOTE 8 – Temporarily Restricted Net Assets (Continued)**

**Respect the Beach** – Since March 1999, the Foundation has received various donations and a grant for the Respect the Beach program. The Foundation has completed several scientifically based educational units for the chapters to integrate into their local schools' curriculum as well as an educational video.

**Integrated Water Campaign/Know Your H2O** – Know Your H2O is a program to educate the public about the water quality, water conservation, and energy saving benefits of integrating the supply and disposal of water that we use every day. Water resources are increasingly scarce and, this program combines water conservation with water reuse and recycling to increase the efficiency of water use, while saving energy and reducing pollution. This program ranges from public education to state-level policy changes.

**Ocean Friendly Gardens** – Ocean Friendly Gardens is a program about creating runoff reducing, ocean friendly gardens. Surfrider Foundation is partnering with water agencies and others to launch this education and outreach effort to help bring back healthy coasts and oceans through “CPR”- Conservation, Permeability, and Retention.

**North East Regional Support** - The Foundation has received funds to support the North East region. The employee coordinates the efforts of chapters in the North East region, works to grow membership in the North East region, assists with local campaign planning, attends administrative hearings, and facilitates the needs of the regional chapters.

**Florida Regional Support** – The Foundation has received funds to help support a Florida Regional Coordinator. This position will help the Florida Chapter Network better serve their communities and fulfill the Surfrider Foundation mission while also growing regional membership and assisting with local campaign planning.

**Save Trestles** - Beginning in 2005, this campaign is to prevent a toll road from being constructed in the last intact coastal watershed in Orange County, California that would bisect a State Park and negatively impact water quality and wave quality at the world famous Trestles surfing breaks.

**Hawaiian Islands Regional Support** – The Foundation has received funds to help support the hiring of a Hawaiian Islands Regional Coordinator. This position will help the Hawaiian Chapter Network better serve their communities and fulfill the Surfrider Foundation mission while also growing regional membership and assisting with local campaign planning.

## **SURFRIDER FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013**

#### **NOTE 8 – Temporarily Restricted Net Assets (Continued)**

**Dillon Henry Memorial Internship** – Since 2007, the Foundation has received various contributions. The Dillon Henry Memorial Scholarship was created to honor Dillon’s memory, recognize his commitment to the oceans and coastal environment, and help young people to pursue a career in coastal and marine conservation.

**International Support** – The Foundation has received support for a conference between the Foundation and our affiliated international organizations for discussion of the overall mission and priorities, the sharing of ideas and materials, and collaboration on global initiatives.

**Animals in Armor** – The Foundation received donations to support the Animals in Armor educational project, which is a series of marine life sculptures that helps raise awareness for marine protected areas and ocean preservation.

**Organization Effectiveness** – A grant was received by the Foundation to fund an assessment of the current organizational structure and make recommendations for improvements as well as build an implementation plan and provide business coaches for senior management.

**California Desalination Project** – The Foundation received funding for analysis and reporting by an outside consultant regarding California desalination efforts. Surfrider Foundation is engaged in the permitting and planning process for proposed desalination projects and water projects that may contain a seawater or brackish water desalination component. Surfrider advocates on this issue throughout the state of California with the goal to reduce the impacts on marine resources that these projects may impose, including the entanglement and impingement of marine life and other related water quality and habitat concerns.

#### **NOTE 9 – Permanently Restricted Net Assets**

The permanently restricted net assets consist of donor contributions, which have been restricted by the donor to be maintained by the Foundation in perpetuity. Permanently restricted net assets consisted of the Dillon Henry Memorial Internship Fund totaling \$267,650 as of December 31, 2014 and 2013.

## **SURFRIDER FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013**

#### **NOTE 9 – Permanently Restricted Net Assets (Continued)**

The Dillon Henry Memorial Internship Fund (the Fund), created in 2007 by his parents, Harriet Zaretsky and Stephen Henry, was created to honor Dillon's memory, recognize his commitment to the oceans and coastal environment, and help young people to pursue a career in coastal and marine conservation. The Fund provides funding for the Surfrider Foundation to hire and train the best and brightest interns each year. Earnings from the Fund are used to provide stipends for two qualified internships to work with Surfrider Foundation's environmental and/or legal department. Interns are required to work a minimum of twelve weeks and must attend an informal meeting with the Fund's donors. The Dillon Henry Memorial Internship provides a unique opportunity for emerging leaders in the environmental field to train with the leading grassroots, environmental non-profit organization focused on the protection of the world's oceans, waves, and beaches.

#### **NOTE 10 – Endowment Funds**

The Board of Directors of the Foundation has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Foundation and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policies of the Foundation.

**SURFRIDER FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 10 – Endowment Funds (Continued)**

*Return Objectives and Risk Parameters*

The Foundation’s Investment Working Group provides recommendations to the Board of Directors as to the investment and reinvestment of the assets of the Fund. The Board of Directors votes to ratify the recommendations of the Investment Working Group. The primary investment objective of these accounts is capital preservation.

Endowment net asset composition by type of fund as of December 31, 2014:

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Donor restricted:                                       |                     |                                   |                                   |                   |
| Endowment   | \$ —                | \$ 97,080                         | \$ 267,650                        | \$ 364,730        |
| Total   | <u>\$ —</u>         | <u>\$ 97,080</u>                  | <u>\$ 267,650</u>                 | <u>\$ 364,730</u> |
|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
| Endowment net assets,<br>beginning of year              | \$ —                | \$ 73,755                         | \$ 267,650                        | \$ 341,405        |
| Investment return:                                      |                     |                                   |                                   |                   |
| Investment income                                       | —                   | 7,431                             | —                                 | 7,431             |
| Net realized and<br>unrealized gains                    | —                   | 9,394                             | —                                 | 9,394             |
| Contributions   | —                   | 10,000                            | —                                 | 10,000            |
| Appropriation of<br>endowment assets<br>for expenditure | <u>—</u>            | <u>( 3,500)</u>                   | <u>—</u>                          | <u>( 3,500)</u>   |
| Endowment net assets,<br>end of year                    | <u>\$ —</u>         | <u>\$ 97,080</u>                  | <u>\$ 267,650</u>                 | <u>\$ 364,730</u> |

**SURFRIDER FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 10 – Endowment Funds (Continued)**

*Return Objectives and Risk Parameters (Continued)*

Endowment net asset composition by type of fund as of December 31, 2013:

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Donor restricted:                                       |                     |                                   |                                   |                   |
| Endowment   | \$ —                | \$ 73,755                         | \$ 267,650                        | \$ 341,405        |
| Total   | <u>\$ —</u>         | <u>\$ 73,755</u>                  | <u>\$ 267,650</u>                 | <u>\$ 341,405</u> |
|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
| Endowment net assets,<br>beginning of year              | \$ —                | \$ 40,358                         | \$ 257,650                        | \$ 298,008        |
| Investment return:                                      |                     |                                   |                                   |                   |
| Investment income                                       | —                   | 7,029                             | —                                 | 7,029             |
| Net realized and<br>unrealized gains                    | —                   | 33,368                            | —                                 | 33,368            |
| Contributions   | —                   | —                                 | 10,000                            | 10,000            |
| Appropriation of<br>endowment assets<br>for expenditure | <u>—</u>            | <u>( 7,000)</u>                   | <u>—</u>                          | <u>( 7,000)</u>   |
| Endowment net assets,<br>end of year                    | <u>\$ —</u>         | <u>\$ 73,755</u>                  | <u>\$ 267,650</u>                 | <u>\$ 341,405</u> |

**SURFRIDER FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 11 – Operating Leases**

The Foundation leases its office facilities under an operating lease that expires in February 2021. The lease contains escalation clauses. The Foundation recognizes rental expense on a straight-line basis over the lease term. The cumulative difference between rental payments and rent expense totaling \$53,332 and \$18,023 as of December 31, 2014 and 2013, respectively, is presented as a component of accounts payable and accrued liabilities in the accompanying statements of financial position. The future minimum lease payments on operating leases in effect as of December 31, 2014, are as follows:

| <b><u>Year Ending<br/>December 31,</u></b> |                          |
|--|--------------------------|
| 2015                                       | \$ 121,869               |
| 2016                                       | 126,034                  |
| 2017                                       | 130,199                  |
| 2018                                       | 133,531                  |
| 2019                                       | 150,419                  |
| Thereafter                                 | <u>314,469</u>           |
|  | <u><u>\$ 976,521</u></u> |

Rent expense for the years ended December 31, 2014 and 2013 were \$264,998 and \$307,006, respectively.

**NOTE 12 – 401(k) Plan**

Effective January 1, 1998, the Foundation adopted a 401(k) deferred compensation plan for its employees. All full-time employees, 21 years of age and older, are eligible to participate in the plan immediately upon hire. The Foundation adopted a 401(k) matching program effective January 2005. The Foundation matches 50% on the first 4% of the employee's salary. The Foundation's contribution expense was \$41,787 and \$41,834 for the years ended December 31, 2014 and 2013, respectively.



**SUPPLEMENTAL INFORMATION**

**SURFRIDER FOUNDATION**

**SCHEDULE OF UNRESTRICTED REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**UNRESTRICTED SUPPORT AND REVENUES:**

|  |              |
|--|--------------|
| Contributions                                      | \$ 1,978,508 |
| Contributed materials and services                 | 174,851      |
| Membership   | 1,258,659    |
| Sales, mail order                                  | 202,806      |
| Licensing  | 615,525      |
| Investment loss                                    | ( 2,489)     |
| Special events, net of direct costs                | ( 7,015)     |
| Mailing list revenue                               | 2,236        |
| Net assets released from restrictions              |              |
| Satisfaction of Clean Water Program                | 97,519       |
| Satisfaction of Rise Above Plastics Program        | 106,520      |
| Satisfaction of Southern CA Regional Support       | 187,065      |
| Satisfaction of Humboldt Settlement                | 1,214        |
| Satisfaction of Pacific Northwest Regional Support | 560,735      |
| Satisfaction of Chapter Assistance Program         | 183,709      |
| Satisfaction of Respect the Beach                  | 77,715       |
| Satisfaction of Integrated Water Campaign          | 29,500       |
| Satisfaction of Ocean Friendly Gardens             | 62,109       |
| Satisfaction of North East Coast Regional Support  | 48,013       |
| Satisfaction of Florida Regional Support           | 36,992       |
| Satisfaction of Hawaiian Islands Regional Support  | 100,579      |
| Satisfaction of Dillon Henry Memorial Internship   | 3,500        |
| Satisfaction of Save Trestles                      | 20,549       |
| Satisfaction of Mid-Atlantic                       | 279,812      |
| Satisfaction of Organizational Effectiveness       | 61,245       |
| Satisfaction of California Desalination Project    | <u>5,100</u> |

**TOTAL NET ASSETS RELEASED FROM RESTRICTIONS** 1,861,876

**TOTAL UNRESTRICTED SUPPORT AND REVENUES** \$ 6,084,957

See Independent Auditors' Report

**SURFRIDER FOUNDATION**

**DETAILED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2014**

| <b>ASSETS</b>                               | <b>Surfrider<br/>Foundation<br/>Headquarters</b> | <b>Foundation<br/>Chapters</b> | <b>Eliminations</b>        | <b>Total</b>               |
|---|--|--------------------------------|----------------------------|----------------------------|
| <b>ASSETS</b>                               |  |                                |                            |                            |
| Cash and cash equivalents                   | \$ 1,953,696                                     | \$ 1,389,744                   | (\$ 106,063)               | \$ 3,237,377               |
| Investments                                 | 334,881  | —                              | —                          | 334,881                    |
| Accounts receivable                         | 120,284  | 36,710                         | ( 17,271)                  | 139,723                    |
| Inventory                                   | 134,625  | —                              | —                          | 134,625                    |
| Prepaid expenses                            | 48,599   | —                              | —                          | 48,599                     |
| Property and<br>equipment, net              | <u>28,747</u>                                    | <u>—</u>                       | <u>—</u>                   | <u>28,747</u>              |
| <b>TOTAL ASSETS</b>                         | <b><u>\$ 2,620,832</u></b>                       | <b><u>\$ 1,426,454</u></b>     | <b><u>(\$ 123,334)</u></b> | <b><u>\$ 3,923,952</u></b> |
| <br><b>LIABILITIES AND NET ASSETS</b>       |  |                                |                            |                            |
| <b>LIABILITIES</b>                          |  |                                |                            |                            |
| Accounts payable and<br>accrued liabilities | \$ 584,765                                       | \$ 17,270                      | (\$ 123,334)               | \$ 478,701                 |
| Payroll related liabilities                 | <u>246,249</u>                                   | <u>—</u>                       | <u>—</u>                   | <u>246,249</u>             |
| <b>TOTAL LIABILITIES</b>                    | <b><u>831,014</u></b>                            | <b><u>17,270</u></b>           | <b><u>( 123,334)</u></b>   | <b><u>724,950</u></b>      |
| <br><b>NET ASSETS</b>                       |  |                                |                            |                            |
| Unrestricted                                | 564,034  | 1,409,184                      | —                          | 1,973,218                  |
| Temporarily restricted                      | 958,134  | —                              | —                          | 958,134                    |
| Permanently restricted                      | <u>267,650</u>                                   | <u>—</u>                       | <u>—</u>                   | <u>267,650</u>             |
| <b>TOTAL NET ASSETS</b>                     | <b><u>1,789,818</u></b>                          | <b><u>1,409,184</u></b>        | <b><u>—</u></b>            | <b><u>3,199,002</u></b>    |
| <b>TOTAL LIABILITIES AND<br/>NET ASSETS</b> | <b><u>\$ 2,620,832</u></b>                       | <b><u>\$ 1,426,454</u></b>     | <b><u>(\$ 123,334)</u></b> | <b><u>\$ 3,923,952</u></b> |

See Independent Auditors' Report

## SURFRIDER FOUNDATION

### DETAILED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2014

|   | <b>Surfrider<br/>Foundation<br/>Headquarters</b> | <b>Foundation<br/>Chapters</b> | <b>Eliminations</b> | <b>Total</b>        |
|---|--|--------------------------------|---------------------|---------------------|
| <b>UNRESTRICTED NET ASSETS</b>                                  |  |                                |                     |                     |
| <b>SUPPORT AND REVENUES:</b>                                    |  |                                |                     |                     |
| Contributions   | \$ 1,190,429                                     | \$ 883,473                     | (\$ 95,394)         | \$ 1,978,508        |
| Contributed materials<br>and services                           | 174,851  | —                              | —                   | 174,851             |
| Membership  | 1,245,352  | 6,829                          | 6,478               | 1,258,659           |
| Sales, mail order   | 193,924  | 36,197                         | ( 27,315)           | 202,806             |
| Licensing   | 615,525  | —                              | —                   | 615,525             |
| Investment income (loss)  | ( 2,930)   | 441                            | —                   | ( 2,489)            |
| Special events, net of<br>direct costs                          | —  | ( 7,015)                       | —                   | ( 7,015)            |
| Blue Water  | 37,664   | —                              | ( 37,664)           | —                   |
| Mailing list revenue  | 2,236  | —                              | —                   | 2,236               |
| Net assets released from<br>restrictions                        | 1,861,876  | —                              | —                   | 1,861,876           |
|   | <u>5,318,927</u>                                 | <u>919,925</u>                 | <u>( 153,895)</u>   | <u>6,084,957</u>    |
| <b>TOTAL SUPPORT AND REVENUES</b>                               |  |                                |                     |                     |
| <b>EXPENSES:</b>  |  |                                |                     |                     |
| Environmental programs  | 4,947,014  | 701,256                        | ( 153,895)          | 5,494,375           |
| General and administrative                                      | 420,828  | 51,091                         | —                   | 471,919             |
| Fund-raising  | 420,702  | 95,005                         | —                   | 515,707             |
| <b>TOTAL EXPENSES</b>   | <u>5,788,544</u>                                 | <u>847,352</u>                 | <u>( 153,895)</u>   | <u>6,482,001</u>    |
| <b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>           | <u>( 469,617)</u>                                | <u>72,573</u>                  | <u>—</u>            | <u>( 397,044)</u>   |
| <b>TEMPORARILY RESTRICTED NET ASSETS</b>                        |  |                                |                     |                     |
| <b>SUPPORT AND REVENUES:</b>                                    |  |                                |                     |                     |
| Contributions   | 1,769,372  | —                              | —                   | 1,769,372           |
| Investment income   | 16,825   | —                              | —                   | 16,825              |
| Net assets released from<br>restrictions                        | ( 1,861,876)                                     | —                              | —                   | ( 1,861,876)        |
| <b>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</b> | <u>( 75,679)</u>                                 | <u>—</u>                       | <u>—</u>            | <u>( 75,679)</u>    |
| <b>PERMANENTLY RESTRICTED NET ASSETS</b>                        |  |                                |                     |                     |
| <b>SUPPORT AND REVENUES:</b>                                    |  |                                |                     |                     |
| Contributions   | —  | —                              | —                   | —                   |
| <b>INCREASE IN PERMANENTLY RESTRICTED NET ASSETS</b>            | <u>—</u>   | <u>—</u>                       | <u>—</u>            | <u>—</u>            |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>                        | <u>( 545,296)</u>                                | <u>72,573</u>                  | <u>—</u>            | <u>( 472,723)</u>   |
| <b>NET ASSETS AT BEGINNING OF YEAR</b>                          | <u>2,335,114</u>                                 | <u>1,336,611</u>               | <u>—</u>            | <u>3,671,725</u>    |
| <b>NET ASSETS AT END OF YEAR</b>                                | <u>\$ 1,789,818</u>                              | <u>\$ 1,409,184</u>            | <u>\$ —</u>         | <u>\$ 3,199,002</u> |

See Independent Auditors' Report