

Bayou Preservation Association, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2009 and 2008

Blazek & Vetterling

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
Bayou Preservation Association, Inc.:

We have audited the accompanying statements of financial position of Bayou Preservation Association, Inc. as of December 31, 2009 and 2008 and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of Bayou Preservation Association, Inc.'s management. 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 our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bayou Preservation Association, Inc. as of December 31, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

November 11, 2010

Bayou Preservation Association, Inc.

Statements of Financial Position as of December 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|---|-------------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents <i>(Note 2)</i> | \$ 334,754 | \$ 172,273 |
| Certificates of deposit | 151,579 | 334,222 |
| Pledge receivable | 5,000 | |
| Prepaid expenses | 4,954 | 339 |
| Property, net <i>(Note 3)</i> | <u>4,210</u> | <u>4,154</u> |
| TOTAL ASSETS | <u>\$ 500,497</u> | <u>\$ 510,988</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | <u>\$ 7,294</u> | <u>\$ 12,811</u> |
| Net assets: | | |
| Unrestricted | 455,951 | 402,330 |
| Temporarily restricted for various programs | <u>37,252</u> | <u>95,847</u> |
| Total net assets | <u>493,203</u> | <u>498,177</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 500,497</u> | <u>\$ 510,988</u> |

See accompanying notes to financial statements.

Bayou Preservation Association, Inc.

Statement of Activities for the year ended December 31, 2009

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> |
|--|---------------------|-----------------------------------|-------------------|
| REVENUE: | | | |
| Contributions and grants | \$ 203,430 | \$ 30,833 | \$ 234,263 |
| Special events | 177,975 | | 177,975 |
| Cost of donor benefits | (55,517) | | (55,517) |
| Service fees | 18,106 | | 18,106 |
| Interest income | <u>10,670</u> | | <u>10,670</u> |
| Total revenue | 354,664 | 30,833 | 385,497 |
| Net assets released from restrictions: | | | |
| Expenditure for program purposes | <u>89,428</u> | <u>(89,428)</u> | |
| Total | <u>444,092</u> | <u>(58,595)</u> | <u>385,497</u> |
| EXPENSES: | | | |
| Preservation of bayous programs | 248,864 | | 248,864 |
| Management and general | 50,117 | | 50,117 |
| Fundraising | <u>91,490</u> | | <u>91,490</u> |
| Total expenses | <u>390,471</u> | | <u>390,471</u> |
| CHANGES IN NET ASSETS | 53,621 | (58,595) | (4,974) |
| Net assets, beginning of year | <u>402,330</u> | <u>95,847</u> | <u>498,177</u> |
| Net assets, end of year | <u>\$ 455,951</u> | <u>\$ 37,252</u> | <u>\$ 493,203</u> |

See accompanying notes to financial statements.

Bayou Preservation Association, Inc.

Statement of Activities for the year ended December 31, 2008

| | <u>UNRESTRICTED</u> | TEMPORARILY <u>RESTRICTED</u> | <u>TOTAL</u> |
|--|---------------------|----------------------------------|-------------------|
| REVENUE: | | | |
| Contributions and grants | \$ 115,808 | \$ 13,549 | \$ 129,357 |
| Special event (cancelled due to hurricane Ike) | 171,920 | | 171,920 |
| Service fees | 17,995 | | 17,995 |
| Interest income | <u>15,339</u> | | <u>15,339</u> |
| Total revenue | 321,062 | 13,549 | 334,611 |
| Net assets released from restrictions: | | | |
| Expenditure for program purposes | <u>46,908</u> | <u>(46,908)</u> | |
| Total | <u>367,970</u> | <u>(33,359)</u> | <u>334,611</u> |
| EXPENSES: | | | |
| Preservation of bayous programs | 249,463 | | 249,463 |
| Management and general | 38,204 | | 38,204 |
| Fundraising | <u>62,034</u> | | <u>62,034</u> |
| Total expenses | <u>349,701</u> | | <u>349,701</u> |
| CHANGES IN NET ASSETS | 18,269 | (33,359) | (15,090) |
| Net assets, beginning of year | <u>384,061</u> | <u>129,206</u> | <u>513,267</u> |
| Net assets, end of year | <u>\$ 402,330</u> | <u>\$ 95,847</u> | <u>\$ 498,177</u> |

See accompanying notes to financial statements.

Bayou Preservation Association, Inc.

Statements of Cash Flows for the years ended December 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ (4,974) | \$ (15,090) |
| Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 1,094 | 1,094 |
| Changes in operating assets and liabilities: | | |
| Pledge receivable | (5,000) | 75,000 |
| Prepaid expenses | (4,615) | 949 |
| Accounts payable and accrued expenses | <u>(5,517)</u> | <u>3,404</u> |
| Net cash provided (used) by operating activities | <u>(19,012)</u> | <u>65,357</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net purchases (maturities) of certificates of deposit | 182,643 | (34,195) |
| Purchases of property | <u>(1,150)</u> | <u>(398)</u> |
| Net cash provided (used) by investing activities | <u>181,493</u> | <u>(34,593)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 162,481 | 30,764 |
| Cash and cash equivalents, beginning of year | <u>172,273</u> | <u>141,509</u> |
| Cash and cash equivalents, end of year | <u>\$ 334,754</u> | <u>\$ 172,273</u> |

See accompanying notes to financial statements.

Bayou Preservation Association, Inc.

Notes to Financial Statements for the years ended December 31, 2009 and 2008

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Bayou Preservation Association, Inc. (the Association) is a Texas nonprofit corporation founded in 1966 to inform the public about the environmental values of riparian lands along the bayous in Houston, Texas and surrounding areas. Its mission is to protect and restore the richness and diversity of waterways through activism, advocacy, collaboration, and education.

Federal income tax status – The Association is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2).

Cash equivalents are highly liquid financial instruments with original maturities of three months or less.

Certificates of deposit are valued at face value plus accrued interest.

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows. As of December 31, 2009, all pledges receivable are due within one year.

Property is recorded at cost if purchased or at fair value at the date of gift if donated. Depreciation is recognized on a straight-line method over estimated useful lives of 3 to 10 years.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Contributions and grants are recorded as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted support. In 2009, 26% of total revenue was from two donors.

Service fees represent revenue from the Association's symposium event and are recognized as revenue when services are provided.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

| | <u>2009</u> | <u>2008</u> |
|---------------------------------|-------------------|-------------------|
| Bank deposits | \$ 254,107 | \$ 99,771 |
| Money market mutual funds | <u>80,647</u> | <u>72,502</u> |
| Total cash and cash equivalents | <u>\$ 334,754</u> | <u>\$ 172,273</u> |

NOTE 3 – PROPERTY

Property consists of the following:

| | <u>2009</u> | <u>2008</u> |
|---|-----------------|-----------------|
| Office furniture and equipment, at cost | \$ 19,567 | \$ 18,417 |
| Accumulated depreciation | <u>(15,357)</u> | <u>(14,263)</u> |
| Property, net | <u>\$ 4,210</u> | <u>\$ 4,154</u> |

NOTE 4 – RELATED PARTY TRANSACTIONS

The Association paid board members approximately \$36,000 in 2008 to provide professional services for the preservation of bayous programs.

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 11, 2010, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.