

SUSTAINABLE CONSERVATION

REPORT ON AUDIT OF FINANCIAL STATEMENTS

**YEARS ENDED DECEMBER 31, 2009
AND DECEMBER 31, 2008**

**Ghaffari Zaragoza LLP
CERTIFIED PUBLIC ACCOUNTANTS**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sustainable Conservation
San Francisco, California

We have audited the accompanying statements of financial position of Sustainable Conservation as of December 31, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 Sustainable Conservation as of December 31, 2009 and 2008, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Ghaffari Zaragoza LLP

April 23, 2010
Oakland, California

SUSTAINABLE CONSERVATION

Statements of Financial Position
At December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Current assets		
Cash and cash equivalents (Note 3)	\$1,618,092	\$1,279,172
Certificates of deposit	245,000	101,243
Contracts receivable	129,550	260,821
Grants receivable (Note 4)	129,999	1,015,000
Pledges receivable (Note 4)	23,698	22,488
Prepaid expenses	117,948	31,497
	<u>2,264,287</u>	<u>2,710,221</u>
Total Current Assets	2,264,287	2,710,221
Grants receivable beyond one year (Note 4)	-	100,000
Cash & investments restricted for long-term purposes (Note 5)	789,235	566,926
Deposits	13,432	25,785
Property & equipment, net (Note 6)	9,300	17,472
	<u>9,300</u>	<u>17,472</u>
Total Assets	<u>\$3,076,254</u>	<u>\$3,420,404</u>
Liabilities		
Current liabilities		
Accounts payable & accrued expenses	\$ 136,845	\$ 199,738
Accrued compensated absences	67,248	69,434
Deferred support (Note 7)	219,509	302,609
	<u>423,602</u>	<u>571,781</u>
Total Current Liabilities and Total Liabilities	423,602	571,781
Net Assets		
Unrestricted	826,353	603,451
Temporarily restricted (Note 8)	1,265,317	1,850,390
Permanently restricted (Note 9)	560,982	394,782
	<u>2,652,652</u>	<u>2,848,623</u>
Total Net Assets	2,652,652	2,848,623
Total Liabilities and Net Assets	<u>\$3,076,254</u>	<u>\$3,420,404</u>

See notes to financial statements

SUSTAINABLE CONSERVATION

Statements of Activities
Years Ended December 31, 2009 and 2008

	Year Ended December 31, 2009				Year Ended December 31, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Government grants and contracts	\$ 285,227	\$ -	\$ -	\$ 285,227	\$ 1,423,451	\$ 19,300	\$ -	\$ 1,442,751
Foundation and community grants	465,224	793,234	30,000	1,288,458	294,817	1,817,500	-	2,112,317
Contributions	270,159	15,000	136,200	421,359	450,843	6,742	257,810	715,395
In-kind contributions (Note 10)	293,559	-	-	293,559	37,986	-	-	37,986
Client services	69,584	-	-	69,584	73,606	-	-	73,606
Interest	2,475	-	-	2,475	1,491	-	-	1,491
Other income	5,646	-	-	5,646	653	-	-	653
Net assets released from restriction:								
Purpose accomplished	1,428,471	(1,428,471)	-	-	1,063,660	(1,063,660)	-	-
Total Support and Revenue	2,820,345	(620,237)	166,200	2,366,308	3,346,507	779,882	257,810	4,384,199
Expenses								
Program services	2,109,486	-	-	2,109,486	2,732,852	-	-	2,732,852
Supporting services:	-							
Management and general	326,228	-	-	326,228	316,381	-	-	316,381
Fundraising	285,669	-	-	285,669	291,085	-	-	291,085
Total Expenses	2,721,383	-	-	2,721,383	3,340,318	-	-	3,340,318
Change in net assets before investment gains (losses)	98,962	(620,237)	166,200	(355,075)	6,189	779,882	257,810	1,043,881
Net investment gains (losses) (Note 5)	123,940	35,164	-	159,104	(123,940)	-	-	(123,940)
Change in net assets	222,902	(585,073)	166,200	(195,971)	(117,751)	779,882	257,810	919,941
Net Assets at beginning of year	603,451	1,850,390	394,782	2,848,623	721,202	1,070,508	136,972	1,928,682
Net Assets at end of year	\$ 826,353	\$ 1,265,317	\$ 560,982	\$ 2,652,652	\$ 603,451	\$ 1,850,390	\$ 394,782	\$ 2,848,623

See notes to financial statements

SUSTAINABLE CONSERVATION

Statements of Cash Flows Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ (195,971)	\$ 919,941
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	8,172	8,880
Net (gain) loss from investments	(140,147)	140,210
Contributions restricted for long-term purposes	(83,100)	(257,810)
(Increase) decrease in operating assets:		
Receivables	1,115,062	67,565
Prepays	(86,451)	(8,748)
Deposits	12,353	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(65,079)	89,035
Deferred revenue	(83,100)	-
	481,739	959,073
Cash flows from investing activities:		
Change in cash restricted for long-term purposes	-	68,486
Purchases of securities	(82,162)	(2,168,027)
Net change in certificates of deposit	(143,757)	(101,243)
Sales and maturities of investments	-	1,460,891
Purchase of equipment	-	(2,714)
	(225,919)	(742,607)
Cash flows from financing activities:		
Contributions restricted for long term purposes	83,100	628,905
	83,100	628,905
Net increase in cash and cash equivalents	338,920	845,371
Cash and cash equivalents at beginning of the year	1,279,172	433,801
Cash and cash equivalents at end of the year	\$ 1,618,092	\$ 1,279,172

See notes to financial statements

SUSTAINABLE CONSERVATION

Statement of Functional Expenses Year Ended December 31, 2009

	Program Services	Supporting Services		Shared Costs	Total
		Management and General	Fundraising		
Salaries	\$ 933,963	\$ 178,518	\$ 181,310	\$ -	\$ 1,293,791
Payroll taxes	66,060	14,089	14,353	-	94,502
Employee benefits (Note 11)	110,374	24,588	24,001	-	158,963
Professional fees	314,226	52,949	7,629	-	374,804
Legal Fees	290,383	1,500	-	-	291,883
Lobbying	36,850	-	-	-	36,850
Supplies	9,092	271	1,963	7,602	18,928
Telephone & internet	9,216	-	423	10,124	19,763
Postage & delivery	1,915	1,436	2,474	766	6,591
Occupancy	114,494	15,791	26,765	-	157,050
Equipment rental & maintenance	-	4,229	-	22,673	26,902
Printing & reproduction	24,213	3,860	8,522	2,418	39,013
Dues, subscriptions & publications	2,328	20	3,336	409	6,093
Sub-grants	84,590	-	-	-	84,590
Recruitment & Staff Development	13,565	4,344	984	-	18,893
Travel	42,842	388	1,983	-	45,213
Conference & meetings	14,170	6,441	4,186	-	24,797
Insurance	-	9,552	-	-	9,552
Bank charges	-	796	76	-	872
Licenses & Fees	4,163	-	-	-	4,163
Depreciation	5,524	1,304	1,342	-	8,170
Common Costs	31,518	6,152	6,322	(43,992)	-
Total	\$ 2,109,486	\$ 326,228	\$ 285,669	\$ -	\$ 2,721,383

See Notes to Financial Statements

SUSTAINABLE CONSERVATION

Statement of Functional Expenses Year Ended December 31, 2008

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 851,820	\$ 160,170	\$ 160,551	\$ 1,172,541
Payroll taxes	59,596	12,975	12,072	84,643
Employee benefits (Note 11)	111,196	26,794	24,460	162,450
Professional fees	441,291	70,142	25,740	537,173
Legal Fees	34,290	-	-	34,290
Supplies	14,756	-	913	15,669
Telephone & internet	18,069	-	320	18,389
Postage & delivery	4,753	1,686	2,568	9,007
Occupancy	105,995	14,111	22,999	143,105
Equipment rental & maintenance	25,054	4,070	-	29,124
Printing & reproduction	25,383	4,893	8,819	39,095
Dues, subscriptions & publications	3,757	-	1,358	5,115
Sub-grants	952,917	-	-	952,917
Recruitment & Staff Development	16,765	6,994	711	24,470
Travel	46,438	354	1,460	48,252
Conference & meetings	12,522	2,609	27,537	42,668
Insurance	-	9,434	-	9,434
Bank charges	-	255	225	480
Licenses & Fees	2,156	460	-	2,616
Depreciation	6,094	1,434	1,352	8,880
	<u>\$ 2,732,852</u>	<u>\$ 316,381</u>	<u>\$ 291,085</u>	<u>\$ 3,340,318</u>
Total	<u><u>\$ 2,732,852</u></u>	<u><u>\$ 316,381</u></u>	<u><u>\$ 291,085</u></u>	<u><u>\$ 3,340,318</u></u>

See Notes to Financial Statements

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Notes to Financial Statements
Years Ended December 31, 2009 and 2008

Note 1 – Organization

Sustainable Conservation (the Organization), founded in 1992, partners with business, agriculture and government leaders to find solutions to major environmental problems that make economic sense. These practical solutions can transform entire industries and provide long-term benefits for the environment – all through voluntary actions. The *Sustainable Agriculture* program area promotes the adoption of innovative farming practices so farmers can protect the environment, boost their bottom lines and keep their land. *Sustainable Business* stops pollution at the source by working proactively with business and regulatory agencies to solve problems through cooperation, rather than litigation. *Restoration on Private Lands* helps landowners be good stewards of the environment by facilitating restoration projects and species protection.

The Organization has offices in San Francisco and Modesto, California and supports its activities primarily through governmental and private grants and contributions.

Note 2 – Summary of Significant Accounting Policies

Significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

- a. **Method of Accounting** – The financial statements of the Organization have been prepared using the accrual method of accounting, which involves the recognition of revenues and gains when earned and expenses and losses when incurred.
- b. **Cash and Cash Equivalents** – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.
- c. **Grants and Pledges Receivable** – Grants and pledges receivable include unconditional commitments from various foundations and individuals that are recorded at the net realizable value of the amount expected to be collected by Management. Pledges receivable that are permanently restricted are recorded as non-current assets.
- d. **Investments** – The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets in the Statement of Financial Position. Investment advisory fees are netted against the realized and unrealized

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Notes to Financial Statements
Years Ended December 31, 2009 and 2008

gains and losses and are included in the change in the appropriate net asset class in the accompanying Statement of Activities.

- e. **Fixed Assets and Depreciation** – The Organization records acquisitions of items with a cost of \$5,000 or more as fixed assets. The capitalization threshold was \$1,000 through December 31, 2008. Fixed assets are recorded at cost when purchased and fair value when received as a donation. Depreciation is provided over the estimated useful lives of respective assets, primarily three to five years, using the straight- line method of depreciation.
- f. **Deferred Support** – Deferred support includes conditional contributed support received with unmet conditions.
- g. **Income Tax Status** – The Organization is recognized as a public charity exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code and similar code sections of the California Revenue and Taxation Code, is subject to income tax. Management believes that all of the Organization’s activities were directly related to its exempt purpose, thus the accompanying financial statements do not include any provision for income taxes.
- h. **Basis of Presentation** – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met either by actions of the Program and/or the passage of time.

Permanently restricted net assets are restricted by the donor for investment in perpetuity. The income from the invested assets is available to support the operations of the organization.

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Notes to Financial Statements
Years Ended December 31, 2009 and 2008

- i. **Restricted Resources** – Contributions are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of fixed assets are recorded as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when donated or acquired long-lived assets are placed in service.

- h. **In-Kind Support** – The organization records contributed professional services at the fair value of the services received, if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not received through donation.
- i. **Allocation of Common Expenses** – Common costs are allocated to supporting and program activities based on employee effort as reported in each employee's time sheets.
- j. **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. These estimates and assumptions 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 revenue and expenses during the reporting period. Significant accounting estimates reflected in the Organization's financial statements include collectability and valuation of receivables, valuation of investments and the functional allocation expenses. Actual results may differ from those estimates.
- k. **Comparative Totals** - Certain 2008 amounts have been reclassified to conform with the 2009 financial statements presentation.

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Notes to Financial Statements
Years Ended December 31, 2009 and 2008

Note 3 – Concentration of Credit Risk

Financial instruments that are exposed to concentrations of credit risk consist of cash, receivables and investments. The Organization places its cash and cash equivalents in high-quality financial institutions where cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to a certain level. The uninsured cash and cash equivalent balance was \$1,235,622 and \$763,402 as of December 31, 2009 and December 31, 2008, respectively. Receivables principally consist of receivables from various government agencies, foundations and individuals. Realization of these items is dependent on those agencies, foundations and individual economic conditions. The Organization believes it is not exposed to any significant credit risk on these balances.

Note 4 – Grants and Pledges Receivable

Grants and pledges receivable at December 31 were expected to be received as follows:

	<u>12/31/2009</u>	<u>12/31/2008</u>
Receivable in less than one year	<u>\$153,697</u>	<u>\$1,037,488</u>
Total current receivable	\$153,697	1,037,488
Receivable in one to five years	<u>0</u>	<u>100,000</u>
Total non-current receivable	0	100,000
Allowance for uncollectible receivables	0	0
Unamortized discount	<u>0</u>	<u>0</u>
Total grants receivable	<u>\$ 153,697</u>	<u>\$ 1,137,488</u>

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Notes to Financial Statements
Years Ended December 31, 2009 and 2008

Note 5 – Investments

The investments of the Organization consist of money market and mutual funds that are traded in active markets as follows:

Level 1 – Unadjusted quoted prices for identical assets in active markets

	<u>12/31/09</u>	<u>12/31/08</u>
Fixed income funds	\$ 189,732	\$ 141,458
Equity funds	598,099	258,475
Money market funds	<u>1,404</u>	<u>166,993</u>
	<u>\$ 789,235</u>	<u>\$ 566,926</u>

The components of total investment return by net assets classification are reflected below:

	<u>12/31/09</u>			<u>12/31/08</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>
Interest	\$0	\$21,381	\$ 21,381	\$ 17,610
Unrealized gain (loss)	123,940	16,207	140,147	(140,210)
Investment fee	<u>0</u>	<u>(2,424)</u>	<u>(2,424)</u>	<u>(1,340)</u>
Net investment gain (loss)	<u>\$123,940</u>	<u>\$35,164</u>	<u>\$159,104</u>	<u>\$ (123, 940)</u>

Note 6 – Property and equipment

Property and equipment is summarized as follows:

	<u>12/31/09</u>	<u>12/31/08</u>
Office equipment	\$ 16,613	\$ 18,826
Computer equipment	21,038	21,038
Leasehold improvements	<u>18,080</u>	<u>18,080</u>
	55,731	57,944
Less: Accumulated depreciation	(46,431)	(40,472)
Property and equipment, net	<u>\$ 9,300</u>	<u>\$ 17,472</u>

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Notes to Financial Statements
Years Ended December 31, 2009 and 2008

Note 7 – Conditional Promises to Give

During 2007, the Organization received conditional contributions totaling \$800,000 that required matching funds. A portion of these funds was received from the donors in 2008 in advance of the conditions being met. The unmet balance of funds received totaling \$219,509 and \$302,609 at December 31, 2009 and 2008, respectively; is recorded as deferred support and will be recognized as income as the Organization continues to raise matching funds. The remaining unmet commitment balance of \$100,000 at December 31, 2009 is not recorded on the accompanying financial statements.

Note 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

	<u>12/31/09</u>	<u>12/31/08</u>
Restoration on Private Lands	\$219,201	\$208,008
Sustainable Agriculture	1,005,952	1,583,017
Sustainable Business	5,000	52,623
Support of future period expenses	<u>35,164</u>	<u>6,742</u>
	<u>\$ 1,265,317</u>	<u>\$ 1,850,390</u>

Note 9 – Permanently Restricted Net Assets

Permanently restricted net assets consist of the Sustainable Conservation Endowment Fund (the Fund), whose purpose is to provide support in meeting the operating and program needs of the Organization.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Organization 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

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Notes to Financial Statements
Years Ended December 31, 2009 and 2008

classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance to SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies – The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 7%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund' investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending policy – The Organization has a policy of appropriating for distribution each year up to 7% of its endowment fund's average fair value of the prior twelve calendar quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. Until the Fund has been in existence for twelve calendar quarters, the annual amount shall be up to five percent of the average net fair value of the Fund's assets for as many complete calendar quarters as the Fund has been in existence. The Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effect of inflation.

The composition of the organization's endowment by net asset class at the end of December 31, 2009, in total and by type of endowment fund, follows:

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Notes to Financial Statements
Years Ended December 31, 2009 and 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ <u>0</u>	\$ <u>0</u>	\$ <u>560,982</u>	\$ <u>560,982</u>

A reconciliation of the beginning and ending balance of the Association's endowment at December 31, 2009 follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ (123,940)	\$ 0	\$ 394,782	\$270,842
Investment return:				
Investment income	0	21,381	0	21,381
Management fees	0	(2,424)	0	(2,424)
Net depreciation (realized & unrealized)	<u>0</u>	<u>140,147</u>	<u>0</u>	<u>140,147</u>
Total investment return	0	159,104	0	159,104
Contributions	0	0	166,200	166,200
Recovery of prior years				
Accumulated losses	123,940	(123,940)	0	0
Appropriation of endowment				
For expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Endowment net assets, ending	<u>\$ -</u>	<u>\$ 35,164</u>	<u>\$560,982</u>	<u>\$ 596,146</u>

At December 31, 2009 the fair value of invested assets assigned to individual donor restricted endowment net asset balances required to be maintained in perpetuity had no deficiency.

The composition of the organization's endowment by net asset class at the end of December 31, 2008, in total and by type of endowment fund, follows:

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Notes to Financial Statements
Years Ended December 31, 2009 and 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ <u>(123,940)</u>	\$ <u>0</u>	\$ <u>394,782</u>	\$ <u>270,842</u>

A reconciliation of the beginning and ending balance of the Association's endowment at December 31, 2008 follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ 0	\$ 0	\$136,972	\$136,972
Investment return:				
Investment income	17,610	0	0	17,610
Management fees	(1,340)	0	0	(1,340)
Net depreciation (realized & unrealized)	<u>(140,210)</u>	<u>0</u>	<u>0</u>	<u>(140,210)</u>
Total investment return	(123,940)	0	136,972	13,032
Contributions	0	0	257,810	257,810
Appropriation of endowment For expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Endowment net assets, ending	<u>\$(123,940)</u>	<u>\$ 0</u>	<u>\$ 394,782</u>	<u>\$ 270,842</u>

At December 31, 2008, the fair value of invested assets assigned to individual donor restricted endowment net asset balances required to be maintained in perpetuity had a \$130,465 deficiency. This deficiency included \$6,525 in restricted contributions received at the end of the year that had not been transferred to the investment account as of that date.

Note 10 – Contributed Services

The Organization recognizes certain voluntary services as explained under note 2(h) above. During the years ended December 31, 2009 and 2008, the Organization recorded \$290,382 and \$37,286, respectively in pro bono legal services as income and program service expense on the statement of activities.

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Notes to Financial Statements
Years Ended December 31, 2009 and 2008

Note 11 – Retirement Benefits

The Organization has a 401(k) retirement plan for employees working 20 hours per week or more who have completed 90 days of credited service. Under the plan, the Organization provides a 50% match to amounts contributed by each employee up to 10% of their compensation. Plan contributions incurred by the Organization were \$30,526 and \$36,228 for the years ended December 31, 2009 and 2008, respectively.

Note 12 – Commitments under Operating Leases

The Organization leases its office space under a non-cancelable lease arrangement expiring in 2011. The lease provides for scheduled rent increases. Generally Accepted Accounting Principles (GAAP) requires that rental expense under such arrangements be recorded in on a straight line basis. Management believes that the current method of recording rental expense based on amounts paid approximates GAAP. On January 12, 2010, before the expiration of the term of the lease, the parties amended this lease arrangement. The new lease started on February 1, 2010 and will expire on January 31, 2015. The minimum future commitment under this new arrangement is:

Year ending December 31, 2010	\$ 122,305
Year ending December 31, 2011	119,948
Year ending December 31, 2012	130,724
Year ending December 31, 2013	137,639
Year ending December 31, 2014	144,114
Year ending December 31, 2015	<u>12,055</u>
	<u>\$ 666,785</u>

Total rent expense was \$145,558 and \$138,994 for the years ended December 31, 2009 and 2008, respectively.

Note 13 – Line of Credit

The Organization has a secured line of credit in the amount of \$250,000 with a financial institution. The line is secured primarily by accounts receivable, equipment and fixtures, and bears interest at prime plus 2%. The Organization did not use the line during the years ended December 31, 2009 or 2008 and there was no outstanding balance at December 31, 2009 or 2008.

SUSTAINABLE CONSERVATION

Notes to Financial Statements
Years Ended December 31, 2009 and 2008

Note 14 – Subsequent Events

Management has evaluated subsequent events through April 23, 2010, the date on which the financial statements were available to be issued.