

**ACTERRA:
ACTION FOR A SUSTAINABLE EARTH**

**Financial Statements
and Independent Auditors' Report**

June 30, 2010

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To the Board of Directors
Acterra: Action for a Sustainable Earth
Palo Alto, California

Independent Auditors' Report

We have audited the accompanying statement of financial position of Acterra: Action for a Sustainable Earth, a not-for-profit organization, as of June 30, 2010, and the related statements of activities, changes in net assets and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated December 18, 2009, we expressed an unqualified opinion on those financial statements.

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 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 Acterra: Action for a Sustainable Earth as of June 30, 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

ROBERTS ACCOUNTANCY CORPORATION

Roberts Accountancy

San Jose, California
January 10, 2011
(except for Notes F and G, as to
which the date is March 21, 2011)

ACTERRA: ACTION FOR A SUSTAINABLE EARTH

Statement of Financial Position

June 30, 2010

(Summarized Totals for 2009)

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash	\$ 625,745	588,074
Investments, at fair value	260,482	232,045
Accounts receivable	128,697	197,256
Prepaid expenses	22,680	15,374
Total Current Assets	<u>1,037,604</u>	<u>1,032,749</u>
Property, Plant and Equipment, at Cost:		
Furniture and fixtures	64,132	64,132
Computers and equipment	50,932	47,984
Software	20,329	20,329
Vehicles	19,267	19,267
Fiduciary equipment	9,048	7,049
Improvements	9,601	9,601
Building	29,280	29,280
	<u>202,589</u>	<u>197,642</u>
Less accumulated depreciation - Note B-7	<u>(149,947)</u>	<u>(135,444)</u>
	<u>52,642</u>	<u>62,198</u>
	<u>\$ 1,090,246</u>	<u>1,094,947</u>

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

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
Current Liabilities:		
Accounts payable	\$ 120,692	70,838
Accrued vacation	39,618	37,887
Sales tax payable	1,443	569
Tenant deposit	<u>-</u>	<u>1,200</u>
 Total Current Liabilities	 <u>161,753</u>	 <u>110,494</u>
 Total Liabilities	 <u>161,753</u>	 <u>110,494</u>
Net Assets:		
Unrestricted as originally reported	122,351	311,434
Correction of error, Note G	<u>307,000</u>	<u>-</u>
Restated unrestricted net assets	<u>429,351</u>	<u>311,434</u>
Temporarily restricted:		
Programs, as originally reported	546,774	457,191
Correction of error, Note G	<u>(307,000)</u>	<u>-</u>
Restated	239,774	457,191
Library funds	<u>259,368</u>	<u>215,828</u>
	<u>499,142</u>	<u>673,019</u>
 Total Net Assets	 <u>928,493</u>	 <u>984,453</u>
	 <u>\$ 1,090,246</u>	 <u>1,094,947</u>

ACTERRA: ACTION FOR A SUSTAINABLE EARTH

Statement of Activities

For the Year Ended June 30, 2010

(With Summarized Totals for the Year Ended June 30, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>		<u>Total</u>	<u>2009</u>
		<u>Programs</u>	<u>Library</u>		
Operating revenues and support:					
Foundation grants	\$ 16,181	1,380,130	-	1,396,311	1,103,013
Government					
contracts/grants	-	451,757	-	451,757	353,635
Individual contributions	166,485	104,875	-	271,360	282,287
Event income	216,497	-	-	216,497	56,438
Program fees	99,336	-	-	99,336	94,060
Fiscal agent fees	74,052	-	-	74,052	58,825
Sales revenue	68,187	-	-	68,187	48,667
Other income	41,148	-	-	41,148	10,966
Interest income	1,712	-	-	1,712	5,014
Dividend income	-	-	15,098	15,098	17,184
Contributions in kind	11,079	123,976	-	135,055	3,862
Net realized gain(loss) on					
sale of investments	34	-	(2,377)	(2,343)	10,715
Net unrealized gain(loss)					
on investments	10,661	-	30,819	41,480	(96,783)
Release from restrictions	<u>1,971,155</u>	<u>(1,971,155)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues					
and support	<u>2,676,527</u>	<u>89,583</u>	<u>43,540</u>	<u>2,809,650</u>	<u>1,947,883</u>
Operating expenses:					
Program expenses, as originally					
reported	2,592,565	-	-	2,592,565	2,047,090
Correction of error, Note G	<u>(307,000)</u>	<u>-</u>	<u>-</u>	<u>(307,000)</u>	<u>-</u>
Restated program expenses	<u>2,285,565</u>	<u>-</u>	<u>-</u>	<u>2,285,565</u>	<u>2,047,090</u>
Supporting services:					
Administrative expenses	101,526	-	-	101,526	68,650
Fundraising expenses	<u>171,519</u>	<u>-</u>	<u>-</u>	<u>171,519</u>	<u>144,153</u>
Total supporting					
services	<u>273,045</u>	<u>-</u>	<u>-</u>	<u>273,045</u>	<u>212,803</u>
Total expenses, restated	<u>2,558,610</u>	<u>-</u>	<u>-</u>	<u>2,558,610</u>	<u>2,259,893</u>
CHANGE IN NET ASSETS,					
restated	<u>\$ 117,917</u>	<u>89,583</u>	<u>43,540</u>	<u>251,040</u>	<u>(312,010)</u>

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

ACTERRA: ACTION FOR A SUSTAINABLE EARTH

Statement of Changes in Net Assets

For the Years Ended June 30, 2010 and 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted Programs</u>	<u>Library</u>	<u>Total</u>
Net assets at June 30, 2008	\$ 291,978	689,074	315,411	1,296,463
Change in net assets for the year ended June 30, 2009	<u>19,456</u>	<u>(231,883)</u>	<u>(99,583)</u>	<u>(312,010)</u>
Net assets at June 30, 2009	311,434	457,191	215,828	984,453
Change in net assets for the year ended June 30, 2010, as originally stated	(189,083)	89,583	43,540	(55,960)
Correction of error, Note G	<u>307,000</u>	<u>(307,000)</u>	<u>-</u>	<u>-</u>
Restated change in net assets	<u>117,917</u>	<u>(217,417)</u>	<u>43,540</u>	<u>(55,960)</u>
Net assets at June 30, 2010	<u>\$ 429,351</u>	<u>239,774</u>	<u>259,368</u>	<u>928,493</u>

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

ACTERRA: ACTION FOR A SUSTAINABLE EARTH

Statement of Functional Expenses

For the Year Ended June 30, 2010

(With Summarized Totals for the Year Ended June 30, 2009)

	Program Services	Support Services		Total	2009 Total
		General and Administration	Fundraising		
Salaries	\$ 677,708	48,634	80,514	806,856	879,379
Payroll taxes	58,021	3,850	6,958	68,829	90,393
Workers' compensation	21,790	313	724	22,827	23,663
Employee benefits	43,748	3,755	9,882	57,385	52,228
Total salaries and related expenses	801,267	56,552	98,078	955,897	1,045,663
Grants/Awards, originally reported	482,000	-	-	482,000	302,750
Correction of error, Note G	(307,000)	-	-	(307,000)	-
Restated Grants/Awards	175,000	-	-	175,000	302,750
Consultants	565,226	28,066	15,421	608,713	342,121
Management fees	73,752	-	-	73,752	33,785
Rent	55,775	6,936	2,918	65,629	67,228
Repairs and maintenance	15,186	1,024	43	16,253	692
Office supplies	18,532	1,243	566	20,341	17,870
Program supplies	45,862	-	-	45,862	35,478
Special event expense	200,824	-	34,183	235,007	214,971
Purchases	21,351	-	-	21,351	2,990
In-kind donation	123,976	-	-	123,976	-
Telephone	15,406	751	321	16,478	7,233
Website	16,772	221	2,711	19,704	23,385
Postage	1,892	380	3,858	6,130	4,703
Printing	12,733	2,685	9,216	24,634	31,005
Small equipment supplies	4,324	-	-	4,324	3,605
Advertising	35,995	274	197	36,466	50,821
Travel and mileage	32,248	165	94	32,507	25,182
Meetings	-	-	-	-	500
Food/Refreshments	16,855	283	46	17,184	4,586
Staff development	2,532	121	-	2,653	2,629
Professional services	2,125	-	-	2,125	8,075
Insurance	3,724	976	501	5,201	5,027
Payroll services	3,760	570	203	4,533	4,319
Bank charges	6,274	27	2,688	8,989	3,480
Dues and subscriptions	2,324	360	35	2,719	1,269
Licenses and permits	283	167	-	450	913
Bad debts	3,837	-	-	3,837	-
Miscellaneous	14,242	-	150	14,392	3,404
Total before depreciation, originally stated	2,579,077	100,801	171,229	2,851,107	2,243,684
Correction of error, Note G	(307,000)	-	-	(307,000)	-
Total before depreciation, restated	2,272,077	100,801	171,229	2,544,107	2,243,684
Depreciation	13,488	725	290	14,503	16,209
Total functional expenses	\$ 2,285,565	101,526	171,519	2,558,610	2,259,893

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

ACTERRA: ACTION FOR A SUSTAINABLE EARTH

Statement of Cash Flows

For the Year Ended June 30, 2010

(With Summarized Totals for the Year Ended June 30, 2009)

Increase (Decrease) in Cash

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2009 Total</u>
Cash flows from operating activities:				
Change in net assets, as originally reported	\$ (189,083)	133,123	(55,960)	(312,010)
Correction of error, Note G	<u>307,000</u>	<u>-</u>	<u>307,000</u>	<u>-</u>
Restated change in net assets	<u>117,917</u>	<u>133,123</u>	<u>251,040</u>	<u>(312,010)</u>
Adjustments to reconcile change in net assets to cash provided (used) by operations:				
Depreciation - Note B-7	14,503	-	14,503	16,209
Realized gain on investment	2,343	-	2,343	-
Unrealized gains(losses) on investments	(10,661)	(30,819)	(41,480)	96,783
Non-cash donation	-	-	-	(3,862)
(Increase) decrease in:				
Accounts receivable	335,207	(266,648)	68,559	(24,793)
Prepaid expenses	(7,306)	-	(7,306)	(412)
Investments	-	-	-	1,216
Increase (decrease) in:				
Accounts payable	49,854	-	49,854	39,213
Accrued vacation	1,731	-	1,731	10,887
Sales tax payable	874	-	874	(1,667)
Tenant deposit	<u>(1,200)</u>	<u>-</u>	<u>(1,200)</u>	<u>1,200</u>
Total adjustments	<u>385,345</u>	<u>(297,467)</u>	<u>87,878</u>	<u>134,774</u>
Cash Provided (Used) by				
Operating Activities	<u>503,262</u>	<u>(164,344)</u>	<u>338,918</u>	<u>(177,236)</u>
Cash flows from investing activities:				
Acquisitions of computer equipment	(2,948)	-	(2,948)	(3,005)
Acquisitions of equipment	(1,999)	-	(1,999)	-
Acquisition of vehicle	-	-	-	(6,692)
Proceeds of stock sales	<u>10,700</u>	<u>-</u>	<u>10,700</u>	<u>-</u>
Cash Provided (Used) by				
Investing Activities	<u>5,753</u>	<u>-</u>	<u>5,753</u>	<u>(9,697)</u>

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

ACTERRA: ACTION FOR A SUSTAINABLE EARTH

Notes to Financial Statements

Note A: Nature of Activities

Acterra: Action for a Sustainable Earth was formed in 2000 by the merger of two of the region's most respected and effective environmental organizations: the Peninsula Conservation Center Foundation and Bay Area Action. The organization's mission is to create local solutions that foster a healthy natural environment in the San Francisco Bay Area. Acterra has a portfolio of environmental programs including: The Stewardship Program, Green@Home, Be the Change, Business Environmental Awards, Environmental Library and Resource Center and several fiscally sponsored projects including the Clean Tech Open and Wave One.

Note B: Summary of Significant Accounting Policies

The significant accounting policies followed by the organization in their financial statement reporting are as follows:

1. Basis of Presentation

The financial statements of Acterra have been prepared on the accrual basis of accounting. These financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

2. Financial Statement Presentation

Generally accepted accounting principles requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash and Cash Equivalents

For purposes of preparing the statement of cash flows, cash on hand and in banks, money market accounts are considered cash and cash equivalents.

4. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

ACTERRA: ACTION FOR A SUSTAINABLE EARTH

Notes to Financial Statements

Note B: Summary of Significant Accounting Policies – continued

4. Contributions - continued

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a 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.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

It is the Organization's policy to sell donated securities as quickly as possible. Any unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

5. Display of Net Assets by Class

In order to demonstrate observance of limitations and restrictions placed on the use of the resources available to Acterra, the amounts have been segregated and classified according to their nature and purposes. A class reports the assets, liabilities, net assets, activities and cash flows for a self-balancing group of accounts. Acterra had two classes of net assets for the years ended June 30, 2010 and 2009.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. Unrestricted net assets include resources available for day-to-day operations of Acterra and its activities, equipment, and improvements.

6. Accounts Receivable

The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

7. Property, Plant and Equipment

Purchased and/or developed property is recorded at cost and depreciated over its estimated useful life using the straight-line method of depreciation. Furniture is depreciated over ten years. Equipment is depreciated over an estimated useful life of three or five years. Software is depreciated over an estimated useful life of three years. Improvements are depreciated over an estimated useful life of sixteen or twenty years. Depreciation charged to operating activities for the years ended 2010 and 2009 were \$14,503 and \$16,209, respectively.

ACTERRA: ACTION FOR A SUSTAINABLE EARTH

Notes to Financial Statements

Note B: Summary of Significant Accounting Policies - continued

8. Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with program services and fundraising events. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under generally accepted accounting principles.

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Functional Expenses

Expenses are charged to program, administrative, or fundraising based on a combination of specific identification and allocation by Management.

11. Concentration of Credit Risk

The Company maintains cash deposits in a commercial bank that at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Company believes that there is no significant risk with respect to these deposits.

Note C: Tax Status

The organization operates as a nonprofit organization and is exempt from taxes on income under Internal Revenue Code Section 501(c)(3).

Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting.

GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax position and believes that all of the positions taken by ACTERRA in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. ACTERRA's returns for the years ended June 30, 2010, 2009, and 2008, are subject to examination by federal and state taxing authorities, generally for three years after they are filed.

ACTERRA: ACTION FOR A SUSTAINABLE EARTH

Notes to Financial Statements

Note D: Leases

The Organization leases space on an annual basis, effective July 1, 2003. Rent expense for the years ended June 2010 and 2009 were \$31,196 and \$29,936, respectively.

Note E: Marketable Securities

Marketable securities are considered available for sale and consist of equity securities and mutual funds, which are carried at fair market value. Fair values and unrealized gains and losses at June 30, 2010 and 2009 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains/Losses</u>
June 30, 2010:			
Mutual funds	\$ <u>322,538</u>	<u>251,160</u>	<u>(71,378)</u>
	\$ <u>322,538</u>	251,160	<u>(71,378)</u>
Cash		<u>9,322</u>	
Total		<u>\$260,482</u>	
June 30, 2009:			
Mutual funds	\$ <u>308,747</u>	<u>211,964</u>	<u>(96,783)</u>
	\$ <u>308,747</u>	211,964	<u>(96,783)</u>
Cash		<u>20,081</u>	
Total		<u>\$ 232,045</u>	

Note F: Subsequent Events: Spin-off of California Clean Tech Open (CTO)

As of July 1, 2010, California Clean Tech Open officially created its own not-for-profit corporation. In June 2010, ACTERRA transferred the sum of \$307,000 to the new entity out of the funds held for CTO in ACTERRA's capacity as fiscal agent for CTO. After the year end June 30, 2010, the remaining assets and liabilities were transferred or assumed by CTO.

	<u>6/30/10 Balance</u>	<u>6/30/10 Transfer</u>	<u>7/1/10 Balance</u>
Assets transferred:			
Cash	\$313,763	(307,000)	6,763
Account receivable	104,534	-	104,534
Prepaid expenses	<u>4,392</u>	-	<u>4,392</u>
Total assets	<u>\$422,689</u>	<u>(307,000)</u>	<u>115,689</u>
Liabilities assumed:			
Accounts payable	<u>72,370</u>	-	<u>72,370</u>
	<u>72,370</u>	-	<u>72,370</u>
Reduction in ACTERRA's			
Net Assets	<u>\$ 350,319</u>	<u>(307,000)</u>	<u>43,319</u>

ACTERRA: ACTION FOR A SUSTAINABLE EARTH

Notes to Financial Statements

Note G: Correction of Error

Subsequent to January 10, 2011, it was determined that the distribution of cash to CTO described in Note F had been incorrectly charged as program expenses incurred rather than as a transfer to CTO. All of the corrections are reflected in the financial statements as restated. It was also determined that the following correction was needed in the statement of cash flows:

	<u>Corrected</u>	<u>Original</u>	<u>Difference</u>
Unrestricted	\$437,205	440,543	(3,338)
Temporarily restricted	<u>188,540</u>	<u>185,202</u>	<u>3,338</u>
Total cash	<u>\$625,745</u>	<u>625,745</u>	<u>0</u>