



FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

CONTENTS

Independent Auditors' Report.....	1-2
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-22
Supplemental Information:	
Schedule of Unrestricted Revenues	23
Detailed Statement of Financial Position.....	24
Detailed Statement of Activities	25

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, 2015 and 2014, 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, 2015 and 2014, 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

October 4, 2016

SURFRIDER FOUNDATION

STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 3,724,442	\$ 3,237,377
Investments	318,691	334,881
Accounts and grants receivable	69,596	139,723
Inventory	119,061	134,625
Prepaid expenses	73,715	48,599
Property and equipment, net	<u>17,803</u>	<u>28,747</u>
TOTAL ASSETS	<u><u>\$ 4,323,308</u></u>	<u><u>\$ 3,923,952</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued liabilities	\$ 851,697	\$ 478,701
Payroll related liabilities	<u>266,903</u>	<u>246,249</u>
Total Liabilities	<u>1,118,600</u>	<u>724,950</u>
NET ASSETS		
Unrestricted	1,832,315	1,973,218
Temporarily restricted	1,104,743	958,134
Permanently restricted	<u>267,650</u>	<u>267,650</u>
Total Net Assets	<u>3,204,708</u>	<u>3,199,002</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,323,308</u></u>	<u><u>\$ 3,923,952</u></u>

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

SURFRIDER FOUNDATION
STATEMENTS OF ACTIVITIES

	For the Year Ended December 31,	
	2015	2014
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUES:		
Contributions	\$ 1,814,526	\$ 1,978,508
Contributed materials and services	324,458	174,851
Membership	1,322,536	1,258,659
Merchandise sales	112,077	202,806
Corporate partnership revenue	718,670	615,525
Investment loss	(3,191)	(2,489)
Special events, net of direct costs of \$461,495 and \$282,731 for 2015 and 2014, respectively	164,832	(7,015)
Other revenue	6,445	2,236
Net assets released from restrictions	1,975,336	1,861,876
TOTAL SUPPORT AND REVENUES	6,435,689	6,084,957
EXPENSES:		
Environmental programs	5,430,092	5,494,375
General and administrative	514,397	471,919
Fund-raising	632,097	515,707
TOTAL EXPENSES	6,576,586	6,482,001
DECREASE IN UNRESTRICTED NET ASSETS	(140,897)	(397,044)
TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT AND REVENUES:		
Contributions	2,125,474	1,769,372
Investment income (loss)	(3,535)	16,825
Net assets released from restrictions	(1,975,336)	(1,861,876)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	146,603	(75,679)
INCREASE (DECREASE) IN NET ASSETS	5,706	(472,723)
NET ASSETS AT BEGINNING OF YEAR	3,199,002	3,671,725
NET ASSETS AT END OF YEAR	\$ 3,204,708	\$ 3,199,002

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

SURFRIDER FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	<u>Environmental Programs</u>	<u>General and Administrative</u>	<u>Fund-raising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 2,479,239	\$ 164,610	\$ 233,310	\$ 2,877,159
Payroll taxes	183,773	10,998	15,950	210,721
Consultation	901,640	89,853	112,521	1,104,014
Cost of goods sold	53,072	-	-	53,072
Employee benefits	48,756	3,053	4,156	55,965
Lobbying and promotions	97,543	21,089	76,528	195,160
Grants	93,740	-	53,385	147,125
Insurance	217,615	45,490	18,406	281,511
Membership	198,218	-	67,826	266,044
Office	763,254	105,427	27,594	896,275
Postage and delivery	18,394	7,454	3,564	29,412
Printing	41,952	2,412	17	44,381
Taxes, licenses and permits	78,354	-	-	78,354
Telephone	22,519	2,691	2,707	27,917
Travel	213,765	60,176	14,577	288,518
Depreciation and amortization	18,258	1,144	1,556	20,958
	<u>\$ 5,430,092</u>	<u>\$ 514,397</u>	<u>\$ 632,097</u>	<u>\$ 6,576,586</u>

For the Year Ended December 31, 2014

	<u>Environmental Programs</u>	<u>General and Administrative</u>	<u>Fund-raising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 2,478,495	\$ 117,459	\$ 197,381	\$ 2,793,335
Payroll taxes	193,184	8,140	14,361	215,685
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
Postage and delivery	31,567	10,141	8,063	49,771
Printing	49,555	5,375	4,250	59,180
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
Depreciation and amortization	49,755	2,152	3,199	55,106
	<u>\$ 5,494,375</u>	<u>\$ 471,919</u>	<u>\$ 515,707</u>	<u>\$ 6,482,001</u>

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

SURFRIDER FOUNDATION
STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 5,706	\$ (472,723)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	20,959	55,106
Realized (gain) loss on investments	387	(224)
Unrealized (gain) loss on investments	10,469	(9,170)
Loss on sale of property and equipment	856	3,190
Changes in operating assets and liabilities:		
Accounts receivable	70,127	(40,077)
Inventory	15,564	53,149
Prepaid expenses	(25,116)	(1,948)
Accounts payable and accrued liabilities	372,996	(172,504)
Payroll related liabilities	20,654	(15,542)
Net Cash Provided By (Used In) Operating Activities	<u>492,602</u>	<u>(600,743)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale or maturities of investments	5,334	(12,562)
Proceeds from sale of property and equipment	-	317
Purchase of property and equipment	<u>(10,871)</u>	<u>(13,257)</u>
Net Cash Used In Investing Activities	<u>(5,537)</u>	<u>(25,502)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	487,065	(626,245)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,237,377</u>	<u>3,863,622</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,724,442</u>	<u>\$ 3,237,377</u>

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

SURFRIDER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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 in conformity with the accounting principles generally accepted in the United States of America (U.S. GAAP).

SURFRIDER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

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, 2015 AND 2014

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.

Cash and cash equivalents are placed with high-credit, quality financial institutions. At times, certain account balances may exceed insurance coverage limits by the Federal Deposit Insurance Corporation of \$250,000 per deposit or per insured banking institution. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

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.

SURFRIDER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 and is included in accounts payable and accrued liabilities.

Revenue Recognition

Contributions are recognized as revenue in the period pledged, net of estimated uncollectible amounts. Contributions are recorded in unrestricted net assets and are considered to be available for use unless specifically restricted by the donor. Conditional contributions are recognized as revenue and recorded in unrestricted net assets when the conditions on which they depend have been substantially met. During the years ended December 31, 2015 and 2014 there were no conditional contributions.

Membership dues generally range from \$25 to \$500 per member for annual membership. The value of membership benefits received by members are immaterial and, as such, the Foundation records membership revenue in the period in which the membership is entered into.

Corporate partnership 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 and, in exchange, agree to pay a specified minimum amount to the Foundation. Such revenue is recognized at the time the corporate partnership agreement is executed amounts are earned.

Deferred Revenue

Revenue from grants are recorded as amounts are earned under the terms of the contract. Amounts received in excess of that which has been earned, and are subject to refund, are included in deferred revenue, which is reported as a component of accounts payable and accrued liabilities on the statements of financial position. As of December 31, 2015 and 2014 there was \$602,752 and \$287,619 of deferred revenue, respectively.

SURFRIDER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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.

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, 2015 and 2014, the Foundation received donated professional services and other items valued at approximately \$324,000 and \$175,000, 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, 2015 and 2014 totaled \$23,773 and \$10,125, respectively.

SURFRIDER FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

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.

Reclassifications

Certain amounts for the prior year have been reclassified to conform to the current year presentation.

Subsequent Events

Management has evaluated subsequent events through October 4, 2016, the date these financial statements were available to be issued.

NOTE 3 – Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Petty cash	\$ 100	\$ 100
Deposits	2,958,002	2,523,340
Money market funds	<u>766,340</u>	<u>713,937</u>
Total cash and cash equivalents	<u>\$ 3,724,442</u>	<u>\$ 3,237,377</u>

SURFRIDER FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 4 – Investments

The following schedule summarizes investments:

	Historical Cost		Fair Value	
	December 31,		December 31,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Marketable securities	\$ <u>270,246</u>	\$ <u>275,917</u>	\$ <u>318,691</u>	\$ <u>334,881</u>

Total investment returns (losses) for the year ended December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Investment income (loss)	\$ (3,191)	\$ 6,441	\$ -
Net realized and unrealized losses	<u>-</u>	<u>(9,976)</u>	<u>-</u>
Total investment loss	<u>\$ (3,191)</u>	<u>\$ (3,535)</u>	<u>\$ -</u>

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

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

SURFRIDER FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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.

The following table sets forth by level, within the fair value hierarchy, the Foundation’s investments at fair value as of December 31, 2015 and 2014:

	<u>Fair Value</u>	<u>Assets at Fair Value as of December 31, 2015</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Marketable securities				
Corporate stock	\$ 1,519	\$ 1,519	\$ -	\$ -
Exchange traded funds	302,568	302,568	-	-
Bonds	14,604	14,604	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 318,691</u>	<u>\$ 318,691</u>	<u>\$ -</u>	<u>\$ -</u>

SURFRIDER FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 5 – Fair Value Measurements (Continued)

	<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	<u>14,604</u>	<u>14,604</u>	-	-
Total	<u>\$ 334,881</u>	<u>\$ 334,881</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 – Property and Equipment

Property and equipment consists of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Equipment	\$ 96,808	\$ 101,854
Furniture and fixtures	43,215	43,215
Leasehold improvements	<u>229,333</u>	<u>228,533</u>
	369,356	373,602
Less accumulated depreciation and amortization	<u>(351,553)</u>	<u>(344,855)</u>
	<u>\$ 17,803</u>	<u>\$ 28,747</u>

NOTE 7 – Net Assets Released from Restrictions

During the years ended December 31, 2015 and 2014, \$1,975,336 and \$1,861,876, 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 \$8,000 and \$3,500 for the years ended December 31, 2015 and 2014, 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.

SURFRIDER FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Animals in Armor Program	\$ 1,900	\$ 3,100
California Desalination Project	3,363	3,363
Chapter Assistance Program	44,955	93,552
Clean Water Program	86,860	29,116
Dillon Henry Memorial Internship	95,543	97,080
Florida Regional Support Program	17,240	15,157
Hawaiian Islands Regional Support Program	527,105	289,228
Humboldt Settlement Program	-	807
International Support Program	11,410	11,000
New York Fundraising/Development Program	105,795	-
Ocean Friendly Gardens Program	22,121	27,701
Pacific Northwest Regional Support Program	7,510	163,540
Youth Network Program	8,333	60,000
Rise Above Plastics Program	55,592	63,673
Southern California Regional Support Program	<u>117,016</u>	<u>100,817</u>
Total	<u>\$ 1,104,743</u>	<u>\$ 958,134</u>

Animals in Armor Program – 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.

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.

SURFRIDER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 8 – Temporarily Restricted Net Assets (Continued)

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.

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 related program expenses to educate the public about water quality, water conservation, and energy saving benefits of integrating the supply and disposal of water that we use every day.

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.

Florida Regional Support Program – 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.

Hawaiian Islands Regional Support Program – 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.

International Support Program – 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.

New York Fundraising/Development Program – The Foundation received funding to develop and grow a major gifts program on the east coast and in the New York area.

SURFRIDER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 8 – Temporarily Restricted Net Assets (Continued)

Ocean Friendly Gardens Program – 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.

Pacific Northwest Regional Support Program – 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.

Youth Network Program – The Foundation has received various contributions to establish and maintain a network of youth clubs in schools, campuses, and local communities to develop environmental stewardship projects such as beach cleanups and plastic free campuses. The network gives young people opportunities through service, leadership, civic engagement, and organizing by way of collective empowerment of our chapter network.

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 California Regional Support Program – 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.

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, 2015 and 2014.

SURFRIDER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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
- (7) The investment policies of the Foundation

SURFRIDER FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted:				
Endowment	\$ -	\$ 95,546	\$ 267,650	\$ 363,196
Total	<u>\$ -</u>	<u>\$ 95,546</u>	<u>\$ 267,650</u>	<u>\$ 363,196</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 97,080	\$ 267,650	\$ 364,730
Investment return:				
Investment income	-	6,441	-	6,441
Net realized and unrealized loss	-	(9,976)	-	(9,976)
Contributions	-	9,998	-	9,998
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(8,000)</u>	<u>-</u>	<u>(8,000)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 95,543</u>	<u>\$ 267,650</u>	<u>\$ 363,193</u>

SURFRIDER FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 10 – Endowment Funds (Continued)

Return Objectives and Risk Parameters (Continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently 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 Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 73,755	\$ 267,650	\$ 341,405
Investment return:				
Investment income	-	7,431	-	7,431
Net realized and unrealized gains	-	9,394	-	9,394
Contributions	-	10,000	-	10,000
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(3,500)</u>	<u>-</u>	<u>(3,500)</u>
Endowment net assets, 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, 2015 AND 2014**

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 \$63,347 and \$53,332 as of December 31, 2015 and 2014, 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, 2015, are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 126,034
2017	130,199
2018	133,531
2019	150,419
2020	154,963
Thereafter	<u>159,506</u>
	<u>\$ 854,652</u>

Rent expense for the years ended December 31, 2015 and 2014 were \$262,870 and \$264,998, 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 \$43,337 and \$41,787 for the years ended December 31, 2015 and 2014, respectively.

SUPPLEMENTAL INFORMATION

SURFRIDER FOUNDATION

**SCHEDULE OF UNRESTRICTED REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2015**

UNRESTRICTED SUPPORT AND REVENUES:

Contributions	\$ 1,814,526
Contributed materials and services	324,458
Membership	1,322,536
Sales, mail order	112,077
Corporate partnership revenue	718,670
Investment loss	(3,191)
Special events, net of direct costs	164,832
Other revenue	6,445
Net assets released from restrictions	
Satisfaction of ActCoastal Program	15,000
Satisfaction of Animals in Armor Program	1,200
Satisfaction of Chapter Assistance Program	329,729
Satisfaction of Clean Water Program	77,594
Satisfaction of Dillon Henry Memorial Internship	8,000
Satisfaction of Florida Regional Support Program	27,917
Satisfaction of Hawaiian Islands Regional Support Program	155,126
Satisfaction of Humboldt Settlement Program	807
Satisfaction of International Support Program	3,090
Satisfaction of Mid-Atlantic Regional Support Program	178,566
Satisfaction of New York Fundraising/Development Program	19,205
Satisfaction of North East Regional Support Program	109,157
Satisfaction of Ocean Friendly Gardens Program	63,277
Satisfaction of Pacific Northwest Regional Support Program	649,696
Satisfaction of Youth Network Program	61,667
Satisfaction of Rise Above Plastics Program	67,385
Satisfaction of Southern California Regional Support Program	<u>207,920</u>

TOTAL NET ASSETS RELEASED FROM RESTRICTIONS 1,975,336

TOTAL UNRESTRICTED SUPPORT AND REVENUES \$ 6,435,689

See Independent Auditors' Report

SURFRIDER FOUNDATION

**DETAILED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015**

ASSETS	Surfrider Foundation Headquarters	Foundation Chapters	Eliminations	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 2,493,294	\$ 1,331,204	\$ (100,056)	\$ 3,724,442
Investments	318,691	-	-	318,691
Accounts receivable	51,750	32,924	(15,078)	69,596
Inventory	119,061	-	-	119,061
Prepaid expenses	73,715	-	-	73,715
Property and equipment, net	<u>17,803</u>	<u>-</u>	<u>-</u>	<u>17,803</u>
TOTAL ASSETS	<u><u>\$ 3,074,314</u></u>	<u><u>\$ 1,364,128</u></u>	<u><u>\$ (115,134)</u></u>	<u><u>\$ 4,323,308</u></u>
 LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 955,448	\$ 10,857	\$ (114,608)	\$ 851,697
Payroll related liabilities	<u>267,429</u>	<u>-</u>	<u>(526)</u>	<u>266,903</u>
TOTAL LIABILITIES	<u>1,222,877</u>	<u>10,857</u>	<u>(115,134)</u>	<u>1,118,600</u>
 NET ASSETS				
Unrestricted	479,044	1,353,271	-	1,832,315
Temporarily restricted	1,104,743	-	-	1,104,743
Permanently restricted	<u>267,650</u>	<u>-</u>	<u>-</u>	<u>267,650</u>
TOTAL NET ASSETS	<u>1,851,437</u>	<u>1,353,271</u>	<u>-</u>	<u>3,204,708</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 3,074,314</u></u>	 <u><u>\$ 1,364,128</u></u>	 <u><u>\$ (115,134)</u></u>	 <u><u>\$ 4,323,308</u></u>

See Independent Auditors' Report

SURFRIDER FOUNDATION

DETAILED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015

	Surfrider Foundation Headquarters	Foundation Chapters	Eliminations	Total
UNRESTRICTED NET ASSETS				
SUPPORT AND REVENUES:				
Contributions	\$ 1,223,783	\$ 772,156	\$ (181,413)	\$ 1,814,526
Contributed materials and services	324,458	-	-	324,458
Membership	1,322,536	10,888	(10,888)	1,322,536
Sales, mail order	102,511	33,738	(24,172)	112,077
Corporate partnership revenue	718,670	-	-	718,670
Investment income (loss)	(3,284)	93	-	(3,191)
Special events, net of direct costs	168,064	(3,232)	-	164,832
Blue Water	41,928	-	(41,928)	-
Other revenue	6,445	-	-	6,445
Net assets released from restrictions	1,975,336	-	-	1,975,336
TOTAL SUPPORT AND REVENUES	5,880,447	813,643	(258,401)	6,435,689
EXPENSES:				
Environmental programs	4,963,418	725,075	(258,401)	5,430,092
General and administrative	458,742	55,655	-	514,397
Fund-raising	543,271	88,826	-	632,097
TOTAL EXPENSES	5,965,431	869,556	(258,401)	6,576,586
DECREASE IN UNRESTRICTED NET ASSETS	(84,984)	(55,913)	-	(140,897)
TEMPORARILY RESTRICTED NET ASSETS				
SUPPORT AND REVENUES:				
Contributions	2,125,474	-	-	2,125,474
Investment income	(3,535)	-	-	(3,535)
Net assets released from restrictions	(1,975,336)	-	-	(1,975,336)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	146,603	-	-	146,603
PERMANENTLY RESTRICTED NET ASSETS				
SUPPORT AND REVENUES:				
Contributions	-	-	-	-
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	61,619	(55,913)	-	5,706
NET ASSETS AT BEGINNING OF YEAR	1,789,818	1,409,184	-	3,199,002
NET ASSETS AT END OF YEAR	\$ 1,851,437	\$ 1,353,271	\$ -	\$ 3,204,708

See Independent Auditors' Report