

CONSERVATION CORPS NORTH BAY, INC.

Financial Statements

Year ended June 30, 2009

with

Report of Independent Auditors

**WILSON
MARKLE
STUCKEY
HARDESTY
& BOTT LLP**

CERTIFIED PUBLIC
ACCOUNTANTS

DONALD WILSON
ALAN MARKLE
CHARLES STUCKEY
DAVID HARDESTY
DAVID BOTT
DAVID BAILEY
MICHAEL SMITH

Report of Independent Auditors

Board of Directors
Conservation Corps North Bay, Inc.

We have audited the accompanying statement of financial position of Conservation Corps North Bay, Inc. as of June 30, 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of Conservation Corps North Bay, Inc. 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 Conservation Corps North Bay, Inc.'s June 30, 2008 financial statements and, in our report dated September 8 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 audit provides 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 Conservation Corps North Bay, Inc. as of June 30, 2009, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Wilson Markle Stuckey Hardesty & Bott
Wilson Markle Stuckey Hardesty & Bott
November 3, 2009

Conservation Corps North Bay, Inc.
Statement of Financial Position
June 30, 2009

Assets	2009	2008
Current assets		
Cash	\$ 333,927	\$ 305,690
Government grants and contracts receivable		
Department of Conservation	148,000	104,304
California Conservation Corps	2,720	10,532
California Volunteers	49,518	47,945
Other government grants and contracts	158,580	145,510
Fee for service contracts receivable	155,070	169,915
Other receivables	326,358	268,461
Prepaid expenses	59,372	50,891
Total current assets	1,233,545	1,103,248
Other assets		
Deposits	16,000	14,982
Property and equipment, at cost		
Land	1,289,550	1,289,550
Building and improvements	2,356,309	2,311,554
Furniture and equipment	299,010	282,134
Vehicles	1,004,302	807,615
	4,949,171	4,690,853
Accumulated depreciation	(1,405,082)	(1,166,994)
Property and equipment, net	3,544,089	3,523,859
Total assets	\$ 4,793,634	\$ 4,642,089
Liabilities and Net Assets		
Current liabilities		
Bank line of credit	\$ 166,500	\$ 42,000
Accounts payable	120,979	170,809
Accrued expenses	187,718	153,658
Deferred revenue	19,065	15,949
Notes payable due within one year	23,830	25,319
Total current liabilities	518,092	407,735
Notes payable	1,587,365	1,609,378
Total liabilities	2,105,457	2,017,113
Net assets		
Unrestricted	2,247,317	2,178,303
Temporarily restricted	440,860	446,673
Total net assets	2,688,177	2,624,976
Total liabilities and net assets	\$ 4,793,634	\$ 4,642,089

See accompanying notes.

Conservation Corps North Bay, Inc.
Statement of Activities and Changes in Net Assets
Year ended June 30, 2009

	Unrestricted	Temporarily restricted	2009 Totals	2008 Totals
Support and revenues				
Government grants and contracts				
Department of Conservation	\$ 2,011,222	\$ -	\$ 2,011,222	\$ 1,581,555
California Conservation Corps	28,000	-	28,000	56,056
California Volunteers	264,723	-	264,723	286,504
Other government grants and contracts	651,550	-	651,550	456,036
Fee for service contracts				
Golden Gate National Recreation Area	72,791	-	72,791	134,524
Other fee for service contracts	1,163,571	-	1,163,571	1,265,020
General and other public assistance				
Marin Community Foundation	-	267,000	267,000	260,000
Other grants and donations	110,620	236,000	346,620	402,822
Charter school revenue	411,663	-	411,663	322,133
Interest and other income	63,419	-	63,419	62,469
Net assets released from donor restrictions	508,813	(508,813)	-	-
Total support and revenues	5,286,372	(5,813)	5,280,559	4,827,119
Expenses				
Program services	3,861,656	-	3,861,656	3,317,752
General and administrative	1,135,598	-	1,135,598	997,541
Fundraising and development	220,104	-	220,104	208,440
Total expenses	5,217,358	-	5,217,358	4,523,733
Change in net assets	69,014	(5,813)	63,201	303,386
Net assets, beginning of year	2,178,303	446,673	2,624,976	2,321,590
Net assets, end of year	\$ 2,247,317	\$ 440,860	\$ 2,688,177	\$ 2,624,976

See accompanying notes.

Conservation Corps North Bay, Inc.
Statement of Functional Expenses
Year ended June 30, 2009

	Program services	General and administrative	Fundraising and development	2009 Totals	2008 Totals
Salaries and wages	\$ 2,209,621	\$ 641,160	\$ 106,248	\$ 2,957,029	\$ 2,553,689
Payroll taxes	164,406	51,281	9,345	225,032	182,441
Pension plan contributions	20,719	9,204	2,125	32,048	27,043
Other employee benefits	354,827	93,672	6,967	455,466	424,019
Professional services	42,501	41,289	49,775	133,565	152,193
Telephone	45,019	10,585	-	55,604	46,010
Postage and shipping	1,803	1,743	123	3,669	4,173
Rent, utilities and maintenance	148,231	15,346	861	164,438	98,910
Equipment rental and maintenance	16,099	2,797	324	19,220	14,784
Printing and publications	2,039	11,005	261	13,305	2,968
Conferences, conventions, and meetings	519	2,957	-	3,476	5,634
Fund development/community outreach	29,457	-	37,301	66,758	94,870
Insurance	-	58,298	-	58,298	56,328
Office equipment and supplies	7,362	7,025	2,571	16,958	15,140
Computer expenses	17,192	12,212	1,853	31,257	27,491
Dues and subscriptions	1,428	20,454	211	22,093	27,106
Taxes, licenses and fees	3,981	1,433	-	5,414	1,737
Recruitment and staff development	16,988	7,305	1,872	26,165	29,646
Crew equipment and supplies	335,665	116	94	335,875	203,527
Travel and transportation	150,067	8,485	173	158,725	195,504
Instruction expenses	81,257	-	-	81,257	88,524
Interest	78,503	34,665	-	113,168	113,628
Depreciation	133,772	104,316	-	238,088	156,695
Bad debt	200	-	-	200	1,103
Miscellaneous	-	250	-	250	570
Total expenses	\$ 3,861,656	\$ 1,135,598	\$ 220,104	\$ 5,217,358	\$ 4,523,734

See accompanying notes.

Conservation Corps North Bay, Inc.
Statement of Cash Flows
Year ended June 30, 2009

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ 63,201	\$ 303,386
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	238,088	156,695
Changes in:		
Grants and contracts receivable	(50,527)	(121,949)
Accounts and other receivables	(43,052)	(6,139)
Prepaid expenses and deposits	(9,499)	533
Accounts payable	(49,830)	107,248
Accrued liabilities	34,060	30,113
Deferred revenue	3,116	11,882
Net cash provided by operating activities	<u>185,557</u>	<u>481,769</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(258,318)</u>	<u>(295,868)</u>
Net cash used by investing activities	(258,318)	(295,868)
Cash flows from financing activities		
Advance from bank credit line	399,500	12,000
Principal payments on bank credit line	(275,000)	-
Principal payments on notes payable	<u>(23,502)</u>	<u>(23,306)</u>
Net cash provided by financing activities	<u>100,998</u>	<u>(11,306)</u>
Increase in cash	28,237	174,595
Cash, beginning of year	<u>305,690</u>	<u>131,095</u>
Cash, end of year	\$ 333,927	\$ 305,690
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 108,022</u>	<u>\$ 113,628</u>

See accompanying notes.

CONSERVATION CORPS NORTH BAY, INC.

Notes to Financial Statements

June 30, 2009

Note 1 - Summary of significant accounting policies

Basis of presentation

Conservation Corps North Bay, Inc. (CCNB) is a non-profit California corporation formed in 1982 to provide employment, vocational training, job placement, and career counseling to youth in Marin and Sonoma Counties through work projects designed to maintain and protect natural resources. Effective September 18, 2008, the Marin Conservation Corps changed its name to Conservation Corps North Bay, Inc.

CCNB's mission is to develop youth and conserve natural resources for a strong, sustainable community.

We achieve our mission by:

- Providing a diverse group of youth and young adults with opportunities to transform their lives through education, employability, civic engagement, and leadership.
- Caring for our environment by conserving and restoring natural resources, and by improving recreational areas.
- Creating the environmental leaders of the future by teaching environmental ethics and behaviors to children, teens and adults.
- Making communities safer by reducing fire and flood hazards and by responding to public emergencies and disasters.

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting. CCNB records revenues when earned and expenses when incurring the related obligation. CCNB recognizes revenues from reimbursable cost contracts when incurring the related expenses.

Certain support for the programs of CCNB may be directed by the donors to specific periods or programs. CCNB classifies such amounts as temporarily restricted revenues and net assets in the accompanying financial statements. When donor restrictions expire or are otherwise met, CCNB reclassifies temporarily restricted net assets as unrestricted net assets under the heading "net assets released from restrictions" in the statement of activities and changes in net assets.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2009

Note 1 - Summary of significant accounting policies (continued)

Allocation of certain costs between program services, management and general and fundraising and development is determined annually based on estimated amounts.

Cash and cash equivalents

Cash and cash equivalents consist principally of amounts on deposit with a commercial bank, available on demand.

Property and Equipment

Property and equipment with an initial cost of \$2,500 or more acquired by purchase are stated at cost. Property and equipment acquired by donation are stated at estimated value. Property and equipment additions of less than \$2,500 are expensed. Building depreciation is computed on the straight-line method over an estimated useful life of twenty-five years. Equipment and furniture depreciation is computed on the straight-line method over an estimated useful life of five years. Vehicle depreciation is computed on the straight-line method over estimated useful lives of five years.

Income taxes

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Interpretation Number 48 (FIN 48), "Accounting for Uncertainty in Income Taxes". Under FIN 48, CCNB is required to report information regarding its exposure to various tax positions taken by the organization and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that the organization has adequately addressed all tax positions and that there are no unrecorded tax liabilities.

CCNB has been advised by governmental authorities that it is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the Revenue and Taxation Code of the State of California. CCNB has been classified as other than a private foundation under Internal Revenue Codes Section 509(a)(1). Accordingly, donors are entitled to the maximum charitable contribution allowed by law.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2009

Note 1 - Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Estimated fair value of financial instruments

Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments" requires the disclosure of the fair value of financial instruments, including assets and liabilities recognized on the statement of financial position. Management estimates that the aggregate net fair value of financial instruments recognized on the statement of financial position (including receivables, payables and accrued expenses) approximates their carrying value, as such financial instruments are short-term in nature or bear interest at current market rates.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year's presentation.

Prior year totals

The columns on the accompanying financial statements captioned 2008 totals represent 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with CCNB's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2009

Note 1 - Summary of significant accounting policies (continued)

Allowance for uncollectible accounts receivable

CCNB uses the allowance method to account for uncollectible accounts receivable. Under this method, CCNB reviews all receivables for any problems with collectability. If CCNB feels that there may be a problem with collections, an allowance is provided for the receivable. When attempts to collect a specific receivable are unsuccessful, the account is considered uncollectible and is written off against the allowance. At June 30, 2009, CCNB concluded that an allowance for doubtful accounts was not necessary.

Note 2 - Bank line of credit

CCNB has available a revolving line of credit in the amount of \$500,000 from a commercial bank. Of the amount available, \$166,500 was due at June 30, 2009 and \$42,000 was due on June 30, 2008. The line of credit is secured principally by accounts receivable. Interest on amounts borrowed is due monthly at the bank's index rate plus 1.75 percent (3.25 percent index rate at June 30, 2009). The credit line is subject to annual renewal by the bank.

Note 3 - Notes payable

CCNB has two mortgage notes payable to Bank of Marin in the amounts of \$452,774 and \$1,158,421. The notes are secured by deeds of trust on real property owned by CCNB. The first note requires monthly payments of \$3,065, including interest, with a lump sum payment due on November 15, 2013. Interest on the first mortgage note is computed at a variable rate (6.33% at June 30, 2009). The second note requires initial monthly payments of \$7,727 until June 5, 2011, and then \$6,279 until May 5, 2016, all including interest, with a lump sum payment due on June 5, 2016. Interest on the mortgage note is due at a variable rate (6.583% at June 30, 2009).

CONSERVATION CORPS NORTH BAY, INC.

Notes to Financial Statements

June 30, 2009

Note 3 - Notes payable (continued)

Scheduled principal payment under the mortgages payable for the years ending June 30 is as follows:

2010	\$ 23,830
2011	25,449
2012	33,665
2013	35,617
2014	444,966
Thereafter	<u>1,047,667</u>
Total	<u>\$ 1,611,195</u>

Note 4 - Risks, uncertainties and concentrations

CCNB is primarily supported by government grants and contracts, which in the year ended June 30, 2009, were approximately 55% and 49%, respectively of total revenue. The contracts are subject to annual renewal. A significant reduction in the level of contract support, if this were to occur without replacement from other revenues and support, could adversely affect the extent of CCNB's programs and activities.

At various times during the year ended June 30, 2009, CCNB had deposits with a single commercial bank in excess of FDIC insured limits.

CCNB has received support that may be subject to audit or review by the grantor agencies. Management believes that CCNB has complied with all aspects of grant and contract provisions and disallowed costs, if any, would be insignificant to its financial position.

Note 5 - Temporarily restricted net assets

Temporarily restricted net assets consist of amounts due to or received by CCNB for which donor-imposed use or time restrictions have not yet been met. Temporarily restricted net assets and net assets released from restrictions during the year ended June 30, 2009 consist of the following:

CONSERVATION CORPS NORTH BAY, INC.
Notes to Financial Statements
June 30, 2009

Note 5 - Temporarily restricted net assets (continued)

Grantor/Donor Name	June 30, 2008 Balance	Additions	Releases	June 30, 2009 Balance
S. D. Bechtel, Jr. Foundation	\$ 14,074	\$ 20,000	\$ 14,074	\$ 20,000
Bothin Foundation	22,400	-	22,400	-
College of Marin	-	25,000	16,500	8,500
Crescent Porter Hale Foundation	-	10,000	10,000	-
Fireman's Fund Foundation	7,266	7,500	7,645	7,121
Fullerton Family Foundation	-	25,000	25,000	-
David B. Gold Foundation	-	5,000	5,000	-
Hilltop Group Foundation	-	5,000	-	5,000
J. M. Long Foundation	-	50,000	-	50,000
Kaiser Foundation	10,000	-	10,000	-
Kimball Foundation	50,000	-	25,000	25,000
Marin Charitable Foundation	-	5,000	-	5,000
Marin Community Foundation	260,000	262,000	261,973	260,027
Mary Crocker Trust	10,729	-	10,729	-
Morris Stulsaft Foundation	10,000	5,000	10,000	5,000
Pacific Gas & Electric Company	-	10,000	-	10,000
REI	-	10,000	10,000	-
Stanley Smith Horticultural Trust	-	5,600	-	5,600
Irene S. Scully Family Foundation	20,000	20,000	20,000	20,000
Community Foundation Sonoma County	-	15,300	6,846	8,454
Stuart Foundation	7,500	-	7,500	-
Wells Fargo Foundation	10,000	10,000	20,000	-
Other small donations	24,704	12,600	26,146	11,158
	\$446,673	\$503,000	\$508,813	\$440,860

Note 6 - Subsequent events

On June 26, 2009, CCNB entered into an agreement to purchase property at the price of \$1,694,000.