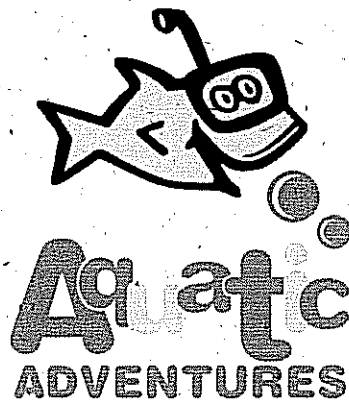


**AQUATIC ADVENTURES
SCIENCE EDUCATION FOUNDATION**

**Audited Financial Statements
December 31, 2008**



Presented By

Douglas R. Ashbrook, CPA
San Diego, CA

AQUATIC ADVENTURES SCIENCE EDUCATION FOUNDATION
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Aquatic Adventures Science Education Foundation

I have audited the accompanying statement of financial position of Aquatic Adventures Science Education Foundation (a nonprofit organization) as of December 31, 2008, and the related statements of activities and cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aquatic Adventures Science Education Foundation as of December 31, 2008, and the changes in its net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

April 24, 2009



Douglas R. Ashbrook, CPA

AQUATIC ADVENTURES SCIENCE EDUCATION FOUNDATION

Statement of Financial Position

December 31, 2008

ASSETS

Cash & cash equivalents	\$	90,817
Grants & contracts receivable, net of allowance		39,880
Prepaid expenses		3,955
Deposits		1,000
Other assets (Note 6)		55,000
Equipment		62,834
Vehicles		55,022
Leasehold improvements		84,654
Less: accumulated depreciation		(128,622)
Intangible assets		5,992
Less: accumulated amortization		(300)
Capital projects (Note 8)		<u>9,874</u>
Total Assets	\$	<u><u>280,106</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$	<u>18,533</u>
Total Liabilities		18,533

NET ASSETS:

Unrestricted		196,447
Temporarily restricted		<u>65,126</u>
Total Net Assets		<u>261,573</u>
Total Liabilities and Net Assets	\$	<u><u>280,106</u></u>

See accompanying notes

AQUATIC ADVENTURES SCIENCE EDUCATION FOUNDATION

Statement of Activities

For the Year Ended December 31, 2008

REVENUE, GAINS & OTHER SUPPORT:

Temporarily

	Unrestricted	Temporarily Restricted	Total
Contributions	\$ 833,544	\$ 75,000	\$ 908,544
Government grants	134,589		134,589
Project contracts	25,517		25,517
Special events	2,490		2,490
Gain on dispositions	271		271
Interest	220		220
In-kind donations	75,678		75,678
Donated services	560		560
Net assets released from restriction:			
Restrictions satisfied by payment	9,874	(9,874)	
 Total Revenues, Gains and Other Support	 1,082,743	 65,126	 1,147,869

EXPENSES:

Program services	857,023		857,023
 <u>Supporting services:</u>			
Management & general	134,014		134,014
Fund-raising	76,111		76,111
 Total Supporting Services	 210,125	 0	 210,125
 Total Expenses	 1,067,148	 0	 1,067,148
 Change in Net Assets	 15,595	 65,126	 80,721
 Net Assets, Beginning of Year	 180,852	 0	 180,852
 Net Assets, End of Year	 \$ 196,447	 \$ 65,126	 \$ 261,573

See accompanying notes

AQUATIC ADVENTURES SCIENCE EDUCATION FOUNDATION

Statement of Cash Flows

For the Year Ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 80,721
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) Operating Activities:	
Depreciation	35,428
Bad debt	200
Gain on disposition	(271)
(Increase)/Decrease in Current Assets:	
Accounts Receivable	(20,846)
Prepaid Expenses	46
Other Assets	(55,000)
Increase/(Decrease) in Current Liabilities:	
Accounts Payable	<u>12,434</u>
Net Cash Provided by Operating Activities	52,712
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Property & Equipment	(45,729)
Proceeds from Disposition of Property & Equipment	<u>2,551</u>
Net Cash Used by Investing Activities	(43,178)
Net Increase/(Decrease) in Cash and Cash Equivalents	9,534
Cash and Cash Equivalents at:	
Beginning of Year	<u>81,283</u>
End of Year	<u>\$ 90,817</u>

See accompanying notes

AQUATIC ADVENTURES SCIENCE EDUCATION FOUNDATION

Statement of Functional Expenses

For the Year Ended December 31, 2008

	<u>SUPPORTING SERVICES</u>			
	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Combined Total</u>
<u>FUNCTIONAL EXPENSES:</u>				
Salaries and wages	\$ 366,303	\$ 66,199	\$ 8,827	\$ 441,329
Payroll taxes	31,074	5,616	749	37,439
Employee benefits	16,567	2,994	399	19,960
Accounting & audit	2,860	4,335	147	7,342
Automobile expense	24,464			24,464
Bad debt		200		200
Bank service charges		5,051	103	5,154
Contract labor	81,345		8,538	89,883
Dues & subscriptions		7,665		7,665
Equipment rental & maintenance	29,027	5,123		34,150
Finance charges		2,247	46	2,293
Insurance	24,007	4,237		28,244
Legal & professional services	914	2,496	13,231	16,641
License & permits		2,702		2,702
Meals & entertainment	34,901	6,308	841	42,050
Miscellaneous		1,290		1,290
Occupancy	40,481	7,316	975	48,772
Office expense	25,595	4,626	617	30,838
Postage	1,799	415	553	2,767
Printing	8,950		2,238	11,188
Program supplies & expenses	77,953		36,809	114,762
Travel	49,219			49,219
Telephone	11,096	2,005	267	13,368
Total Operating Expenses	826,555	130,825	74,340	1,031,720
 Depreciation and amortization	 30,468	 3,189	 1,771	 35,428
 Total Expenses	 <u>\$ 857,023</u>	 <u>\$ 134,014</u>	 <u>\$ 76,111</u>	 <u>\$ 1,067,148</u>

See accompanying notes

Aquatic Adventures Science Education Foundation
Notes to Financial Statements
December 31, 2008

Note 1 - Organization and Significant Accounting Policies:

The Aquatic Adventures Science Education Foundation (Foundation) was organized in 1999 pursuant to the non-profit public benefit corporation laws of the State of California. The specific purpose of the Foundation is to provide financial assistance and support for the instructional and educational needs of the students and community participating in science programs which promote enthusiasm toward the sciences with opportunity for inner-city youths, stewardship of the oceans, and increased exposure to the County of San Diego's aquatic environments, through classroom and field activities.

The Foundation's education services primarily benefit lower income and underprivileged students in the County of San Diego. The Foundation is supported by direct contributions from the community, grants from other nonprofit agencies, local governmental agencies, fund raising activities, and tuition from after school programs.

Basis of Accounting

The Foundation's accounting records and the accompanying financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP) whereby all revenue is recognized when earned rather than received and expenses are recognized when incurred.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities under (SFAS No. 117) according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions.

Contributions

The Foundation reports contributions received according to Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made. Accordingly, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Foundation, in substance and unconditionally.

Property and Equipment

Property and equipment acquisitions are recorded at cost when purchased. Donated assets are recorded and capitalized at fair market value at the date of contribution. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using various lives and methods. Depreciation expense for the year ending December 31, 2008 is \$35,128.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for uncollectible accounts as of December 31, 2008 is \$200.

Aquatic Adventures Science Education Foundation
Notes to Financial Statements
December 31, 2008

Note 1 - Organization and Significant Accounting Policies (cont.):

Income Taxes

The Foundation is a private not-for-profit corporation organized under the laws of the State of California. As a Section 501(c)(3) organization, it is generally exempt from income taxes under the Internal Revenue Code and Section 23701(d) of the State Revenue and Taxation Code.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from these estimates.

Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash & Cash Equivalents

Per the provisions of FASB Statement No. 95, regarding "Statement of Cash Flows", cash equivalents consist primarily of certificate of deposit (CD) accounts and other securities with original maturates of 90 days or less. Securities with original maturates over 90 days are generally classified as short-term investments.

Donated Services

The Foundation is supported by various volunteers; however, not all donated services meet the criteria for recognition of such volunteer effort under SFAS No. 116. Accordingly, only donated services that meet the specified criteria have been recorded in the financial statements.

Note 2 - Contingencies:

The City of San Diego and other foundations and contributors provide a significant portion of revenue for the Foundation. Such funds are awarded based on the availability of funds and project performance, and consequently cannot be assured in the future.

Note 3 - Donated Services:

For the year ending December 31, 2008, donated services that meet the criteria for recognition of such volunteer effort under SFAS No. 116 is \$560 for legal services and professional cleaning services.

Note 4 - Prepaid Expense:

Prepaid expense as of December 31, 2008 is \$3,955 consisting of various prepaid insurance premiums.

Aquatic Adventures Science Education Foundation
Notes to Financial Statements
December 31, 2008

Note 5 - In-kind Donations

The Foundation received in-kind donations valued at \$75,678 for the year ending December 31, 2008. In-kind donations are recognized as contributions and measured at fair value upon receipt. In-kind donations valued at \$20,678 consisted of various equipment, supplies and a donated vehicle which the Foundation plans to use for various programs. Through the Marine development program, the Foundation received a donated yacht valued at \$55,000, which the Foundation sold in 2009.

Note 6 - Other Assets:

Other assets as of December 31, 2008 consist of the donated yacht described in the previous note (Note 5). The Foundation received the donated yacht in July 2008 with plans to sell the vessel through their contractor, National Marine Development Services, Inc.

The Foundation entered into an independent contractor agreement for the purpose of raising capital through the acquisition of vessels and the subsequent liquidation of those assets via sale or lease for the benefit of the Foundation.

Individuals donate aquatic vessels to the Foundation which are transferred to the possession of the independent contractor for management and conversion into cash. The Contractor is responsible for maintenance, storage, compliance with licencing requirements, insurance, marketing, and managing the sale/lease of all donated vessels.

The Contractor is reimbursed for all overhead costs from the proceeds of the sale of donated vessels to arrive at the net revenue from sales. The Foundation receives 50% of the net revenue from the sale of any donated vessel.

Note 7 - Grants & Contracts Receivable:

Grants and contracts receivable as of December 31, 2008 are as follows:

Grants and contracts	\$ 40,080
Less: Allowance for uncollectible accounts	<u>(200)</u>
Total grants & contracts receivable	<u>\$ 39,880</u>

Note 8 - Capital Projects:

The Foundation is currently working to raise awareness as well as capital for future expansion due to growth and demand for their many programs. The capital project is a vision of the Foundation's future and in the research and discussion phase. As of December 31, 2008, capital projects consist of costs incurred for preliminary designs and surveys in the amount of \$9,874.

Note 9 - Temporarily Restricted Net Assets:

As of December 31, 2008, temporarily restricted net assets consists of contributions temporarily restricted for future capital projects as mentioned in the previous note (Note 8) in the amount of \$65,126.

Aquatic Adventures Science Education Foundation
Notes to Financial Statements
December 31, 2008

Note 10 - Special Events:

Special events consist of various fund-raising events organized by the Foundation to raise awareness about their programs and mission as well as funds to further their exempt purpose. As of December 31, 2008, revenue from special events is as follows:

Dinner Cruise

Special event revenue	\$ 14,800	
Less: amount included in contributions	(12,660)	
Less: direct expenses	<u>(1,539)</u>	
Net revenue		\$ 601

Gala

Special event revenue	\$ 165,429	
Less: amount included in contributions	(147,665)	
Less: direct expenses	<u>(15,875)</u>	
Net revenue		<u>1,889</u>
Total Special Events, Net		<u>\$ 2,490</u>