

**MOUNTAIN & SEA
EDUCATIONAL ADVENTURES**



FINANCIAL STATEMENTS

**YEAR ENDED
DECEMBER 31, 2014**

**KARL L. DRAKE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

MOUNTAIN & SEA EDUCATIONAL ADVENTURES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mountain and Sea Educational Adventures
Terminal Island, California

Report on the Financial Statements

We have audited the accompanying financial statements of Mountain and Sea Educational Adventures which are comprised of the statement of financial position as of December 31, 2014, and the related statements of activity and cash flow for the year then ended, and the related notes to the financial statements.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 Mountain and Sea Educational Adventures' preparations 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 Mountain and Sea Educational Adventures' 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 Mountain and Sea Educational Adventures as of December 31, 2014, and the results of its operations and its cash flow for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mountain and Sea Educational Adventures' basic financial statements. The Statement of Functional Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Functional Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Functional Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Karl L. Drake, P.C.
Certified Public Accountants

June 15, 2015

MOUNTAIN & SEA EDUCATIONAL ADVENTURES

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

ASSETS

CURRENT ASSETS

Cash	\$	16,278
Investments		-
Accounts Receivable		20,865

TOTAL CURRENT ASSETS		<u>37,143</u>
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LONG TERM ASSETS

Fixed Assets, Net		46,397
Lease Acquisition Costs, Net		42,659

LONG TERM ASSETS		<u>89,056</u>
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TOTAL ASSETS	\$	<u><u>126,199</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	16,212
Line of Credit		102,863
Customer Deposits		89,829

TOTAL CURRENT LIABILITIES		<u>208,904</u>
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NET ASSETS (DEFICIT)

Unrestricted		(83,320)
Temporarily Restricted		615
Permanently Restricted		-

TOTAL NET ASSETS (DEFICIT)		<u>(82,705)</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>126,199</u></u>
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See Accompanying Notes to Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 67,254	\$ -	\$ -	\$ 67,254
Tuition and Fees	1,438,838	-	-	1,438,838
Investment Income	2,978	-	-	2,978
Other Income	12,753	-	-	12,753
Release from Restrictions	9,957	(9,957)	-	-
TOTAL SUPPORT AND REVENUE	1,531,780	(9,957)	-	1,521,823
EXPENSES				
Program Services	1,387,979	-	-	1,387,979
Supporting Activities				
Management and General	206,692	-	-	206,692
Fund Raising	61,197	-	-	61,197
Total Supporting Activities	267,889	-	-	267,889
TOTAL EXPENSES	1,655,868	-	-	1,655,868
INCREASE (DECREASE) IN NET ASSETS	(124,088)	(9,957)	-	(134,045)
NET ASSETS - BEGINNING OF YEAR	40,768	10,572	-	51,340
NET ASSETS (DEFICIT) - END OF YEAR	\$ (83,320)	\$ 615	\$ -	\$ (82,705)

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STATEMENT OF CASH FLOW

YEAR ENDED DECEMBER 31, 2014

CASH FLOW FROM OPERATING ACTIVITIES

Increase (Decrease) in Net Assets	\$ (134,045)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	22,100
Changes in Operating Assets and Liabilities:	
Accounts Receivable	(17,665)
Accounts Payable	9,986
Line of Credit	53,226
Customer Deposits	89,829

NET CASH PROVIDED BY OPERATING ACTIVITIES 23,431

CASH FLOW FROM INVESTING ACTIVITIES

Sale of Fixed Assets	720
Purchase of Fixed Assets	(22,971)

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES (22,251)

CASH FLOW FROM FINANCING ACTIVITIES

Increase in Notes Payable	-
Payments on Notes Payable	-

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES -

NET INCREASE IN CASH 1,180

CASH - BEGINNING OF YEAR 15,098

CASH - END OF YEAR \$ 16,278

Cash spent for:	
Income Taxes	\$ -
Interest	\$ 1,693

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION

Mountain and Sea Educational Adventures (the Organization) exists to teach environmental education in a manner which increases awareness of the environment, raises the spirits of the participants and builds their character. The Organization's goal is for all participants to enjoy an expert-guided encounter with the environment that is innovative and life changing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

ESTIMATES

The preparation of financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of American requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenue and expenses during the reporting period. Actual results could differ from estimates.

INCOME TAXES

The Organization is exempt from Federal income taxes under Code Section 501(c)(3) of the Internal Revenue Service Code. Contributions to the Organization qualify for the charitable contribution deduction under Code Section 170(b)(1)(A). The Organization has been determined not to be a private foundation under Code Section 509.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking and savings accounts. These accounts, at times, may exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

INVESTMENTS

Investments are carried at fair market value, with realized and unrealized gains and losses reported as unrestricted revenue in the statement of activities. Donated investments are recorded at fair market value on the date of donation and are thereafter carried in accordance with the above provisions.

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Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, or if donated, at the estimated fair value at the date of donation. Property donated with restrictions regarding its use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time. Purchases on long-lived assets in excess of \$1,000 with a useful life in excess of one year are capitalized. Depreciation is recorded using the straight-line method.

CUSTOMER DEPOSITS

The Organization requires its clients to make deposits for future trips. These deposits are made up to one year in advance of trips and are refundable if the trips are subsequently canceled. At December 31, 2014, the Organization had a balance in customer deposits of \$89,829.

CLASSES OF NET ASSETS

The net assets of the Organization have been reported in the following classes:

Unrestricted net assets consist of amounts currently available for use in the Organization's operations and those resources invested in property and equipment.

Temporarily restricted net assets consist of donor-restricted contributions for the support of projects.

Permanently restricted net assets consist of donor-restricted funds that require the principal of the gift to be invested in perpetuity.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. 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 amount. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Tuition and fee, investment, and other income are recorded when earned.

CONTRIBUTED SERVICES

During the year ended December 31, 2014, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting activities benefited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
RETIREMENT COMPENSATION

The Organization did not participate in a retirement plan during the year ended December 31, 2014.

3. INVESTMENTS

At December 31, 2014, the Organization had \$0 of investments. Therefore, no fair value disclosure is necessary. However, the Organization did have investment activity during the year ended December 31, 2014. Investment income (loss) is as follows:

Interest and Dividends	\$ 1,751
Net Realized and Unrealized Gain (Loss)	1,227
Total	\$ 2,978

4. FIXED ASSETS

Fixed assets as of December 31, 2014, consist of the following:

Vehicles	\$ 56,576
Machinery and Equipment	108,731
	165,307
Less Accumulated Depreciation	(118,910)
	\$ 46,397

5. LEASE ACQUISITION COSTS

In March 2013, the Organization leased a boat for its operations. In order to make the boat sea worthy and to transport it to Terminal Island from Seattle, the Organization incurred costs of \$65,629. The boat lease was originally for two years but is currently on a year to year basis. However, since the Organization is expecting to use the boat for the foreseeable future, the lease acquisition costs were capitalized and amortized over 5 years. Lease acquisition costs as of December 31, 2014, consist of the following:

Lease Acquisition Costs	\$ 65,629
Less Accumulated Amortization	(22,970)
	\$ 42,659

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Notes to Financial Statements

6. LINES OF CREDIT

The Organization has a line of credit with a financial institution. The line of credit has a limit of \$75,000 and an interest rate of 6.5%. At December 31, 2014, this line of credit had a balance of \$53,863.

The Organization has a second line of credit with a different financial institution. The line of credit has a limit of \$50,000 and an interest rate of 8.25%. At December 31, 2014, this line of credit had a balance of \$49,000.

7. NET ASSET RESTRICTIONS

Temporarily restricted net assets as of December 31, 2014, consist of the following:

Summer Camps	\$	615
	\$	615

8. LEASES

The Organization leased a boat under an operating lease agreement in March 2013. The lease required monthly payments of \$4,500 and expired in March 2015. The lease has been extended for an additional year and will expire in March 2016. Lease expense during the year ended December 31, 2014, totaled \$54,000. Future minimum payments are as follows:

Year Ended December 31,		
	2015	\$ 54,000
	2016	13,500
Total		\$ 67,500

9. OCCUPANCY EXPENSES

Occupancy expenses during the year ended December 31, 2014, consist of the following:

Mountain Camp Rent	\$	49,287
Island Camp Rent		347,545
Other Camp Rent		70,935
Office Rent		51,556
Utilities and Other Occupancy Costs		2,724
Total	\$	522,047



10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the report date. Subsequent events after that date have not been evaluated.

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SUPPLEMENTAL INFORMATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	Program Services	Management and General	Fund Raising	Total
Grants to Domestic Organizations	\$ 4,166	\$ -	\$ -	\$ 4,166
Salaries and Wages	223,324	98,534	43,895	365,753
Payroll Taxes	21,936	9,678	4,312	35,926
Professional Fees - Accounting	-	2,567	-	2,567
Advertising	25,218	3,151	3,152	31,521
Occupancy	470,491	51,556	-	522,047
Travel	6,496	812	812	8,120
Interest	-	1,693	-	1,693
Depreciation and Amortization	19,890	2,210	-	22,100
Insurance	57,050	19,098	7,692	83,840
Food for Camps	233,538	-	-	233,538
Vessel Expenses	149,834	-	-	149,834
Contract Labor	30,475	3,386	-	33,861
Boat Transportation	25,715	-	-	25,715
Auto and Truck	2,978	372	372	3,722
Bank and Merchant Fees	-	2,812	-	2,812
Consulting	15,348	1,705	-	17,053
Dues and Subscriptions	-	499	-	499
Education	-	1,658	-	1,658
Employee Meals	25,770	-	-	25,770
Entertainment	815	91	-	906
Freight, Storage, and Moorings	4,596	-	-	4,596
Fuel	10,702	1,190	-	11,892
Hiring	-	570	-	570
Investment Expenses	-	207	-	207
Licenses and Permits	1,913	212	-	2,125
Miscellaneous	9,884	1,121	-	11,005
Office Expense	-	1,642	-	1,642
Parking	236	26	-	262
Payroll Expenses	642	284	126	1,052
Postage and Shipping	1,251	139	-	1,390
Repairs and Maintenance	3,506	-	-	3,506
Supplies	5,785	643	-	6,428
Telephone and Internet	6,690	836	836	8,362
T-Shirt	29,730	-	-	29,730
Total Expenses	\$ 1,387,979	\$ 206,692	\$ 61,197	\$ 1,655,868