

**MOUNTAIN & SEA
EDUCATIONAL ADVENTURES**



FINANCIAL STATEMENTS

**YEAR ENDED
DECEMBER 31, 2015**

**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, 2015, and the related statements of activity and cash flow for the year 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 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, 2015, 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

March 24, 2016

MOUNTAIN & SEA EDUCATIONAL ADVENTURES

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

Cash	\$	119,358
Investments		-
Accounts Receivable		1,385,455
Loans Receivable		8,200

TOTAL CURRENT ASSETS		<u>1,513,013</u>
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LONG TERM ASSETS

Fixed Assets, Net		32,684
Lease Acquisition Costs, Net		-

LONG TERM ASSETS		<u>32,684</u>
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TOTAL ASSETS	\$	<u><u>1,545,697</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	7,292
Line of Credit		92,312
Deferred Revenue		1,461,371

TOTAL CURRENT LIABILITIES		<u>1,560,975</u>
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NET ASSETS (DEFICIT)

Unrestricted		(15,278)
Temporarily Restricted		-
Permanently Restricted		-

TOTAL NET ASSETS (DEFICIT)		<u>(15,278)</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>1,545,697</u></u>
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See Accompanying Notes to Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 71,142	\$ -	\$ -	\$ 71,142
Tuition and Fees	1,909,503	-	-	1,909,503
Investment Income	(136)	-	-	(136)
Other Income	(32,226)	-	-	(32,226)
Release from Restrictions	615	(615)	-	-
TOTAL SUPPORT AND REVENUE	1,948,898	(615)	-	1,948,283
EXPENSES				
Program Services	1,528,619	-	-	1,528,619
Supporting Activities				
Management and General	227,044	-	-	227,044
Fund Raising	125,193	-	-	125,193
Total Supporting Activities	352,237	-	-	352,237
TOTAL EXPENSES	1,880,856	-	-	1,880,856
INCREASE (DECREASE) IN NET ASSETS	68,042	(615)	-	67,427
NET ASSETS - BEGINNING OF YEAR	(83,320)	615	-	(82,705)
NET ASSETS (DEFICIT) - END OF YEAR	\$ (15,278)	\$ -	\$ -	\$ (15,278)

MOUNTAIN & SEA EDUCATIONAL ADVENTURES

STATEMENT OF CASH FLOW

YEAR ENDED DECEMBER 31, 2015

CASH FLOW FROM OPERATING ACTIVITIES

Increase (Decrease) in Net Assets	\$ 67,427
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	22,475
Changes in Operating Assets and Liabilities:	
Accounts Receivable	(1,364,590)
Loans Receivable	(8,200)
Accounts Payable	(8,920)
Line of Credit	(10,551)
Customer Deposits	1,371,542

NET CASH PROVIDED BY OPERATING ACTIVITIES

69,183

CASH FLOW FROM INVESTING ACTIVITIES

Disposal of Fixed Assets	33,897
Purchase of Fixed Assets	-

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES

33,897

CASH FLOW FROM FINANCING ACTIVITIES

Increase in Notes Payable	-
Payments on Notes Payable	-

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES

-

NET INCREASE IN CASH

103,080

CASH - BEGINNING OF YEAR

16,278

CASH - END OF YEAR

\$ 119,358

Cash spent for:

Income Taxes	\$ -
Interest	\$ 1,438

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.

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.

MOUNTAIN & SEA EDUCATIONAL ADVENTURES

Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED REVENUE

Deferred revenue consists of refundable customer deposits and accounts receivable billed in the year ended December 31, 2015, for camps occurring in the year ended December 31, 2016.

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, 2015, 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.

RETIREMENT COMPENSATION

The Organization did not participate in a retirement plan during the year ended December 31, 2015.



3. INVESTMENTS

At December 31, 2015, 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, 2015. Investment income (loss) is as follows:

Interest and Dividends	\$	476
Net Realized and Unrealized Gain (Loss)		(612)
Total	\$	(136)

4. FIXED ASSETS

Fixed assets as of December 31, 2015, consist of the following:

Vehicles	\$	56,576
Machinery and Equipment		99,765
		156,341
Less Accumulated Depreciation		(123,657)
	\$	32,684

5. LEASE ACQUISITION COSTS

During the year ended December 31, 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. These costs were capitalized and amortized over the expected useful life of the boat. The boat lease was on a year- to- year basis. During the year ended December 31, 2015, the Organization canceled the boat lease. The unamortized portion of the lease acquisition cost was expensed in the year ended December 31, 2015, resulting in a loss on disposal of \$29,533.

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 6.75%. At December 31, 2015, this line of credit had a balance of \$48,112.

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, 2015, this line of credit had a balance of \$44,200.

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Notes to Financial Statements

7. OCCUPANCY EXPENSES

Occupancy expenses during the year ended December 31, 2015, consist of the following:

Mountain Camp Rent	\$	76,326
Island Camp Rent		280,000
Other Camp Rent		52,538
Office Rent		62,703
Utilities and Other Occupancy Costs		93,894
Total	\$	565,461

8. SUBSEQUENT EVENTS

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

SUPPLEMENTAL INFORMATION

MOUNTAIN & SEA EDUCATIONAL ADVENTURES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Fund Raising	Total
Grants to Domestic Organizations	\$ 3,930	\$ -	\$ -	\$ 3,930
Salaries and Wages	184,674	102,949	76,112	363,735
Payroll Taxes	19,488	9,928	7,354	36,770
Legal	-	4,684	-	4,684
Accounting	-	8,048	-	8,048
Advertising	26,959	3,370	3,370	33,699
Occupancy	502,758	62,703	-	565,461
Travel	10,476	1,309	1,309	13,094
Interest	-	1,438	-	1,438
Depreciation and Amortization	20,227	2,248	-	22,475
Insurance	49,556	12,580	7,617	69,753
Food for Camps	277,068	-	-	277,068
Vessel Expenses	209,619	-	-	209,619
Contract Labor	7,910	-	-	7,910
Boat Transportation	98,915	-	-	98,915
Auto and Truck	2,038	226	-	2,264
Bank and Merchant Fees	-	4,343	-	4,343
Camp Expenses	6,195	-	-	6,195
Consulting	-	-	28,454	28,454
Dues and Subscriptions	-	532	-	532
Education	-	2,060	-	2,060
Employee Meals	27,953	-	-	27,953
Entertainment	1,041	116	-	1,157
Freight, Storage, and Moorings	4,194	-	-	4,194
Fuel	10,524	1,169	-	11,693
Hiring	-	1,869	-	1,869
Investment Expenses	-	188	-	188
Licenses and Permits	1,139	127	-	1,266
Miscellaneous	10,290	1,827	-	12,117
Office Expense	-	1,492	-	1,492
Parking	467	52	-	519
Payroll Expenses	2,590	1,319	977	4,886
Postage and Shipping	-	924	-	924
Repairs and Maintenance	2,602	289	-	2,891
Supplies	4,779	531	-	5,310
Telephone and Internet	6,505	723	-	7,228
T-Shirts	36,722	-	-	36,722
Total Expenses	\$ 1,528,619	\$ 227,044	\$ 125,193	\$ 1,880,856