louie & wong LLP
certified
public
accountants

March 17, 2014

Ms. Marci Davis
Chief Financial and Operations Officer
The Marine Mammal Center
2000 Bunker Road
Fort Cronkhite
Sausalito, CA 94965-2619

Dear Ms. Davis:

We are enclosing twenty (20) bound copies and one (1) unbound copy of the financial statements of The Marine Mammal Center as of and for the year ended September 30, 2013.

We are also enclosing the following letters:

1. Communications With Those Charged With Governance; and

2. Management Letter Comments with Management's Response.

If you have any questions, please feel free to call us.

Very truly yours,

LOUIE & WONG LLP

By
Arthur Louie

AL/gt
Enclosures

425 WASHINGTON STREET SAN FRANCISCO, CALIFORNIA 94111 FAX 415 989.9999 415 981.9999

THE MARINE MAMMAL CENTER

FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
SEPTEMBER 30, 2013

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF
AND FOR THE YEAR ENDED SEPTEMBER 30, 2012)

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Marine Mammal Center:

We have audited the accompanying financial statements of The Marine Mammal Center (the Center), a California not-for-profit organization, which comprise the financial position as of September 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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 audit. We conducted our audit 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.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Center'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 Center'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 The Marine Mammal Center as of September 30, 2013, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Center's 2012 financial statements, and our report dated March 11, 2013, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Louie + Wong LLP

San Francisco, California
March 10, 2014

THE MARINE MAMMAL CENTER

STATEMENT OF FINANCIAL POSITION – SEPTEMBER 30, 2013

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF SEPTEMBER 30, 2012)

ASSETS

	Unrestricted				Totals	
	Undesignated	Board - Designated	Temporarily Restricted	Permanently Restricted	2013	2012
CURRENT ASSETS:						
Cash	$ 2,586,626	$ -	$ 254,743	$ -	$ 2,841,369	$ 3,330,069
Contributions receivable	881,743	1,411,454	212,000	-	2,505,197	338,429
Inventories	79,457	-	-	-	79,457	99,052
Prepaid expenses	64,024	-	-	-	64,024	94,612
Total current assets	3,611,850	1,411,454	466,743	-	5,490,047	3,862,162
PROPERTY AND EQUIPMENT, at cost:						
Buildings	17,291,604	-	-	-	17,291,604	17,291,604
Pools and mechanical systems	12,550,645	-	-	-	12,550,645	12,664,017
Furniture and exhibits	1,524,243	-	-	-	1,524,243	1,518,737
Equipment	1,380,892	-	-	-	1,380,892	1,246,154
Vehicles	399,386	-	-	-	399,386	353,033
Construction in progress	2,271,060	-	-	-	2,271,060	265,013
	35,417,830	-	-	-	35,417,830	33,338,558
Less - accumulated depreciation	7,223,345	-	-	-	7,223,345	6,019,494
	28,194,485	-	-	-	28,194,485	27,319,064
OTHER ASSETS:						
Investments	-	688,256	57,642	500,000	1,245,898	1,167,793
Beneficial interest in perpetual trust	-	-	-	126,016	126,016	123,326
Noncurrent contributions receivable, net	-	-	428,954	-	428,954	308,954
Deposits	62,902	-	-	-	62,902	59,720
Land held for sale	-	-	-	-	-	200,000
	62,902	688,256	486,596	626,016	1,863,770	1,859,793
	$ 31,869,237	$ 2,099,710	$ 953,339	$ 626,016	$ 35,548,302	$ 33,041,019

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:						
Accounts payable	$ 343,593	$ -	$ -	$ -	$ 343,593	$ 100,740
Retainage payable	153,858	-	-	-	153,858	-
Accrued liabilities	534,171	-	-	-	534,171	459,529
Total current liabilities	1,031,622	-	-	-	1,031,622	560,269
NOTE PAYABLE	1,125,000	-	-	-	1,125,000	1,700,000
COMMITMENTS AND CONTINGENCIES						
NET ASSETS	29,712,615	2,099,710	953,339	626,016	33,391,680	30,780,750
	$ 31,869,237	$ 2,099,710	$ 953,339	$ 626,016	$ 35,548,302	$ 33,041,019

The accompanying independent auditors' report and notes to financial statements should be read in conjunction with this statement.

THE MARINE MAMMAL CENTER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2013

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2012)

	Unrestricted				Totals	
	Undesignated	Board - Designated	Temporarily Restricted	Permanently Restricted	2013	2012
SUPPORT AND REVENUES:						
Support -						
Contributions -						
Bequests	$ 2,051,579	$ 1,411,454	$ -	$ -	$ 3,463,033	$ 1,252,152
Foundations, corporations, government and individuals	2,149,677	-	1,200,255	-	3,349,932	3,188,673
Donated materials and services	648,498	-	-	-	648,498	534,319
Total support	4,849,754	1,411,454	1,200,255	-	7,461,463	4,975,144
Revenues and gains (losses) -						
Membership dues	1,589,766	-	-	-	1,589,766	1,429,967
Store sales	486,665	-	-	-	486,665	677,749
Veterinary science contracts	285,930	-	-	-	285,930	235,931
Educational programs	181,952	-	-	-	181,952	187,512
Unrealized and realized gain (loss) on investments and beneficial interest in perpetual trust, net	(1,102)	27,190	2,277	22,443	50,808	156,851
Interest and dividends, net	2,092	11,589	3,978	20,585	38,244	44,459
Rent	89,295	-	-	-	89,295	81,749
Other	21,722	-	-	-	21,722	(49,072)
Total revenues and gains	2,656,320	38,779	6,255	43,028	2,744,382	2,765,146
NET ASSETS RELEASED FROM RESTRICTIONS:						
Satisfaction of program restrictions	2,513,768	39,326	(2,512,756)	(40,338)	-	-
Total support and revenues	10,019,842	1,489,559	(1,306,246)	2,690	10,205,845	7,740,290
FUNDRAISING EVENTS:						
Revenues from special events	489,645	-	-	-	489,645	436,674
Cost of special events	(284,375)	-	-	-	(284,375)	(204,226)
Net revenues from fundraising events	205,270	-	-	-	205,270	232,448
Total support, revenues and fundraising events	10,225,112	1,489,559	(1,306,246)	2,690	10,411,115	7,972,738
EXPENSES:						
Program services -						
Veterinary science	4,068,350	-	-	-	4,068,350	3,842,356
Education	2,211,466	-	-	-	2,211,466	2,231,131
Supporting services	546,224	-	-	-	546,224	506,605
Fundraising -						
Operations	931,311	-	-	-	931,311	856,409
Capital campaign	42,834	-	-	-	42,834	83,775
Total expenses	7,800,185	-	-	-	7,800,185	7,520,276
CHANGE IN NET ASSETS	2,424,927	1,489,559	(1,306,246)	2,690	2,610,930	452,462
NET ASSETS - BEGINNING OF YEAR	27,287,688	610,151	2,259,585	623,326	30,780,750	30,328,288
NET ASSETS - END OF YEAR	$ 29,712,615	$ 2,099,710	$ 953,339	$ 626,016	$ 33,391,680	$ 30,780,750

The accompanying independent auditors' report and notes to financial statements should be read in conjunction with this statement.

THE MARINE MAMMAL CENTER

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2013

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2012)

	Program Services			Fundraising		Totals	
	Veterinary Science	Education	Supporting Services	Operations	Capital Campaign	2013	2012
Salaries	$ 1,317,595	$ 719,815	$ 283,757	$ 480,809	$ 26,762	$ 2,828,738	$ 2,465,633
Donated materials and services	34,371	570,379	40,648	-	-	645,398	534,319
Animal care costs	395,919	-	-	-	-	395,919	390,633
Employee benefits	177,428	91,743	30,278	48,242	1,628	349,319	318,451
Lettershop and database	-	108,312	-	186,070	-	294,382	278,139
Utilities	210,070	-	-	-	-	210,070	227,632
Payroll taxes	95,866	54,088	16,036	32,923	1,727	200,640	176,293
Cost of retail sales	-	197,319	-	-	-	197,319	284,262
Insurance	139,749	17,893	16,066	4,433	268	178,409	182,209
Information technology	68,610	46,192	21,498	24,006	-	160,306	135,038
Professional services	77,295	29,591	19,110	22,385	-	148,381	411,802
Rental and housing	147,947	-	-	-	-	147,947	123,536
Outreach and marketing	-	134,049	-	-	-	134,049	65,209
Repairs and maintenance	113,388	48	-	-	-	113,436	112,844
Pier 39 store closing costs	-	68,730	-	-	-	68,730	54,694
Volunteer and donor relations	19,028	2,569	2,520	23,602	10,350	58,069	79,198
Service district charges	57,944	-	-	-	-	57,944	67,840
Travel, conferences and training	40,139	8,608	3,667	1,773	2,099	56,286	68,676
Supplies	12,966	9,620	18,941	4,237	-	45,764	36,325
Publications and postage	11,999	12,629	2,397	16,947	-	43,972	41,563
Bank and finance charges	-	-	2,301	41,023	-	43,324	24,051
Merchandising expenses	-	30,031	-	-	-	30,031	41,319
Telephone	22,027	2,368	2,914	2,233	-	29,542	30,357
Interest expense	20,158	2,299	897	707	-	24,061	32,579
Fees and licenses	1,529	503	21,387	25	-	23,444	28,588
Other	18,923	-	16,006	4,423	-	39,352	45,286
	2,982,951	2,106,786	498,423	893,838	42,834	6,524,832	6,256,476
Depreciation	1,085,399	104,680	47,801	37,473	-	1,275,353	1,263,800
	$ 4,068,350	$ 2,211,466	$ 546,224	$ 931,311	$ 42,834	$ 7,800,185	$ 7,520,276

The accompanying independent auditors' report and notes to financial statements should be read in conjunction with this statement.

THE MARINE MAMMAL CENTER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 2,610,930	$ 452,462
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,275,353	1,263,800
Loss on disposal of fixed assets	68,730	-
Unrealized loss on land held for sale	-	50,000
Change in beneficial interest in perpetual trust	(2,690)	(11,335)
Gain on land held for sale	(19,791)	-
Interest and dividends on investments, net	(28,885)	(30,041)
Unrealized and realized gain on investments	(49,220)	(142,066)
Changes in operating assets and liabilities:		
Contributions receivable	(2,286,768)	728,609
Inventories	19,595	41,311
Prepaid expenses	30,588	26,201
Deposits	(3,182)	(3,166)
Accounts payable	242,853	(82,279)
Retainage payable	153,858	-
Accrued liabilities	74,642	(27,914)
Total adjustments	(524,917)	1,813,120
Net cash provided by operating activities	2,086,013	2,265,582
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of land held for sale	219,791	-
Purchase of property and equipment	(2,219,504)	(225,997)
Net cash used in investing activities	(1,999,713)	(225,997)
CASH FLOWS FROM FINANCING ACTIVITY:		
Payment on notes payable	(575,000)	(400,000)
Net cash used in financing activity	(575,000)	(400,000)
NET INCREASE (DECREASE) IN CASH	(488,700)	1,639,585
CASH - BEGINNING OF YEAR	3,330,069	1,690,484
CASH - END OF YEAR	$ 2,841,369	$ 3,330,069
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Noncash operating and investing activities:		
Donated -		
Materials and services	$ 772,709	$ 595,517
Property and equipment	3,100	-
	$ 775,809	$ 595,517
Cash paid during the year for interest	$ 24,061	$ 30,357

The accompanying independent auditors' report and notes to financial statements should be read in conjunction with this statement.

THE MARINE MAMMAL CENTER

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

1. Summary of Significant Accounting Policies

General -- The Marine Mammal Center (the Center) is a California not-for-profit organization formed to rescue, rehabilitate and release sick and injured marine mammals that are stranded along the California coastline. The Center also conducts scientific research in the fields of marine mammal medicine. In addition, the Center educates thousands of children and adults through marine science education programs.

Basis of Presentation -- The Center prepares the financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for Not-for-Profit organizations. The significant accounting and reporting policies used by the Center are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting -- The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents -- Cash and cash equivalents consist of funds in checking and money market placements with original maturities of three months or less from dates of acquisition.

Contributions Receivable -- Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Inventories -- Inventories, which consist primarily of gift store merchandise, are recorded at the lower of cost or market. Cost is determined using the average cost method.

Property and Equipment -- Property and equipment are carried at cost, if purchased, and at fair value at the date of donation, if donated, and depreciated on a straight-line basis over the following estimated useful lives:

Type of Property	Estimated Useful Life (In Years)
Buildings	20 to 40
Pools and mechanical systems	10 to 30
Furniture and exhibits	10 to 15
Equipment	5
Vehicles	5

The depreciation expense was $1,275,353 during the year ended September 30, 2013. Property and equipment are capitalized if these have a cost of $5,000 or more and a useful life when acquired of more than one year.

The Center entered into a cooperative agreement with the National Park Service – Golden Gate National Recreation Area mainly to maintain and administer, within the Marine Headlands, a marine mammal rehabilitation and research center. The

Center does not hold legal title to substantially all the property improvements included in the statement of financial position. While the Center does not hold legal title to these assets, they are recorded in the statement of financial position in a manner similar to leasehold improvements.

Investments -- Investments, which consist primarily of investment in mutual funds, are stated at fair market values, determined based on quoted market prices. Unrealized gains and losses resulting from market fluctuations are recognized in the period such fluctuations occur. For purposes of determining realized gains or losses, the cost of securities sold is computed based on the weighted average method. Investments are part of the Center's endowment funds.

Beneficial Interest in Perpetual Trust -- The Center is the irrevocable beneficiary of a perpetual trust held by a foundation. The beneficial interest in the trust is reported at its fair value, which is estimated as the fair value of the underlying trust assets. The value of the beneficial interest in the trust is adjusted annually for the change in its estimated fair value. Those changes in value, as well as interest income, are reported as increases in permanently restricted net assets. The beneficial interest in the trust is part of the Center's endowment funds.

Support -- Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

The Center is a beneficiary under several donors' wills. Contributions from bequests are recognized as contributions receivable when the will becomes valid, the Center has an irrevocable right to the bequest and the amount is measurable.

During the year, the Center received a contribution amounting to $750,000 from a corporate entity to support the Center's wildlife rescue programs.

Donated Materials and Services -- Donated materials and services are recorded as support and expense or asset in the accompanying financial statements at their estimated fair market values upon receipt.

Donated materials and services that create and enhance nonfinancial assets or that require specialized skills which would typically need to be purchased, if not provided by a donation, are recorded as support and expensed in the accompanying financial statements at their estimated fair market values on the date of their receipt.

Contributions of land, building or equipment that meet the Center's capitalization policy are capitalized in the accompanying financial statements at their estimated fair market values on the date of their receipt and depreciated over their estimated useful lives. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Revenues -- Membership dues are recognized upon receipt. Store sales are recorded when products are sold to customers. Other revenues are recognized when earned.

Income Tax Status -- The Center has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) and by the California Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code.

Accordingly, no provision for income tax has been made in the accompanying financial statements.

Generally accepted accounting principles provide disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state tax exempt organization returns are more likely than not to be sustained upon examination. The returns of the Center are subject to examination by federal and state taxing authorities, generally for three to four years, respectively, after they are filed.

Concentration of Credit Risk -- Financial instruments that potentially subject the Center to credit risk consist principally of cash and cash equivalents greater than $250,000 with each financial institution, contributions receivable and investments. The Center periodically reviews its cash and investments policies, evaluates its donors' financial condition and maintains adequate reserves for potential losses, which are based on management's expectations, estimates and historical experience.

Expense Recognition and Allocation -- The costs of providing the various programs, fundraising and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

Estimates Included in the Financial Statements -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Fair Value of Financial Instruments -- Financial instruments include cash and cash equivalents, receivables, investments, payables, and accrued liabilities. The carrying values of cash and cash equivalents, receivables, investments, payables and accrued liabilities approximate fair values.

Comparative Financial Statements -- The financial statements include 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended September 30, 2012, from which the summarized information was derived.

Reclassification -- Certain items in the prior year financial statements have been reclassified to conform to current year presentation. Such reclassification had no effect on the previously reported change in net assets.

New Accounting Pronouncement -- In October 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2012-05, Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows. The amendments in this ASU require a Not-for-Profit (NFP) to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the NFP. The amendments are effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. The Center will adopt the provisions of ASU 2012-05 effective October 1, 2013. The adoption is not expected to have a material effect on the financial statements of the Center.

Subsequent Events -- The Center has evaluated subsequent events through March 10, 2014, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

2. Description of Net Assets

Unrestricted - Undesignated -- This is used to account for resources that are available to support the Center's operations.

Unrestricted - Board-designated -- This is used to account for unrestricted resources that are designated by the Board of Directors to be invested as endowment or to be set aside for the operating cash reserve.

Temporarily Restricted -- This is used to account for resources that are restricted by the donor for use for a particular purpose or in a particular future period. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "Net assets released from restrictions."

The temporarily restricted net assets consist of contributions for the following:

Purpose		Balance
Capital Campaigns	$	631,255
Operating Programs		264,442
El Nino Emergency Fund		57,642
	$	953,339

The Center has on-going capital campaigns to raise funds for the construction of a Hawaiian Monk Seal Facility in Kona, Hawaii and an Intensive Care and Quarantine Facility in Sausalito, California.

Permanently Restricted -- This is used to account for resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with the donor's restriction nor by the passage of time. The Center had $626,016 of permanently restricted endowment funds as of September 30, 2013. The endowment funds were from the Geoffrey C. Hughes Foundation (the Hughes Foundation) and the Shirley Ann Spencer Fund of Community Foundation Sonoma County for The Marine Mammal Center (the Spencer Fund). The growth in principal and interest generated by the Hughes Foundation is used to fund the Geoffrey C. Hughes Research Fellowship. The Spencer Fund is administered by the Community Foundation Sonoma County.

3. Contributions Receivable

Contributions receivable as of September 30, 2013, were as follows:

		Amount
Less than one year	$	2,505,197
More than one year but less than five years		437,000
		2,942,197
Less - discount		(8,046)
	$	2,934,151

Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise by discounting to reflect its net present value using risk-free interest rate, which was 2% at September 30, 2013.

4. Fair Value Measurement

FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy. There has been no change in the methodology used as of September 30, 2013.

Investments -- These consist of mutual funds stated at fair values, determined based on quoted market prices. This is classified under Level 1 of the valuation hierarchy.

Beneficial interest in perpetual trust -- The Center is the irrevocable beneficiary of a perpetual trust held by a foundation. The beneficial interest in the trust is estimated as the fair value of the underlying trust assets. Since there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, this is classified under Level 3 of the valuation hierarchy.

In determining fair value, the market approach is used which is determined on the basis of the value indicated by current market expectations about those future amounts. Unobservable inputs are those that reflect the Center's own assumptions about the assumptions market participants would use in pricing assets developed, based on the best information available in the circumstances.

Assets measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Money funds	$ 12,619	$ -	$ -	$ 12,619
Mutual Funds -				
Equities	727,638	-	-	727,638
Fixed-income	305,407	-	-	305,407
Alternative	200,234	-	-	200,234
	1,233,279	-	-	1,233,279
	$ 1,245,898	$ -	$ -	$ 1,245,898
Beneficial interest in perpetual trust	$ -	$ -	$ 126,016	$ 126,016

Level 3 Gains and Losses -- The table below sets forth a summary of changes in the fair value of the Center's Level 3 assets for the year ended September 30, 2013:

		Beneficial interest in perpetual trust
Balance - Beginning of Year	$	123,326
Net gains		5,450
Interest		4,048
Fees		(2,008)
Amount distributed to the Center		(4,800)
Balance - End of Year	$	126,016

5. Land Held for Sale

The Center owned a parcel of land in Mendocino, California which was donated to the Center in 2009, and since then, has been held for sale. During 2012, the land held for sale was deemed to be impaired and written down to its fair value, less cost to sell. The fair value of the land, which was determined by reference to public market prices of similar properties in Mendocino, net of cost to sell, was $200,000 at September 30, 2012. An impairment loss of $50,000 was recorded during the year ended September 30, 2012. In 2013, the land held for sale was sold for $219,791. The gain of $19,791 on the land held for sale and the impairment loss of $50,000 are included in Other under revenues and gains (losses) on the statement of activities.

6. Endowment Funds

The Center maintains various board-designated and donor-restricted funds whose purpose is to provide long-term support for its programs. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, management considers the explicit directions of the donor, where applicable, and the provisions of the laws of the State of California. In the absence of donor stipulations to the contrary, the provisions of California State law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gift.

The State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective January 1, 2009. UPMIFA establishes law for the management and investment of donor-restricted endowment funds. The Board of Directors of the Center has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted permanent endowment investments unless there are explicit donor stipulations to the contrary.

UPMIFA permits the Center to appropriate for expenditure or accumulate as much of a donor-restricted endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In making its determination to appropriate or accumulate, the Center must act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and it must consider, if relevant, the following factors:

- The duration and preservation of the endowment fund;
- The purposes of the Center and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and

- Other resources of the Center.

Endowment funds as of September 30, 2013, include unrestricted contributions amounting to $688,256 designated by the Board of Directors, a temporarily restricted fund of $57,642 designated by the donors for emergency use, and the permanently restricted fund from the Hughes Foundation amounting to $500,000. These endowments funds totaling $1,245,898 are included under investments in the accompanying statement of financial position as of September 30, 2013.

The Center has an investment policy specific to its endowment investments, which is monitored by the Board of Directors. The Board subscribes to the modern portfolio theory of prudent investment, and thus may cause the principal of the endowment to be invested in real or personal property mortgages, deeds of trust, stocks, bonds, debentures, and other securities both government and private. The Board may also direct that the principal of endowment be invested, in whole or in part, in a pooled income fund, mutual fund, or other form of common fund. The investment policy sets ranges for asset allocation.

The following is a summary of the asset allocation guidelines, with allowable ranges for each asset type:

Asset Category	Target	Minimum	Maximum
Fixed income securities	40%	20%	60%
Equities	60%	40%	80%

In June 2008, the Spencer Fund was established as a fulfillment of the charitable purpose of the donor, including among others, to support the projects and operations of the Center. The Spencer Fund, included under beneficial interest in perpetual trust in the accompanying statement of financial position, amounted to $126,016 as of September 30, 2013. The amount available for distribution each year is based on the spending rate of 4% of the average market value of the fund over the prior twelve quarters. The Community Foundation of Sonoma County may distribute that amount each year as long as the fund balance does not go below eighty percent (80%) of the original fund amount.

The following is a reconciliation of the activity in the endowment funds:

	Unrestricted – Board-Designated	Temporarily Restricted	Permanently Restricted	Total
Balance – October 1, 2012	$ 610,151	$ 57,642	$ 623,326	$ 1,291,119
Program activities -				
Net gains	27,190	2,277	22,443	51,910
Interest and dividends	11,589	1,512	20,585	33,686
Satisfaction of program restrictions	39,326	(3,789)	(40,338)	(4,801)
Balance – September 30, 2013	$ 688,256	$ 57,642	$ 626,016	$ 1,371,914

The following is a summary of the endowment funds:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Funds	$ -	$ 57,642	$ 626,016	$ 683,658
Board-Designated Funds	688,256	-	-	688,256
	$ 688,256	$ 57,642	$ 626,016	$ 1,371,914

In June 1990, the Marine Mammal Center Endowment Fund of the Marin Community Foundation (the Marin Community Foundation) was established. The purpose of the endowment fund was to receive contributions for the benefit of the Center. This endowment fund is not reflected on the Center's financial statements.

The following is a summary of the activities in the endowment fund, recorded on the books of the Marin Community Foundation, during the year ended September 30, 2013:

Beginning Balance	$	1,016,170
Net gains		72,611
Interest and dividends		15,793
Investment fees		(2,097)
Administrative fees		(4,572)
Distributions		(45,847)
		35,888
Ending Balance	$	1,052,058

7. Line of Credit

The Center has a revolving line of credit with a bank, originally amounting to $3,800,000 with an expiration date of June 2, 2011. In June 2013, the revolving line of credit was amended to $1,500,000 with an extended expiration date of June 4, 2015. Borrowings under the amended line of credit bear interest, payable monthly, at LIBOR plus 1.4% or at prime rate minus 1.0%, at the option of the Center. The borrowings are secured by the pledged assets of a member of the Board of Directors.

The interest expense and the average interest rate on the line of credit were $24,061 and 1.70%, respectively, during the year ended September 30, 2013.

The Center has an unused credit line of $375,000 as of September 30, 2013. The maximum and average outstanding balances on the revolving line were $1,700,000 and $1,416,667, respectively, during the year ended September 30, 2013.

8. Donated Materials and Services

The value of donated materials and services included in the accompanying financial statements during the year ended September 30, 2013, were as follows:

Advertising and public relations	$	565,777
Supplies		143,420
Professional services		66,612
	$	775,809

Donated materials and services of $127,311 related to fundraising events were shown under revenues and costs of special events.

In addition, the following volunteer services hours, valued using the Bureau of Labor Statistics' value of volunteer time for the State of California and estimated at approximately $2,700,000, were provided during the year ended September 30, 2013:

	Hours
Animal care	66,693
Stranding	31,715
Education	15,892
Other	6,465
	120,765

However, since these services do not require specialized skills and did not meet the recognition criteria set forth in the pronouncement, they were not recorded as support and expenses.

9. Retirement Plan

On January 1, 2009, the Center established a retirement plan (the Plan) adopted under the Internal Revenue Code Section 401(k) and covering substantially all eligible employees. The Center may make discretionary matching contributions to the Plan. The Center did not make any such contribution during the year ended September 30, 2013.

10. Commitments and Contingencies

The Center occupies a seven-acre site in the Marin Headlands, Golden Gate National Recreation Area. In 2002, the National Park Service ("NPS") issued a memorandum regarding the imposition of service district charges on an annual basis. In August 2007, the NPS and the Center finalized a twenty-five (25) year Cooperative Agreement (the Agreement), which requires the Center to pay monthly service district charges to cover common area maintenance services. Monthly service district charges are determined upon obtaining a special use permit every year. The total service district charges were $57,944 during the year ended September 30, 2013.

The Center leases, on a month to month tenancy, certain housing units from the NPS for use by staff and students. The total rental expense under these operating leases was $147,947 during the year ended September 30, 2013.

In 2001, the Center entered into an agreement with LSP Moss Landing, LLC and LSP Morro Bay, LLC, (the "Licensors"), to construct, operate and maintain a triage facility for twenty (20) years commencing June 1, 2001. The Center paid $20 to each Licensor, for the right to occupy the property where the triage facility was constructed, and funded property improvements included in the statement of financial position. The Licensors reserve the right to terminate the agreement at any time during the term of the agreement, with or without cause and without obligation to the Center, by having written notice delivered to the Center 90 days prior to the termination date specified in the notice.

In 2007, the Licensors sold the Moss Landing property to Dynegy Moss Landing, LLC ("Dynegy"), and the agreement with the Center transferred with this transfer of assets. In November 2013, Dynegy announced its plans to retire the power plant operated at this site. The Center's triage facility can continue to function independent of the power plant, and as of the date of these financial statements, there is no indication that the agreement with Dynegy will be terminated.

In connection with the plan to construct a facility in Hawaii, the Center entered into a sublease agreement, in December 2011, for 3.5 acres of land. The lease is for an initial period of two (2) years, with four (4) successive options to renew the term for five (5) years per renewal. Fixed monthly rental payments totaling $781 per month commenced once the Center obtained the necessary permits that were required to develop the site in February 15, 2013.