THE MARINE MAMMAL CENTER

FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
SEPTEMBER 30, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF
AND FOR THE YEAR ENDED SEPTEMBER 30, 2013)

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

louie & wong LLP
certified
public
accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Marine Mammal Center:

Reports on the Financial Statements

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, 2014, 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

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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 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, 2014, and the 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 10, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Louie + Wong LLP

San Francisco, California
March 3, 2015

THE MARINE MAMMAL CENTER

STATEMENT OF FINANCIAL POSITION -- SEPTEMBER 30, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF SEPTEMBER 30, 2013)

ASSETS

	Unrestricted				Totals	
	Undesignated	Board - Designated	Temporarily Restricted	Permanently Restricted	2014	2013
CURRENT ASSETS:						
Cash	$ 1,413,585	$ 4,221,580	$ 103,796	$ -	$ 5,738,961	$ 2,841,369
Contributions receivable	1,062,099	-	268,250	-	1,330,349	2,505,197
Inventories	86,142	-	-	-	86,142	79,457
Prepaid expenses	81,035	-	-	-	81,035	64,024
Total current assets	2,642,861	4,221,580	372,046	-	7,236,487	5,490,047
PROPERTY AND EQUIPMENT, at cost:						
Buildings	18,134,968	-	-	-	18,134,968	17,291,604
Pools and mechanical systems	15,210,257	-	-	-	15,210,257	12,550,645
Furniture and exhibits	1,536,194	-	-	-	1,536,194	1,524,243
Equipment	1,605,951	-	-	-	1,605,951	1,380,892
Vehicles	476,716	-	-	-	476,716	399,386
Construction in progress	23,396	-	-	-	23,396	2,271,060
	36,987,482	-	-	-	36,987,482	35,417,830
Less - accumulated depreciation	8,589,339	-	-	-	8,589,339	7,223,345
	28,398,143	-	-	-	28,398,143	28,194,485
OTHER ASSETS:						
Investments	-	797,068	57,642	500,000	1,354,710	1,245,898
Beneficial interest in perpetual trust	-	-	-	125,114	125,114	126,016
Noncurrent contributions receivable, net	-	-	284,624	-	284,624	428,954
Deposits	59,909	-	-	-	59,909	62,902
	59,909	797,068	342,266	625,114	1,824,357	1,863,770
	$ 31,100,913	$ 5,018,648	$ 714,312	$ 625,114	$ 37,458,987	$ 35,548,302

LIABILITIES AND NET ASSETS

	Undesignated	Board - Designated	Temporarily Restricted	Permanently Restricted	2014	2013
CURRENT LIABILITIES:						
Accounts payable	$ 350,816	$ -	$ -	$ -	$ 350,816	$ 343,593
Retainage payable	68,700	-	-	-	68,700	153,858
Accrued liabilities	490,322	-	-	-	490,322	534,171
Total current liabilities	909,838	-	-	-	909,838	1,031,622
NOTE PAYABLE	-	-	-	-	-	1,125,000
COMMITMENTS AND CONTINGENCIES						
NET ASSETS	30,191,075	5,018,648	714,312	625,114	36,549,149	33,391,680
	$ 31,100,913	$ 5,018,648	$ 714,312	$ 625,114	$ 37,458,987	$ 35,548,302

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, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2013)

	Unrestricted				Totals	
	Undesignated	Board - Designated	Temporarily Restricted	Permanently Restricted	2014	2013
SUPPORT AND REVENUES:						
Support -						
Contributions -						
Bequests	$ 700,000	$ 3,580,126	$ -	$ -	$ 4,280,126	$ 3,463,033
Foundations, corporations, government and individuals	3,647,688	-	1,434,978	-	5,082,666	4,939,698
Donated materials and services	697,552	-	-	-	697,552	648,498
Total support	5,045,240	3,580,126	1,434,978	-	10,060,344	9,051,229
Revenues and gains -						
Store sales	505,908	-	-	-	505,908	486,665
Veterinary science contracts	492,860	-	-	-	492,860	285,930
Educational programs	210,169	-	-	-	210,169	181,952
Unrealized and realized gain (loss) on investments and beneficial interest in perpetual trust, net	(3,017)	29,334	3,826	39,959	70,102	50,808
Interest and dividends, net	4,549	19,018	2,481	30,506	56,554	38,244
Rent	88,094	-	-	-	88,094	89,295
Other	3,443	-	-	-	3,443	21,722
Total revenues and gains	1,302,006	48,352	6,307	70,465	1,427,130	1,154,616
NET ASSETS RELEASED FROM RESTRICTIONS:						
Satisfaction of program restrictions	2,461,219	(709,540)	(1,680,312)	(71,367)	-	-
Total support and revenues	8,808,465	2,918,938	(239,027)	(902)	11,487,474	10,205,845
FUNDRAISING EVENTS:						
Revenues from special events	185,928	-	-	-	185,928	489,645
Cost of special events	(136,811)	-	-	-	(136,811)	(284,375)
Net revenues from fundraising events	49,117	-	-	-	49,117	205,270
Total support, revenues and fundraising events	8,857,582	2,918,938	(239,027)	(902)	11,536,591	10,411,115
EXPENSES:						
Program services -						
Veterinary science	4,564,675	-	-	-	4,564,675	4,068,350
Education	2,293,374	-	-	-	2,293,374	2,211,466
Fundraising	1,023,618	-	-	-	1,023,618	974,145
Supporting services	497,455	-	-	-	497,455	546,224
Total expenses	8,379,122	-	-	-	8,379,122	7,800,185
CHANGE IN NET ASSETS	478,460	2,918,938	(239,027)	(902)	3,157,469	2,610,930
NET ASSETS - BEGINNING OF YEAR	29,712,615	2,099,710	953,339	626,016	33,391,680	30,780,750
NET ASSETS - END OF YEAR	$ 30,191,075	$ 5,018,648	$ 714,312	$ 625,114	$ 36,549,149	$ 33,391,680

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, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2013)

	Program Services			Supporting	Totals	
	Veterinary Science	Education	Fundraising	Services	2014	2013
Salaries	$ 1,528,419	$ 639,494	$ 457,684	$ 294,202	$ 2,919,799	$ 2,828,738
Animal care costs	656,899	-	-	-	656,899	395,919
Donated materials and services	71,118	483,998	-	10,671	565,787	645,398
Professional services	87,045	72,910	168,437	27,981	356,373	148,381
Employee benefits	188,821	70,907	54,588	34,178	348,494	349,319
Lettershop and database	-	98,823	183,053	-	281,876	294,382
Utilities	218,238	16,526	466	1,574	236,804	210,070
Payroll taxes	115,327	48,003	35,690	19,204	218,224	200,640
Insurance	152,532	42,627	4,651	4,843	204,653	178,409
Cost of retail sales	-	192,273	-	-	192,273	197,319
Rental and housing	159,106	-	-	-	159,106	147,947
Information technology	79,842	51,320	15,206	9,504	155,872	160,306
Repairs and maintenance	95,101	32,415	1,013	3,038	131,567	113,436
Travel, conferences and training	66,146	15,649	3,032	4,925	89,752	56,286
Supplies	13,962	42,798	6,640	3,256	66,656	45,764
Service district charges	37,387	20,278	634	1,901	60,200	57,944
Publications and postage	14,494	29,610	8,655	2,804	55,563	43,972
Bank and finance charges	-	12,020	32,359	7,106	51,485	43,324
Volunteer and donor relations	10,650	2,989	35,439	2,014	51,092	58,069
Telephone	19,936	12,430	3,683	2,302	38,351	29,542
Fees and licenses	2,798	1,509	60	27,596	31,963	23,444
Outreach and marketing	295	26,455	-	705	27,455	134,049
Merchandising expenses	-	18,616	-	-	18,616	30,031
Interest expense	4,727	2,564	336	1,009	8,636	24,061
Pier 39 store closing costs	-	-	-	-	-	68,730
Other	43,951	26,778	3,059	11,844	85,632	39,352
	3,566,794	1,960,992	1,014,685	470,657	7,013,128	6,524,832
Depreciation	997,881	332,382	8,933	26,798	1,365,994	1,275,353
	$ 4,564,675	$ 2,293,374	$ 1,023,618	$ 497,455	$ 8,379,122	$ 7,800,185

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, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 3,157,469	$ 2,610,930
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,365,994	1,275,353
Change in beneficial interest in perpetual trust	902	(2,690)
Loss on disposal of fixed assets	-	68,730
Gain on land held for sale	-	(19,791)
Unrealized and realized gain on investments	(56,807)	(49,220)
Interest and dividends on investments, net	(52,005)	(28,885)
Changes in operating assets and liabilities:		
Contributions receivable	1,319,178	(2,286,768)
Inventories	(6,685)	19,595
Prepaid expenses	(17,011)	30,588
Deposits	2,993	(3,182)
Accounts payable	7,223	242,853
Retainage payable	(85,158)	153,858
Accrued liabilities	(43,849)	74,642
Total adjustments	2,434,775	(524,917)
Net cash provided by operating activities	5,592,244	2,086,013
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of land held for sale	-	219,791
Purchase of property and equipment	(1,569,652)	(2,219,504)
Net cash used in investing activities	(1,569,652)	(1,999,713)
CASH FLOWS FROM FINANCING ACTIVITY:		
Payments on notes payable	(1,125,000)	(575,000)
Net cash used in financing activity	(1,125,000)	(575,000)
NET INCREASE (DECREASE) IN CASH	2,897,592	(488,700)
CASH - BEGINNING OF YEAR	2,841,369	3,330,069
CASH - END OF YEAR	$ 5,738,961	$ 2,841,369
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Noncash operating and investing activities:		
Donated -		
Materials and services	$ 650,283	$ 772,709
Property and equipment	131,765	3,100
	$ 782,048	$ 775,809
Cash paid during the year for interest	$ 8,636	$ 24,061

THE MARINE MAMMAL CENTER

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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 (U.S. GAAP) 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 $1,365,994 during the year ended September 30, 2014. Property and equipment are capitalized if these have a cost of $5,000 or more and a useful life of more than one year when acquired.

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.

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.

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 does not believe that the Center has any uncertain tax positions that require adjustment or disclosure in the financial statements. 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, 2013, 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 Pronouncements -- In April 2013, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-06, Services Received from Personnel of an Affiliate. The amendments in this ASU apply to Not-for-Profit (NFP) that receive services from personnel of an affiliate that directly benefit the recipient NFP entity and for which the affiliate does not charge the recipient NFP entity. Charging the recipient NFP entity means requiring payment from the recipient NFP entity at least for the approximate amount of the direct personnel costs (for example, compensation and any payroll-related fringe benefits) incurred by the affiliate in providing a service to the recipient NFP entity or the approximate fair value of that service. The amendments in this ASU do not address transactions between affiliates for which the affiliate charges the recipient NFP entity at least for the approximate amount of direct personnel costs or the approximate fair value of the services provided. The amendments in this ASU are effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. The Center will adopt the provisions of ASU 2013-06 effective October 1, 2014. The adoption is not expected to have a material effect on the financial statements of the Center.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The core principle of the guidance is that a reporting entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying this new guidance to contracts within its scope, an entity will: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. Additionally, this new guidance will require significantly expanded revenue recognition disclosures. The amendments in this update are effective for annual reporting period beginning after December 15, 2017. The Center is currently evaluating the provisions of this ASU.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements – Going Concern. The guidance requires management, in connection with preparing financial statements, to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). The amendments in this update are effective for the annual period ending after December 15, 2016. The Center will adopt the provisions of ASU No. 2014-15 effective October 1, 2016. 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 3, 2015, 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 cash operating reserve fund.

The unrestricted Board-designated net assets consist of the following:

Purpose		Balance
Cash Operating Reserve Fund	$	4,221,580
Invested as Long-Term Endowment		797,068
	$	5,018,648

The Board of Directors designated the Cash Operating Reserve Fund to help ensure the long-term financial stability of the Center, by creating a resource to manage cash flow and maintain financial flexibility, meet unfunded, critical and unexpected organization needs, and to promote public and donor confidence in the long-term sustainability of the Center.

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	$ 351,721
Operating Programs	304,949
El Nino Emergency Fund	57,642
	$ 714,312

The Center has an on-going capital campaign to raise funds for the construction of an Intensive Care and Quarantine Facility in Sausalito, California. The Center completed its capital campaign and construction of the Hawaiian monk seal healthcare facility in Kona, Hawaii as of September 30, 2014.

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 $625,114 of permanently restricted endowment funds as of September 30, 2014. 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 partially 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, 2014, were as follows:

	Amount
Less than one year	$ 1,330,349
More than one year but less than five years	290,000
	1,620,349
Less - discount	(5,376)
	$ 1,614,973

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 1% at September 30, 2014.

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, 2014.

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 at September 30, 2014, are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Money funds	$ 939	$ -	$ -	$ 939
Mutual Funds -				
Equities	822,416	-	-	822,416
Fixed-income	330,591	-	-	330,591
Alternative	200,764	-	-	200,764
	1,353,771	-	-	1,353,771
	$ 1,354,710	$ -	$ -	$ 1,354,710
Beneficial interest in perpetual trust	$ -	$ -	$ 125,114	$ 125,114

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, 2014:

		Beneficial interest in perpetual trust
Balance - Beginning of Year	$	126,016
Interest		4,000
Net gains		1,766
Fees		(2,068)
Amount distributed to the Center		(4,600)
Balance - End of Year	$	125,114

5. 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, 2014, include unrestricted contributions amounting to $797,068 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 $1,354,710 are included under investments in the accompanying statement of financial position as of September 30, 2014.

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 $125,114 as of September 30, 2014. 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, 2013	$ 688,256	$ 57,642	$ 626,016	$ 1,371,914
Program activities -				
Net gains	29,334	3,826	39,959	73,119
Interest and dividends	19,018	2,481	30,506	52,005
Satisfaction of program restrictions	60,460	(6,307)	(71,367)	(17,214)
Balance – September 30, 2014	$ 797,068	$ 57,642	$ 625,114	$ 1,479,824

The following is a summary of the endowment funds:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Funds	$ -	$ 57,642	$ 625,114	$ 682,756
Board-Designated Funds	797,068	-	-	797,068
	$ 797,068	$ 57,642	$ 625,114	$ 1,479,824

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, 2014:

Beginning Balance	$ 1,052,058
Net gains	68,430
Interest and dividends	13,102
Investment fees	(3,310)
Administrative fees	(4,676)
Distributions	(47,141)
	26,405
Ending Balance	$ 1,078,463

6. Line of Credit

The Center had a revolving line of credit with a bank amounting to $1,500,000 and an expiration date of June 4, 2015. The line of credit was paid in full, terminated, and the pledged assets of a member of the Board of Directors were released on June 20, 2014.

Borrowings under the 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 interest expense and the average interest rate on the line of credit were $8,636 and 1.70%, respectively, during the year ended September 30, 2014.

8. Donated Materials and Services

The value of donated materials and services included in the accompanying financial statements during the year ended September 30, 2014, were as follows:

Advertising and public relations	$	446,901
Supplies and materials		171,232
Property and equipment		131,765
Professional services		32,150
	$	782,048

Donated materials and services of $84,496 related to fundraising events were included in the revenues and costs of special events in the Statement of Activities.

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 $3,500,000, were provided during the year ended September 30, 2014:

	Hours
Animal care	72,894
Stranding	36,661
Education	9,086
Other	14,363
	133,004

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, 2014.

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 $60,200 during the year ended September 30, 2014.

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 $141,265 during the year ended September 30, 2014.

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. The fixed monthly rental payments amounted to $781 per month commencing in February 2013. The total rental expense under this operating lease was $9,372 during the year ended September 30, 2014.