RESTORE AMERICA'S ESTUARIES
(a not-for-profit organization)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

for the year ended December 31, 2013

Renner & Company
Certified
Public
Accountants

TABLE OF CONTENTS

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A PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR'S REPORT

To Board of Directors
Restore America's Estuaries
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Restore America's Estuaries (a nonprofit organization)(the Organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows 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 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.

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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 the entity'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 entity'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 Restore America's Estuaries as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated May 30, 2014 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Resser and Company, CPA, P.C.

Alexandria, Virginia
May 30, 2014

RESTORE AMERICA'S ESTUARIES

STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS	
CURRENT ASSETS	
Cash	$ 75,057
Investments	110,371
Accounts receivable, net of allowance	80,838
Grants receivable	54,906
Pledges receivable	850
Prepaid expenses	187,784
TOTAL CURRENT ASSETS	509,806
OTHER ASSETS	
Long-term investments	627,213
Security deposit	4,452
TOTAL OTHER ASSETS	631,665
TOTAL ASSETS	1,141,471
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	116,329
Deferred revenue	115,000
TOTAL CURRENT LIABILITIES	231,329
LONG-TERM LIABILITIES	
Deferred rent	13,618
TOTAL LIABILITIES	244,947
NET ASSETS	
Unrestricted	871,558
Temporarily restricted	24,966
TOTAL NET ASSETS	896,524
TOTAL LIABILITIES AND NET ASSETS	$ 1,141,471

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

RESTORE AMERICA'S ESTUARIES

STATEMENT OF ACTIVITIES
for the year ended December 31, 2013

SUPPORT AND REVENUE	Unrestricted	Temporarily Restricted	Total
Government grants	$ 2,365,356	$ -	$ 2,365,356
Grants and contributions	57,850	144,000	201,850
Conferences and meetings	65,588	-	65,588
Affiliate dues	49,500	-	49,500
Investment income	6,941	-	6,941
Other income	19,597	-	19,597
Net assets released from restriction, satisfaction of program restrictions	144,034	(144,034)	-
TOTAL SUPPORT AND REVENUE	2,708,866	(34)	2,708,832
EXPENSES			
Program services	2,760,620	-	2,760,620
General and administrative	44,309	-	44,309
Fundraising	57,217	-	57,217
TOTAL EXPENSES	2,862,146	-	2,862,146
CHANGE IN NET ASSETS	(153,280)	(34)	(153,314)
NET ASSETS, beginning of year	1,024,838	25,000	1,049,838
NET ASSETS, end of year	$ 871,558	$ 24,966	$ 896,524

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

RESTORE AMERICA'S ESTUARIES

STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2013

	Program	General and Administrative	Fundraising	Total
Affiliate support	$ 1,885,457	$ -	$ -	$ 1,885,457
Payroll related costs	576,207	10,154	51,766	638,127
Professional fees	139,066	28,396	156	167,618
Office related expense	56,691	360	76	57,127
Travel	41,188	1,317	518	43,023
Conferences & meetings	40,936	-	1,525	42,461
Communications	8,592	220	-	8,812
Product production	9,628	-	-	9,628
Business related costs	1,646	3,862	3,160	8,668
Postage & delivery	1,129	-	16	1,145
Marketing & advertising	80	-	-	80
TOTAL EXPENSES	$ 2,760,620	$ 44,309	$ 57,217	$ 2,862,146

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

RESTORE AMERICA'S ESTUARIES

STATEMENT OF CASH FLOWS
for the year ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from operations	
Support and revenue	$ 2,681,071
Investment income	12,346
Total cash received from operations	2,693,417
Cash disbursed by operations	
Payment to suppliers and employees	2,873,247
NET CASH USED BY OPERATING ACTIVITIES	(179,830)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	446,000
Purchase of investments	(346,726)
Security deposits paid	(4,452)
Security deposits refunded	4,151
NET CASH PROVIDED BY INVESTING ACTIVITIES	98,973
NET DECREASE IN CASH	(80,857)
CASH, beginning of year	155,914
CASH, end of year	$ 75,057

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

RESTORE AMERICA'S ESTUARIES

STATEMENT OF CASH FLOWS
for the year ended December 31, 2013

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES	
CHANGE IN NET ASSETS	$ (153,314)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Non-cash occupancy costs	11,490
Realized gains and unrealized losses on investments	5,405
NET ADJUSTMENTS	16,895
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH	
ASSETS	
Accounts receivable	(36,564)
Grants receivable	16,594
Pledges receivable	(850)
Prepaid expense	(186,064)
	(206,884)
LIABILITIES	
Accounts payable and accrued expenses	48,473
Deferred revenue	115,000
	163,473
NET CHANGES IN ASSETS AND LIABILITIES	(43,411)
NET CASH USED BY OPERATING ACTIVITIES	(179,830)
NON-CASH INVESTING ACTIVITIES	
Decrease in fair value of investments	(5,598)
Unrealized loss in market value of investments	5,598
	$ -

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

1. SIGNIFICANT ACCOUNT POLICIES, ORGANIZATION, AND PURPOSE

Nature of Activities

Restore America's Estuaries (RAE, the Organization) is a national 501(c)(3) nonprofit organization established in 1995 as an alliance of eleven community-based conservation organizations working to protect and restore the vital habitats of our nation's estuaries. The Organization is dedicated to working closely with community, private, and governmental organizations to preserve the nation's network of estuaries by protecting and restoring the lands and waters essential to the richness and diversity of coastal life.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

As of December 31, 2013, cash consisted of two checking accounts. Cash held within brokerage accounts are considered as investment holdings. There were no cash equivalents as of December 31, 2013.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. The Organization recognizes bad debts when, in the opinion of management, a specific account becomes uncollectible.

Investments

Investments are recorded at fair market value. Realized and unrealized gains and losses are included in investment income in the accompanying statement of activities.

See Independent Auditor's Report.

1. SIGNIFICANT ACCOUNT POLICIES, ORGANIZATION, AND PURPOSE (Continued)

Fair Value Measurements

The Organization applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. This application has no material impact on the Organization's financial statements.

Deferred Revenue

Amounts received in advance for governmental grant activities of the Organization are deferred and recognized in the year to which they apply.

Net Assets

The net assets of the Organization are divided into two classes: unrestricted and temporarily restricted. There are no temporarily restricted assets as of December 31, 2013.

Unrestricted net assets include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organization and include both internally designated and undesignated resources.

Temporarily restricted net assets include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities and change in net assets as net assets released from restrictions.

Revenue Recognition

The Organization recognizes all unconditional contributed support in the period in which the commitment is made. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

1. SIGNIFICANT ACCOUNT POLICIES, ORGANIZATION, AND PURPOSE (Continued)

Revenue Recognition

Grants and cooperative agreements with federal and local government agencies are deemed to be exchange transactions and, accordingly, revenue is recognized when funds are utilized by the Organization to carry out the activity stipulated in the grant or cooperative agreement. Accordingly, amounts received but not recognized as revenue are classified in the statement of financial position as deferred revenue and amounts expended but not yet received are classified as accounts receivable. Conversely, revenues on fixed-price agreements are recorded as costs are incurred in relation to the grant agreements.

Income Taxes

The Organization is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. The Organization conducts no taxable activities. Accordingly, no provision for income taxes has been provided in the financial statements.

The federal income tax returns of the Organization for the years ended 2013, 2012, and 2011 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions about 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. Accordingly, actual results could differ from those estimates.

Government Grants

The Organization participates in federal grant programs which are subject to financial and compliance audits by the federal agencies or their representatives. As such, there is a possibility that questioned costs might result from such an audit in the future. Management estimates that there are no material unallowable costs.

See Independent Auditor's Report.

1. SIGNIFICANT ACCOUNT POLICIES, ORGANIZATION, AND PURPOSE (Continued)

Allocated Expenses

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

2. CASH

Cash as of December 31, 2013 consisted of the following:

Checking accounts	$ 75,057

As of December 31, 2013, all cash amounts were covered by the Federal Deposit Insurance Corporation.

3. RECEIVABLES

Receivables as of December 31, 2013 consisted of the following:

Accounts receivable	$ 81,049
Allowance for doubtful accounts	(211)
	80,838
Grants receivable	54,906
Pledges receivable	850
	$ 136,594

4. INVESTMENTS

Investments for the year ended December 31, 2013 are comprised of the following:

	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Cash	$ 6,845	$ 6,845	$ -
Certificates of deposit	733,000	730,739	(2,261)
	$ 739,845	$ 737,584	$ (2,261)

See Independent Auditor's Report.

4. INVESTMENTS (Continued)

Investment income (loss) consisted of the following for the year ended December 31, 2013:

Interest and dividends	$	12,346
Realized gains on investments		193
Unrealized losses on investments		(5,598)
	$	6,941

5. FAIR VALUE MEASUREMENTS

The Organization records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standard emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a fair value hierarchy was established that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

Level 1 - inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at common quoted intervals.

Level 3 - inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

5. FAIR VALUE MEASUREMENTS (Continued)

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Organization's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the assets or liabilities.

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of December 31, 2013 and 2012:

	2013			
	Fair Value	Level 1	Level 2	Level 3
Cash	$ 6,845	$ 6,845	$ -	$ -
Certificates of deposit	730,739	-	730,739	-
	$ 737,584	$ 6,845	$ 730,739	$ -

	2012			
	Fair Value	Level 1	Level 2	Level 3
Cash	$ 1,120	$ 1,120	$ -	$ -
Fixed income	109,227	109,227	-	-
Certificates of deposit	731,916	-	731,916	-
	$ 842,263	$ 110,347	$ 731,916	$ -

6. DEFERRED REVENUE

Certain amounts pertaining to corporate sponsorship for the 2014 biennial conference were received in advance. The amount of sponsorship received through December 31, 2013 that was related to this conference totaled $115,000.

7. RELATED PARTIES

The Organization receives contributions from member affiliates for support of advocacy programs. The President, CEO, or other comparable position of these affiliates are members of the Organization's Board of Directors. During the year ended December 31, 2013, the Organization received $49,500 from these member affiliates. In addition, the Organization awarded subgrants to these member affiliates totaling $1,885,457.

8. REVENUE CONCENTRATION

Approximately 87% of the Organization's revenue for the year ended December 31, 2013 was derived from grants and contracts awarded by agencies of the United States Government. The Organization has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the Organization's ability to finance ongoing operations.

9. TEMPORARILY RESTRICTED NET ASSETS

A summary of activity in temporarily restricted net assets for the year ended December 31, 2013 is as follows:

	Balance Dec 31, 2012	Support and revenue	Net assets released from restrictions	Balance Dec 31, 2013
Purpose restrictions:				
Wetland restoration	$ 25,000	$ -	$ (25,000)	$ -
Affiliate support	-	79,000	(79,000)	-
Coastal blue carbon project	-	60,000	(40,034)	19,966
Tampa Bay projects	-	5,000	-	5,000
	$ 25,000	$ 144,000	$ (144,034)	$ 24,966

10. RETIREMENT PLAN

The Organization maintains a qualified retirement plan and a voluntary 401(k) plan. Regular full-time employees are eligible for pension benefits and voluntary 401(k) plan upon completion of 90 days of continuous employment. Employees hired prior to March 2, 2009 are fully vested in the 401(k) plan employer contributions after 90 days of continuous employment. Employees hired after March 2, 2009 are fully vested in the 401(k) plan employer contributions after one year of continuous employment. The Organization contributes a percentage of the eligible employee's annual salary. The percentage is set by the Board of Directors each year. Pension plan expense of the Organization under this plan was $41,798 for the year ended December 31, 2013.

RESTORE AMERICA'S ESTUARIES

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

11. COMMITMENTS AND CONTINGENCIES

Convention Center

The Organization has an agreement with Gaylord National Resort & Convention Center, which commenced on July 31, 2012. Under the terms of the contract, the Organization could be required to pay cancellation fees of $180,000 if the contract is terminated prior to the start of the Annual Convention on October 31, 2014.

Office Lease

The Organization signed a five year office lease on March 11, 2013. The lease expires on March 31, 2018. Under the operating lease agreement, the Organization's rental payment for the first three months was waived. The Organization delivered to the landlord a security deposit in the amount of $4,452, or the amount of one month's rent for the first year of the lease. The lease provides for annual fixed rent increases of 2.75% and requires the Organization to pay, as additional rent, a proportionate share of any increase over the base year of all taxes assessed on the property and operating expenses. Rent expense for the year ended December 31, 2012 was $47,398.

Future minimum lease payments and the letter of credit amount required under the lease as of December 31, 2013 are as follows:

	Minimum Lease Payments
2014	$ 54,525
2015	56,024
2016	57,565
2017	59,148
2018	14,887
	$ 242,149

12. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 30, 2014, the date the financial statements were available to be issued.

See Independent Auditor's Report.