

SECOND NATURE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

SECOND NATURE, INC.
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YEARS ENDED DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Second Nature, Inc.
Boston, Massachusetts

We have audited the accompanying statement of financial position of Second Nature, Inc. (a nonprofit organization) as of December 31, 2010 and 2009 and the related statements of activities and cash flows for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Second Nature, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years ended December 31, 2010 and 2009 in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 12 and 13 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Stanton & Co.
September 28, 2011

SECOND NATURE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

ASSETS		
	<u>2010</u>	<u>2009</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 912,995	\$ 605,629
Short term investments	25,207	25,063
Accounts receivable	28,779	15,172
Grant receivable	15,000	-
Other receivable	69	-
Prepaid insurance	<u>2,057</u>	<u>1,882</u>
TOTAL CURRENT ASSETS	<u>984,107</u>	<u>647,746</u>
FIXED ASSETS:		
Computer equipment	48,102	46,343
Office furniture & equipment	24,684	25,825
Accumulated depreciation	<u>(34,304)</u>	<u>(13,216)</u>
NET PROPERTY AND EQUIPMENT	<u>38,482</u>	<u>58,952</u>
OTHER ASSETS:		
Website design costs, net of accumulated amortization of \$9,120 in 2010 and \$2,720 in 2009	<u>10,080</u>	<u>16,480</u>
TOTAL ASSETS	<u>\$ 1,032,669</u>	<u>\$ 723,178</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 259,209	\$ 252,740
Accrued rent	<u>23,148</u>	<u>22,661</u>
TOTAL CURRENT LIABILITIES	<u>282,357</u>	<u>275,401</u>
NET ASSETS:		
Unrestricted net assets	(58,032)	(269,754)
Temporarily restricted net assets	<u>808,344</u>	<u>717,531</u>
TOTAL NET ASSETS	<u>750,312</u>	<u>447,777</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,032,669</u>	<u>\$ 723,178</u>

The accompanying notes are an integral part of these financial statements.

SECOND NATURE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:			
Grants and contributions	\$ 406,514	\$ 789,400	\$ 1,195,914
Consulting	82,405		82,405
Membership dues	1,102,580		1,102,580
Conference income	52,939		52,939
Honoraria	46,328		46,328
Miscellaneous income	496		496
Interest income	1,111		1,111
Satisfaction of program restrictions	698,587	(698,587)	-
	<u>2,390,960</u>	<u>90,813</u>	<u>2,481,773</u>
TOTAL REVENUE			
EXPENSES:			
Program development	1,906,784		1,906,784
Management and general	90,718		90,718
Fundraising	181,736		181,736
	<u>2,179,238</u>	<u>-</u>	<u>2,179,238</u>
TOTAL EXPENSES			
Change in net assets	211,722	90,813	302,535
Net assets, beginning of year	<u>(269,754)</u>	<u>717,531</u>	<u>447,777</u>
Net assets, end of year	<u>\$ (58,032)</u>	<u>\$ 808,344</u>	<u>\$ 750,312</u>

The accompanying notes are an integral part of these financial statements.

SECOND NATURE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:			
Grants and contributions	\$ 434,423	\$ 145,000	\$ 579,423
Consulting	111,724		111,724
Membership dues	616,850		616,850
Conference income	84,511		84,511
Honoraria	29,580		29,580
Miscellaneous income	293		293
Interest income	4,796		4,796
Satisfaction of program restrictions	779,320	(779,320)	-
TOTAL REVENUE	<u>2,061,497</u>	<u>(634,320)</u>	<u>1,427,177</u>
EXPENSES:			
Program development	2,135,828		2,135,828
Management and general	73,762		73,762
Fundraising	134,598		134,598
TOTAL EXPENSES	<u>2,344,188</u>	<u>-</u>	<u>2,344,188</u>
Change in net assets	(282,691)	(634,320)	(917,011)
Net assets, beginning of year	<u>12,937</u>	<u>1,351,851</u>	<u>1,364,788</u>
Net assets, end of year	<u>\$ (269,754)</u>	<u>\$ 717,531</u>	<u>\$ 447,777</u>

The accompanying notes are an integral part of these financial statements.

SECOND NATURE, INC.
STATEMENT OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 302,535	\$ (917,011)
Non-cash items included in change in net assets-		
net cash provided (used) by operating activities:		
Depreciation expense	27,488	14,428
Proceeds from sale of fixed asset	2,610	
(Increase) decrease in operating assets:		
Accounts receivable	(13,607)	38,458
Grant receivable	(15,000)	41,838
Other receivable	(69)	
Prepaid insurance	(175)	(1,882)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	6,469	202,957
Accrued rent	487	22,661
Deferred revenue	-	(52,000)
Net cash provided (used) by operating activities	310,738	(650,551)
Cash flows from investing activities:		
Purchase of short term investment	(144)	(25,063)
Purchase of fixed assets & website costs	(3,228)	(81,365)
Net cash used by investing activities	(3,372)	(106,428)
Net increase (decrease) in cash	307,366	(756,979)
Cash and cash equivalents:		
Beginning of Year	605,629	1,362,608
End of Year	\$ 912,995	\$ 605,629

The accompanying notes are an integral part of these financial statements.

SECOND NATURE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Second Nature, Inc. (the “Organization”) was incorporated on April 30, 1993 as a nonprofit organization. Its mission is to accelerate movement toward a sustainable future by serving and supporting senior college and university leaders in making healthy, just, and sustainable living the foundation of all learning and practice in higher education.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards for *Financial Statements of Not-For-Profit Organizations*. Under these professional standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based upon the existence or absence of donor-imposed restrictions. The Organization has no permanently restricted net assets.

Cash Equivalents

The Organization considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

SECOND NATURE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Website Design Costs

Website design costs are amortized on the straight-line basis over three years. Amortization expense at December 31, 2010 was \$6,400. Amortization of website design costs over the next two years is as follows:

2011	\$ 6,400
2012	<u>3,680</u>
Total	\$ <u>10,080</u>

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The Organization's policy is to report as unrestricted support contributions with donor imposed restrictions when these restrictions are met in the same year that the contribution was received.

Income Taxes

The Organization is exempt from federal income taxes under section 501 (c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. There was no unrelated business income for the years ended December 31, 2010 and 2009.

SECOND NATURE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Income Taxes (continued)

The Organization has evaluated its uncertain tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financials statements. The Organization does not believe their evaluation of tax positions will significantly change within twelve months of December 31, 2010. Any changes in uncertain tax position will be recorded when the ultimate outcome becomes known. The Organization's tax returns are subject to examination by taxing authorities generally for the years ended December 31, 2008, 2009 and 2010.

Accounts Receivable

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management believes that all receivables are fully collectible; therefore, no allowance for uncollectible amounts has been recorded at December 31, 2010 and 2009.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

Functional Expenses

Expenses that can be identified with a specific program or supporting service are allocated directly to those classifications. Other expenses that are common to several functions are allocated in accordance with the Organization's indirect costs allocation plan.

SECOND NATURE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

2. SHORT-TERM INVESTMENTS

Short-term investments consist of certificates of deposits with terms longer than ninety days. Investments are stated at cost, which approximates market.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted assets at December 31, 2010 and 2009 represent grant funds available for the following purposes:

	<u>2010</u>	<u>2009</u>
Green Facilities Project	\$ 7,243	\$ 463,245
Kresge Grant	554,000	-
Tompkins County Climate Protection	70,543	58,044
Campaign for Environmental Literacy	<u>176,558</u>	<u>196,242</u>
	<u>\$ 800,344</u>	<u>\$ 717,531</u>

4. CONCENTRATION OF RISK

Cash

The Organization maintains a bank account with a creditworthy, high quality financial institution whose total account balances at December 31, 2010 and 2009 exceeded the federally insured limit of \$250,000 by \$734,664 and \$381,099, respectively. However, the Organization has not experienced any such losses and management does not believe that there is a significant risk of loss.

Contributors

For the years ended December 31, 2010 and 2009 contributions from individually significant contributors, which are contributors donating \$5,000 or more, amounted to approximately 94% and 99%, respectively, of total contributions.

SECOND NATURE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

5. LETTER OF CREDIT

In October 2009 the Organization obtained a \$25,000 letter of credit which is to be used in lieu of a security deposit on its lease for office space. The letter of credit cannot be extended beyond September 24, 2014. The letter of credit is collateralized by a certificate of deposit. At December 31, 2010 and 2009 no amounts were drawn on the letter of credit.

6. RENT COMMITMENTS

On August 1, 2009 the Organization commenced a five year lease for new office space. The Organization was required to provide a letter of credit of \$25,000 in lieu of a security deposit. The lease provides for 3 months of free rent which is valued at \$22,661. This amount is included in accrued rent and will be amortized over the life of the lease. Rent expense amounted to \$91,784 and \$51,347 for the years ended December 31, 2010 and 2009, respectively. Future minimum lease payments for the next four years are as follows:

2011	92,053
2012	95,130
2013	98,208
2014	<u>58,335</u>
Total	<u>\$343,726</u>

7. EMPLOYEE BENEFIT PLAN

In October 2008 the Organization offered a Simple IRA Plan to its employees and substantially all eligible employees of the Organization may participate in this plan. The Organization provides a maximum matching contribution of 100% of the first 3% of salary invested in the plan by a participant. The Organization made contributions of \$19,044 and \$12,818 for the years ended December 31, 2010 and 2009, respectively.

SECOND NATURE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

8. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2010 and 2009 a board member of the organization was also employed by the Organization as a Senior Fellow and was compensated \$26,667 and \$30,050, respectively. During the year ended December 31, 2010 and 2009 the Organization paid \$88,064 and \$68,716, respectively, to a firm to perform program consulting services. The partner of this firm is also a board member of the Organization. The Treasurer of the board also performs accounting services for the Organization and received compensation in the amount of \$66,240 and \$55,440 for the years ending December 31, 2010 and 2009, respectively.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 28, 2011 the date the financial statements were available to be issued.

SECOND NATURE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010

	<u>Programs</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Director's salaries	\$ 167,504	\$ 38,133	\$ 57,748	\$ 263,385
Staff salaries	580,474	\$ 24,984	68,694	674,152
Employee benefits & payroll taxes	134,745	11,266	22,570	168,581
Insurance	2,200	186	372	2,758
Office costs	60,327	2,102	4,211	66,640
Professional fees	586,139	4,730	9,476	600,345
Conference & events	147,807			147,807
Rent	73,226	6,179	12,379	91,784
Travel, lodging, meals	110,777			110,777
Depreciation	23,224	1,420	2,844	27,488
Utilities	20,361	1,718	3,442	25,521
TOTAL	<u><u>\$ 1,906,784</u></u>	<u><u>\$ 90,718</u></u>	<u><u>\$ 181,736</u></u>	<u><u>\$ 2,179,238</u></u>

The accompanying notes are an integral part of these financial statements.

SECOND NATURE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009

	<u>Programs</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Director's salaries	\$ 133,991	\$ 31,778	\$ 65,529	\$ 231,298
Staff salaries	564,275	\$ 21,477	31,651	617,403
Employee benefits & payroll taxes	131,158	9,047	16,509	156,714
Insurance	1,539	117	214	1,870
Office costs	55,222	2,380	4,342	61,944
Professional fees	776,818	3,769	6,878	787,465
Conference & events	254,477			254,477
Rent	42,246	3,222	5,879	51,347
Travel, lodging, meals	150,074			150,074
Depreciation	11,903	895	1,630	14,428
Utilities	14,125	1,077	1,966	17,168
TOTAL	<u><u>\$ 2,135,828</u></u>	<u><u>\$ 73,762</u></u>	<u><u>\$ 134,598</u></u>	<u><u>\$ 2,344,188</u></u>

The accompanying notes are an integral part of these financial statements.