

**SECOND NATURE, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011 AND DECEMBER 31, 2010**

**SECOND NATURE, INC.**  
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**AND TWELVE MONTHS ENDED DECEMBER 31, 2010**

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## INDEPENDENT AUDITOR'S REPORT

Sondi B. Stanton, CPA  
John M. Stanton, CPA, MST

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 June 30, 2011 and December 31, 2010 and the related statements of activities and cash flows for the six months ended June 30, 2011 and the twelve months ended December 31, 2010. 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 June 30, 2011 and December 31, 2010, and the changes in its net assets and its cash flows for the six months ended June 30, 2011 and the twelve months ended December 31, 2010 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 financial statements as a whole. The schedules of functional expenses on pages 11 and 12 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

*Stanton & Co.*

Stanton & Co.  
February 6, 2012

**SECOND NATURE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011 AND DECEMBER 31, 2010**

**ASSETS**

	<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 744,428	\$ 912,995
Short term investments	25,245	25,207
Accounts receivable	99,699	28,779
Grant receivable	-	15,000
Other receivable	-	69
Prepaid expenses	16,807	-
Prepaid insurance	816	2,057
<b>TOTAL CURRENT ASSETS</b>	<u>886,995</u>	<u>984,107</u>
<b>FIXED ASSETS:</b>		
Computer equipment	48,983	48,102
Office furniture & equipment	24,684	24,684
Accumulated depreciation	<u>(44,559)</u>	<u>(34,304)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>29,108</u>	<u>38,482</u>
<b>OTHER ASSETS:</b>		
Website design costs, net of accumulated amortization of \$12,320 in 2011 and \$9,120 in 2010	<u>6,880</u>	<u>10,080</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 922,983</u></u>	<u><u>\$ 1,032,669</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 288,956	\$ 259,209
Accrued rent	<u>22,494</u>	<u>23,148</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>311,450</u>	<u>282,357</u>
<b>NET ASSETS:</b>		
Unrestricted net assets	141,202	(58,032)
Temporarily restricted net assets	<u>470,331</u>	<u>808,344</u>
<b>TOTAL NET ASSETS</b>	<u>611,533</u>	<u>750,312</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 922,983</u></u>	<u><u>\$ 1,032,669</u></u>

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

**SECOND NATURE, INC.**  
**STATEMENT OF ACTIVITIES**  
**SIX MONTHS ENDED JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE:</b>			
Grants and contributions	\$ 250,669	\$ 5,000	\$ 255,669
Consulting	30,500		30,500
Membership dues	397,951		397,951
Conference income	41,495		41,495
Honoraria	2,834		2,834
Miscellaneous income	1,375		1,375
Interest income	106		106
Satisfaction of program restrictions	343,013	(343,013)	-
<b>TOTAL REVENUE</b>	<u>1,067,943</u>	<u>(338,013)</u>	<u>729,930</u>
<b>EXPENSES:</b>			
Program development	730,117		730,117
Management and general	34,217		34,217
Fundraising	104,375		104,375
<b>TOTAL EXPENSES</b>	<u>868,709</u>	<u>-</u>	<u>868,709</u>
Change in net assets	199,234	(338,013)	(138,779)
Net assets, beginning of year	<u>(58,032)</u>	<u>808,344</u>	<u>750,312</u>
Net assets, end of year	<u><u>\$ 141,202</u></u>	<u><u>\$ 470,331</u></u>	<u><u>\$ 611,533</u></u>

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

**SECOND NATURE, INC.**  
**STATEMENT OF ACTIVITIES**  
**TWELVE MONTHS ENDED ENDED DECEMBER 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE:</b>			
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)	-
<b>TOTAL REVENUE</b>	<u>2,390,960</u>	<u>90,813</u>	<u>2,481,773</u>
<b>EXPENSES:</b>			
Program development	1,906,784		1,906,784
Management and general	90,718		90,718
Fundraising	181,736		181,736
<b>TOTAL EXPENSES</b>	<u>2,179,238</u>	<u>-</u>	<u>2,179,238</u>
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 CASH FLOWS**  
**SIX MONTHS ENDED JUNE 30, 2011 AND TWELVE MONTHS ENDED DECEMBER 31,**  
**2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (138,779)	\$ 302,535
Non-cash items included in change in net assets-		
net cash provided (used) by operating activities:		
Depreciation expense	13,456	27,488
Proceeds from sale of fixed asset		2,610
(Increase) decrease in operating assets:		
Accounts receivable	(70,920)	(13,607)
Grant receivable	15,000	(15,000)
Other receivable	69	(69)
Prepaid expenses	(16,807)	
Prepaid insurance	1,241	(175)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	29,747	6,469
Accrued rent	(654)	487
Net cash provided (used) by operating activities	<u>(167,647)</u>	<u>310,738</u>
Cash flows from investing activities:		
Purchase of short term investment	(38)	(144)
Purchase of fixed assets & website costs	(882)	(3,228)
Net cash used by investing activities	<u>(920)</u>	<u>(3,372)</u>
Net increase (decrease) in cash	(168,567)	307,366
Cash and cash equivalents:		
Beginning of Year	<u>912,995</u>	<u>605,629</u>
End of Year	<u><u>\$ 744,428</u></u>	<u><u>\$ 912,995</u></u>

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

**SECOND NATURE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011 and December 31, 2010**

**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**  
**June 30, 2011 and December 31, 2010**

**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 for the six months ended June 30, 2011 and the twelve months ended December 31, 2010 was \$3,200 and \$6,400, respectively. Amortization of website design costs over the next two years ending June 30 is as follows:

2012	\$ 5,867
2013	<u>1,013</u>
Total	\$ <u>6,880</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

**SECOND NATURE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011 and December 31, 2010**

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

Income Taxes (continued)

income taxes in the accompanying financial statements. There was no unrelated business income for the six months ended June 30, 2011 and the twelve months ended ended December 31, 2010.

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 June 30, 2011. 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 twelve months ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011.

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 June 30, 2011 and December 31, 2010.

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**  
**June 30, 2011 and December 31, 2010**

**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 June 30, 2011 and December 31, 2010 represent grant funds available for the following purposes:

	<u>2011</u>	<u>2010</u>
Kresge Grant	\$ 361,761	\$ 554,000
Tompkins County Climate Protection	22,259	70,543
Green Facilities Project Campaign for Environmental Literacy	-	7,243
	<u>86,311</u>	<u>176,558</u>
	<u>\$ 470,331</u>	<u>\$ 800,344</u>

**4. CONCENTRATION OF RISK**

Cash

The Organization maintains a bank account with a creditworthy, high quality financial institution whose total account balances at June 30, 2011 and December 31, 2010 exceeded the federally insured limit of \$250,000 by \$513,520, and \$734,664, 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 six months ended June 30, 2011 and the twelve months ended December 31, 2010 contributions from individually significant contributors, which are contributors donating \$5,000 or more, amounted to approximately 92% and 94%, respectively, of total contributions.

**SECOND NATURE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011 and December 31, 2010**

**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 June 30, 2011 and December 31, 2010 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 \$50,069 and \$91,784 for the six months ended June 30, 2011 and the twelve months ended December 31, 2010, respectively. Future minimum lease payments for the next four years ending June 30, are as follows:

2012	93,592
2013	96,669
2014	99,746
2015	<u>8,334</u>
Total	<u>\$298,341</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 \$8,196 and \$17,316 for the six months ended June 30, 2011 and the twelve months ended December 31, 2010, respectively.

**SECOND NATURE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011 and December 31, 2010**

**8. RELATED PARTY TRANSACTIONS**

During the twelve months ended December 31, 2010 a board member of the organization was also employed by the Organization as a Senior Fellow and was compensated \$26,667. During the twelve months ended December 31, 2010 the Organization paid \$88,064 to a firm to perform program consulting services. The partner of this firm was 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 \$18,000 and \$66,240 for the six months ended June 30, 2011 and the twelve months ending December 31, 2010, respectively.

**9. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 6, 2012 the date the financial statements were available to be issued.

**SECOND NATURE, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**SIX MONTHS ENDED JUNE 30, 2011**

	Programs	Management and General	Fund Raising	Total
Staff salaries	\$ 287,706	\$ 16,983	\$ 55,787	\$ 360,476
Professional fees	145,199	1,207	3,683	150,089
Director's salaries	74,978	7,154	17,839	99,971
Employee benefits & payroll taxes	65,849	4,206	12,829	82,884
Rent	39,438	2,625	8,006	50,069
Travel, lodging, meals	38,286	-	-	38,286
Office costs	31,270	800	2,439	34,509
Conference & events	28,714	-	-	28,714
Depreciation	10,599	705	2,152	13,456
Utilities	6,616	440	1,343	8,399
Insurance	1,462	97	297	1,856
<b>TOTAL</b>	<u><u>\$ 730,117</u></u>	<u><u>\$ 34,217</u></u>	<u><u>\$ 104,375</u></u>	<u><u>\$ 868,709</u></u>

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

**SECOND NATURE, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**TWELVE MONTHS ENDED DECEMBER 31, 2010**

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