

ALCOHOL JUSTICE, formerly Marin Institute

Audited Financial Statements

JUNE 30, 2012

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6

Deborah Daly CPA

PO Box 39
Pleasanton, CA 94566

Office (925) 426-1996
Fax (925) 426-1196

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Alcohol Justice:

We have audited the accompanying statement of financial position of Alcohol Justice, formerly Marin Institute (a nonprofit organization) as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. 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. The prior year summarized comparative information has been derived from the Organization's June 30, 2011 financial statements and, in our report dated August 31, 2011 we expressed an unqualified opinion on those financial statements.

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 Alcohol Justice as of June 30, 2012, 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.



Pleasanton, California
August 7, 2012

ALCOHOL JUSTICE (formerly Marin Institute)
Statement of Financial Position
June 30, 2012

	Unrestricted	Temporarily Restricted	Total 2012	Summarized 2011
ASSETS				
Cash	\$126,422		\$126,422	\$100,946
Pledges receivable	5,850		5,850	358
Prepaid expenses	33,254		33,254	33,595
TOTAL CURRENT ASSETS	165,526		165,526	134,899
Investments	71,313		71,313	62,028
Beneficial interest in trust		\$199,950	199,950	200,389
Property and equipment, net	1,231,916		1,231,916	1,232,576
TOTAL ASSETS	\$1,468,755	\$199,950	\$1,668,705	\$1,629,892
LIABILITIES				
Accounts payable	\$37,093		\$37,093	\$14,059
Accrued compensation	52,442		52,442	44,937
TOTAL CURRENT LIABILITIES	89,535		89,535	58,996
NET ASSETS				
Unrestricted	1,379,220		1,379,220	1,370,507
Temporarily restricted		\$199,950	199,950	200,389
TOTAL NET ASSETS	1,379,220	199,950	1,579,170	1,570,896
TOTAL LIABILITIES AND NET ASSETS	\$1,468,755	\$199,950	\$1,668,705	\$1,629,892

The accompanying notes are an integral part of this financial statement.

ALCOHOL JUSTICE (formerly Marin Institute)
Statement of Activities
For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total 2012	Summarized 2011
SUPPORT AND REVENUE				
Allocation, Buck Trust	\$1,137,867		\$1,137,867	\$1,152,982
Grants & awards	5,000		5,000	14,267
Contributions	13,544		13,544	21,400
Professional fees	10,000		10,000	
Investment income	13,826	(439)	13,387	58,208
Other income	240		240	120
Total support and revenue	1,180,477	(439)	1,180,038	1,246,977
EXPENSES				
Program services				
Industry Watchdog	971,365		971,365	983,141
Supporting services				
Management and general	168,374		168,374	207,560
Fund-raising	32,025		32,025	83,393
Total expenses	1,171,764		1,171,764	1,274,094
INCREASE / (DECREASE) IN NET ASSETS	8,713	(439)	8,274	(27,117)
NET ASSETS AT BEGINNING OF YEAR	1,370,507	200,389	1,570,896	1,598,013
NET ASSETS AT END OF YEAR	1,379,220	199,950	1,579,170	\$1,570,896

The accompanying notes are an integral part of this financial statement.

ALCOHOL JUSTICE (formerly Marin Institute)
Statement of Functional Expenses
For the Year Ended June 30, 2012

	Program	Supporting Services			Total	Summarized
	Industry Watchdog	Mgmt & General	Fund Raising	Total	2012	2011
Salaries	\$534,114	\$49,596	\$19,404	\$68,999	\$603,113	\$633,732
Payroll taxes	42,837	3,941	1,542	5,482	48,319	48,990
Employee benefits	136,103	12,621	4,938	17,559	153,662	164,719
Subtotal compensation	713,054	66,158	25,884	92,041	805,095	847,441
Conferences & meetings	46,453	14,552	105	14,657	61,109	29,208
Dues, fees & other charges	315	2,634		2,634	2,949	7,890
Equipment lease / purchase	11,345	2,797	485	3,282	14,627	23,050
Insurance		13,389		13,389	13,389	13,076
Maintenance & repairs	23,010	1,823	674	2,498	25,508	31,461
Outside services	32,906	1,113	2,201	3,315	36,220	96,961
Postage & delivery	443	223		223	666	1,561
Printing & design	28,951	178	147	325	29,276	45,793
Professional services		57,480		57,480	57,480	70,941
Subscriptions / data	7,677	262	72	334	8,011	5,499
Supplies	9,619	2,133	432	2,565	12,185	7,560
Telephone / internet	11,709	756	283	1,039	12,748	11,829
Travel	34,225	231		231	34,456	25,352
Utilities	7,927	713	267	980	8,907	9,396
Subtotal before:	927,633	164,443	30,551	194,994	1,122,627	1,227,018
Depreciation / Amortization	43,732	3,931	1,474	5,405	49,137	47,076
TOTAL	\$971,365	\$168,374	\$32,025	\$200,399	\$1,171,764	\$1,274,094

The accompanying notes are an integral part of this financial statement.

ALCOHOL JUSTICE (formerly Marin Institute)
Statement of Cash Flows
For the Year Ended June 30, 2012

	Total 2012	Summarized 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$8,274	(\$27,117)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized changes in investments	(10,165)	(50,998)
Depreciation expense	49,137	47,076
Prior period adjustment		(6,371)
(Increase) decrease in operating assets		
Pledges receivable	(5,492)	9,482
Awards receivable		12,652
Prepaid expenses	341	6,371
Increase (decrease) in operating liabilities		
Accounts payable	23,034	(8,254)
Accrued compensation	7,505	(16,136)
Agency refundable		(12,651)
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	72,634	(45,946)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments (purchased) / redeemed, net	1,319	53,466
Property and equipment additions, net of disposals	(48,477)	(7,721)
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	(47,158)	45,745
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,476	(201)
BEGINNING CASH AND CASH EQUIVALENTS	100,946	101,147
ENDING CASH AND CASH EQUIVALENTS	\$126,422	\$100,946

The accompanying notes are an integral part of this financial statement.

ALCOHOL JUSTICE (formerly Marin Institute)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

SUMMARY OF ACTIVITIES

Alcohol Justice, formerly Marin Institute, (the Organization) is a community-based non-profit health and welfare Organization, incorporated in the state of California in 1987. On June 6, 2011 ALCOHOL JUSTICE RESTATED ARTICLES OF INCORPORATION were approved by the Secretary of the State of California and, on that date, the name of the Organization changed from Marin Institute to Alcohol Justice.

The Organization is a component fund of the Marin Community Foundation, which is similar to a subsidiary relationship and as such the Organization's financial statements are combined with those of the Marin Community Foundation for federal tax reporting purposes. Reporting of state taxes by Alcohol Justice is separate from Marin Community Foundation. Alcohol Justice, the industry watchdog, promotes evidence-based public health policies and organizes campaigns with diverse communities and youth against the alcohol industry's harmful practices.

Program Services – Alcohol Industry Watchdog

The Organization is dedicated to challenging the alcohol industry's negative practices. The Organization monitors and exposes the alcohol industry's harmful actions related to products, promotions and social influences, and supports communities in their efforts to reject these damaging activities. Activities include policy making and economic analysis of the alcohol industry, documentation of the undue political and charitable influence of the industry, advocacy for appropriate taxation of alcohol, and advocacy against marketing to youth and minorities. In addition, the Organization's website is a hub for information regarding the alcohol industry.

SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies that follow enhance the usefulness of the financial statements to the reader.

The Organization prepares its financial statements in accordance with Accounting Standards for Not-for-profit Organizations. The Organization reports 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. In addition, the Organization is required to present a statement of cash flows.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Temporary restricted net assets include those assets, which are subject to a donor restriction and for which the applicable restriction was not met at the end of the current reporting period. The Organization has elected to report as an increase in restricted net assets all restricted revenue received. As donor requirements are fulfilled restricted revenue is reclassified to unrestricted net assets. Permanently restricted net assets include those assets, subject to non-expiring donor restrictions, such as endowments. The Organization currently, does not have any permanently restricted net assets.

Income Taxes

The Organization is not classified as a private foundation and is exempt from federal and state income taxes under section 501(c)3 of the Internal Revenue Code and Section 23701(d) of the California Code. The Organization is considered a publicly supported organization. The Financial Accounting Standards Boards (FASB) interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, subsequently included in the FASB codification as ASC 740 prescribes a recognition threshold and a measurement attribute for financial statement recognition of tax positions taken or expected to be taken on a tax return. Management has evaluated its uncertain tax positions and related income tax contingencies, for the year ended June 30, 2012, and does not believe any material uncertain tax positions exist.

Cash and Cash Equivalents

For purposes of the statement of cash flows the Organization considers cash and cash equivalents to include all cash accounts held in banks and other financial institutions.

ALCOHOL JUSTICE (formerly Marin Institute)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

The Organization carries investments in equities with readily determinable fair values in the Statement of Financial Position. Unrealized gains and losses are included in investment income in the accompanying Statement of Activities.

Beneficial Interest in a Lead Trust

The Organization is a beneficiary of a charitable lead trust in which it is entitled to receive a share of the earnings annually, which is valued at \$199,950 at June 30, 2012. The trust is administered by Marin Community Foundation, which also has been granted variance power. The terms of the trust mandate perpetual control of the corpus to the named trustee.

Contributions

The Organization accounts for contributions received and contributions made in accordance with Accounting Standards for Not-for-profit Organizations. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and, or nature of any donor restrictions.

Contributions In-kind

Donated goods are recorded at estimated fair market value on the day of donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered. For the year ended June 30, 2012 the Organization did not receive any in-kind donations meeting the definition of generally accepted accounting principles and as such no in-kind donated services have been recognized in the financial statements.

Revenue Recognition

The Organization's primary revenue source is a defined allocation from the Marin Community Foundation. The Organization also receives various donations and grants and earns investment income. The allocation, donations and grants are recognized as revenue when they are received in writing.

Allowance for Doubtful Accounts

The Organization does not maintain an allowance account on allocations, grants or donations receivable, as those funding sources are very likely to be received. The Organization's accounts receivable balance is immaterial in amount and any balance still outstanding after management has used reasonable collection efforts are written off directly to bad debts expense. All receivables are current.

Property, Equipment and Depreciation

Property and equipment is recorded at cost when purchased or, if contributed, at estimated fair market value when donated. It is the Organization's policy to capitalize items costing more than \$1,000. Depreciation is computed using the straight-line method over the asset's estimated useful life, which ranges from five to twenty seven and one half years. Depreciation is charged to the activity benefiting from the use of the facilities or equipment.

Comparative Financial Information

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 Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the information was obtained. In addition, certain reclasses have been made to the prior year financial statements in order for them to conform to the current year format.

ALCOHOL JUSTICE (formerly Marin Institute)
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

Indirect Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have allocated to program, management & general, and fundraising based on a management time study of employee work assignments.

Fair Value Measurements

The Organization adopted the provisions of SFAS 157, Fair Value Measurements on July 1, 2008, subsequently included in the Codification as ASC 820. ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis. Under ASC 820 fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on inputs that are less observable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market exist. Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for assets and liabilities categorized in Level 3.

The carrying amounts of cash, certificates of deposits and receivables that are expected to be received in less than one year approximate fair value because of the short maturity of these financial instruments. The Organization values its investments and beneficial interest in trust using quoted market prices and other relevant information generated by market transactions as confirmed with the Marin Community Foundation. The Organization's financial instruments at June 30, 2012 are summarized as follows:

<u>Financial assets</u>	<u>Carrying Amount</u>	<u>(Level 1)</u>	<u>(Level 3)</u>
Investments	\$71,313	\$71,313	
Beneficial interest in trust	\$199,950		\$199,950

NOTE B – ALLOCATION, MARIN COMMUNITY FOUNDATION FUNDS

Marin Community Foundation is the designated trustee for major projects of the Buck Trust; of which, the Organization is entitled to receive 15%, subject to reservation of jurisdiction. For the year ended June 30, 2012 the allocation of these funds to the Organization totaled \$1,137,867.

ALCOHOL JUSTICE (formerly Marin Institute)
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE C – INVESTMENTS & BENEFICIAL INTEREST IN LEAD TRUST

At June 30, 2012 investments and beneficial interest in lead trust, held at Marin Community Foundation, are carried at fair value in the statement of financial position, and consist of the following:

<u>Investment type</u>	<u>Total</u>	<u>Edward Jones</u>	<u>MCF</u>
Equity Securities	\$71,313	\$71,313	
Cash Funds	\$1,698	\$1,698	
Beneficial interest in trust	\$199,950		\$199,950
Total	<u>\$272,961</u>	<u>\$73,011</u>	<u>\$199,950</u>

Change in value for the year ended June 30, 2012 is as follows:

	<u>Total</u>	<u>Edward Jones</u>	<u>MCF</u>
Invested at beginning of year	\$262,700	\$62,311	\$200,389
Invested at end of year	\$272,961	\$73,011	\$199,950
Change in value	<u>\$10,261</u>	<u>\$10,700</u>	<u>(\$439)</u>

Investment income consists of the following:

	<u>Total</u>	<u>Edward Jones</u>	<u>MCF</u>	<u>Savings</u>
Interest & Dividends	\$4,223	\$1,332	(\$235)	3,126
Unrealized Gains/Losses	\$10,165	\$9,120	\$1,045	
Realized Gains/Losses	\$364	\$364		
Investment Fees	(\$1,365)	(\$116)	(\$1,249)	
Total investment income	<u>\$13,387</u>	<u>\$10,700</u>	<u>(\$439)</u>	<u>\$3,126</u>

NOTE D - PROPERTY AND EQUIPMENT

At June 30, 2012 property and equipment and related accumulated depreciation is as follows:

Land	\$524,367
Building	932,208
Building improvements	419,041
Furniture & fixtures	52,130
Computer equipment	39,618
Subtotal	<u>1,967,364</u>
Less: accumulated depreciation	<u>(735,448)</u>
Net	<u>\$1,231,916</u>

NOTE D - RETIREMENT PLAN

The Organization has a defined retirement contributory plan that qualifies under IRS Code 403(b). The plan covers all employees who have completed ninety days of employment at the Organization. Contributions calculated are equal to ten percent of each employee's salary, which totaled \$51,894 for the year ended June 30, 2012.

ALCOHOL JUSTICE (formerly Marin Institute)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE F – FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash balances and allocation funds received from Marin Community Foundation. The Organization maintains a majority of their cash in bank deposit accounts that, at times, may exceed federally insured limits of \$250,000. The organization has not experienced any losses in such accounts. Management believes the organization is not exposed to any significant credit risk related to cash.

At June 30, 2012, the Organization's uninsured cash balance is \$0 and the Organization's beneficial interest in lead trust and investments are not federally insured. For the year ended June 30, 2012 concentrations in revenue are as follows: 97% of the Organization's total revenue was received from the allocation provided by the Marin Community Foundation.

The ability of the Organization's allocations from the Marin Community Foundation to continue to provide amounts comparable with prior years may be dependent upon current and future economic conditions and budget constraints. While the Board of Directors believes the Organization has the resources to continue current and future programs, its ability to do so, and the extent to which it does continue, may be dependent on the above factors.

NOTE G – TEMPORARY RESTRICTED NET ASSETS

At June 30, 2012 the Organization's temporarily restricted net assets activity is as follows:

<u>Purpose</u>	<u>Beginning</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u>
Beneficial interest in trust	\$200,389	\$810	(\$1,249)	\$199,950

NOTE H – RELATED PARTY TRANSACTIONS

The Organization is a component fund of the Marin Community Foundation and as such, all financial transactions with the Marin Community Foundation are considered related party transactions. For the year ending June 30, 2012 related party transactions with Marin Community Foundations are as follows: Allocation \$1,137,867 and beneficial interest in lead trust \$199,950. In addition, the Organization executed a \$10,000 professional services contract with Pueblo Y Salud, whose Executive Director serves on the Organization's Board of Directors.

NOTE I – SUBSEQUENT EVENTS

Management has reviewed the results of operations for the period of time from its year end, June 30, 2012, through August 7, 2012, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.