GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.
FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009
with
Report of Independent Auditors

GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.
September 30, 2010 and 2009

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NOVOGRADAC
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

To the Board of Directors of
Greenbelt Alliance/People for Open Space, Inc.:

We have audited the accompanying statement of financial position of Greenbelt Alliance/People for Open Space, Inc. (the "Organization") as of September 30, 2010, 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 financial statements of the Organization for the year ended September 30, 2009 were audited by other auditors, whose report dated December 27, 2009, expressed an unqualified opinion on those 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 Greenbelt Alliance/People for Open Space, Inc. as of September 30, 2010, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Novogradac & Company LLP

San Francisco, California
December 30, 2010

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GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 419,188	$ 1,051,593
Accounts receivable	19,713	21,233
Prepaid expenses	31,192	40,400
Grants receivable	382,000	444,000
Total current assets	852,093	1,557,226
Deposits	12,184	12,834
Fixed assets, net	8,261	5,936
Investments	811,795	-
Investments restricted for endowment	1,200,743	1,113,162
TOTAL ASSETS	$ 2,885,076	$ 2,689,158
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 11,479	$ 25,141
Accrued payroll liabilities	56,903	52,577
Other liabilities	917	917
Total current liabilities	69,299	78,635
Deferred rent	19,847	29,523
Total liabilities	89,146	108,158
Net assets:		
Unrestricted:		
Available for operations	326,786	183,908
Designated for operating reserve	634,478	486,212
Designated for Greenbelt Alliance Initiative Fund	30,300	16,898
Designated for Quasi Endowment	119,601	17,482
Total unrestricted	1,111,165	704,500
Temporarily restricted	627,383	819,118
Permanently restricted endowment	1,057,382	1,057,382
Total net assets	2,795,930	2,581,000
TOTAL LIABILITIES AND NET ASSETS	$ 2,885,076	$ 2,689,158

see accompanying notes

GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.
STATEMENTS OF ACTIVITIES
For the years ended September 30, 2010 and 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
SUPPORT AND REVENUE					
Membership dues:					
Membership renewals	$ 100,717	$ 72,345	$ -	$ 173,062	$ 197,376
New memberships	10,063	-	-	10,063	13,442
Other revenue:					
Workplace giving	8,826	-	-	8,826	18,021
Major donors	538,255	-	-	538,255	626,264
Business contributions	1,100	-	-	1,100	17,315
Foundation grants	87,250	1,156,500	-	1,243,750	1,530,908
Endowment donations	50	-	-	50	40,200
Dedicated donations	85,248	-	-	85,248	12,048
Educational events	96,490	58,437	-	154,927	144,884
Contracts and other fees:					
Contracts	94,000	3,120	-	97,120	99,468
Fees	6,480	-	-	6,480	35,594
Miscellaneous income	19,497	-	-	19,497	7,668
Merchandise sales	134	-	-	134	733
Net gain (loss) from investment:					
Realized losses	(2,335)	(141,206)	-	(143,541)	(68,833)
Unrealized gains	32,175	210,089	-	242,264	41,689
Interest and dividends	23,999	21,270	-	45,269	38,464
Net assets released from restrictions:					
Purpose accomplished	1,572,290	(1,572,290)	-	-	-
TOTAL SUPPORT AND REVENUE	2,674,239	(191,735)	-	2,482,504	2,755,241
EXPENSES					
Program services:					
Greenbelt Alliance operating programs					
Communication and education	219,973	-	-	219,973	190,802
Membership	246,091	-	-	246,091	258,205
Policy and field	1,291,039	-	-	1,291,039	915,920
Research	55,720	-	-	55,720	185,544
Fiscal sponsorship					
Open Space Council	3,120	-	-	3,120	439,959
San Francisco Housing Action Coalition	126,691	-	-	126,691	135,729
Greenbelt Alliance Initiative Fund	12,736			12,736	9,092
Total program services	1,955,370	-	-	1,955,370	2,135,251
Supporting services					
Administration	163,133	-	-	163,133	61,282
Fundraising	149,071	-	-	149,071	180,960
Total supporting services	312,204	-	-	312,204	242,242
TOTAL EXPENSES	2,267,574	-	-	2,267,574	2,377,493
INCREASE (DECREASE) IN NET ASSETS	406,665	(191,735)	-	214,930	377,748
NET ASSETS, BEGINNING OF YEAR	704,500	819,118	1,057,382	2,581,000	2,203,252
NET ASSETS, END OF YEAR	$ 1,111,165	$ 627,383	$ 1,057,382	$ 2,795,930	$ 2,581,000

see accompanying notes

GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended September 30, 2010 and 2009

	Program Services								Support Services			2010	2009
	Communications and education	Membership	Policy and field	Research	Open Space Council	San Francisco Housing Action Coalition	Greenbelt Alliance Initiative Fund	Total Program Services	Administration	Fundraising	Total Support Services	TOTAL	TOTAL
Salaries	$ 114,345	$ 100,925	$ 711,608	$ 36,916	$ -	$ 86,087	$ -	$ 1,049,881	$ 87,650	$ 103,364	$ 191,014	$ 1,240,895	$ 1,206,906
Payroll taxes	9,045	7,879	56,436	2,751	-	6,970	-	83,081	6,949	8,205	15,154	98,235	93,406
Employee benefits	11,878	11,675	67,735	6,472	-	3,125	-	100,885	9,578	11,362	20,940	121,825	113,030
Worker's compensation insurance	950	916	5,182	530	-	562	-	8,140	800	952	1,752	9,892	8,767
Rent	7,839	6,875	76,424	2,494	-	5,095	-	98,727	6,043	7,135	13,178	111,905	123,044
Telephone	2,053	1,730	21,846	350	-	202	-	26,181	2,373	2,243	4,616	30,797	29,056
Utilities	-	-	673	-	-	-	-	673	-	-	-	673	766
Printing and duplication	11,152	10,805	2,786	14	-	112	-	24,869	350	3,986	4,336	29,205	33,887
Copier maintenance	32	25	220	2	-	-	-	279	22	149	171	450	479
Postage and mailing	3,785	10,997	3,738	293	-	20	1,936	20,769	532	814	1,346	22,115	18,564
Office supplies	1,234	750	7,330	242	-	66	-	9,622	1,044	1,111	2,155	11,777	12,543
Publications, dues and fees	173	611	1,509	-	-	-	-	2,293	597	109	706	2,999	2,684
Equipment	1,748	371	4,367	179	-	-	-	6,665	625	532	1,157	7,822	5,209
Meetings	1,261	1,139	13,224	169	-	75	-	15,868	17,608	1,066	18,674	34,542	26,262
Travel	1,596	1,960	12,727	1	-	18	-	16,302	6,507	1,048	7,555	23,857	22,567
Insurance	340	301	2,094	115	-	-	-	2,850	263	310	573	3,423	3,554
Events	-	72,505	3,017	-	-	21,731	-	97,253	190	136	326	97,579	88,667
Promotion	-	-	-	-	-	-	-	-	-	-	-	-	2,848
Consulting	34,248	9,104	276,424	4,802	-	1,651	5,500	331,729	3,843	3,660	7,503	339,232	322,239
Accounting	-	-	-	-	-	-	-	-	11,025	-	11,025	11,025	11,400
Legal	-	-	4,601	-	-	-	-	4,601	1,404	-	1,404	6,005	4,437
Grants (educational)	15,006	-	-	-	-	-	-	15,006	-	-	-	15,006	40,000
Service charges and fees	3,040	2,794	16,833	306	-	977	-	23,950	1,955	2,663	4,618	28,568	32,160
Bank charges	-	3,720	-	-	-	-	-	3,720	387	-	387	4,107	3,400
Taxes, licenses and permits	-	245	735	-	-	-	-	980	3,162	-	3,162	4,142	180
Contributions (lobbying)	-	-	-	-	-	-	5,300	5,300	-	-	-	5,300	6,000
Miscellaneous expenses	-	-	-	-	-	-	-	-	34	-	34	34	(29)
Depreciation	248	764	1,530	84	-	-	-	2,626	192	226	418	3,044	3,615
Pass through project	-	-	-	-	3,120	-	-	3,120	-	-	-	3,120	161,852
TOTAL	$ 219,973	$ 246,091	$ 1,291,039	$ 55,720	$ 3,120	$ 126,691	$ 12,736	$ 1,955,370	$ 163,133	$ 149,071	$ 312,204	$ 2,267,574	$ 2,377,493

see accompanying notes

GREENBELT ALLIANCE/
PEOPLE FOR OPEN SPACE, INC.
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 214,930	$ 377,748
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,044	3,615
Realized and unrealized (gains) losses	(98,723)	27,144
(Increase) decrease in assets:		
Accounts receivable	1,520	26,972
Prepaid expenses	9,208	(17,396)
Grants receivable	62,000	(302,000)
Deposits	650	(251)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(13,662)	(13,427)
Accrued payroll liabilities	4,326	3,036
Other liabilities	-	917
Deferred rent	(9,676)	(7,535)
Net cash provided by operating activities	173,617	98,823
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(5,369)	(5,374)
Purchase of investments, net	(800,653)	(9,462)
Net cash used in investing activities	(806,022)	(14,836)
Net (decrease) increase in cash and cash equivalents	(632,405)	83,987
Cash and cash equivalents, beginning of year	1,051,593	967,606
Cash and cash equivalents, end of year	$ 419,188	$ 1,051,593

see accompanying notes

NOTE 1 - ORGANIZATION

Greenbelt Alliance/People for Open Space, Inc. (the "Organization") is a nonprofit public benefit organization, founded in 1958, with offices in San Francisco, San Jose, Santa Rosa, and Walnut Creek, California. The Organization's mission is to make the nine county San Francisco Bay Area a better place to live by protecting the region's greenbelt and improving the livability of its cities and towns. The Organization works through public policy development, advocacy and education, in partnership with diverse coalitions. Operations are primarily supported through grants and contributions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting
The financial statements of the Organization have been presented on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Estimates
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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of presentation
Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. The Board of Directors of the Organization (the "Board") has designated portions of this class of net assets, as follows:

- **Designated for operating reserve** - Represents amounts set aside for use during economic downturns or for other special purposes as determined by the Board. The Board's goal is to establish this reserve at an amount equal to approximately five months of operating expenses (excluding certain activities supported by restricted contributions).

- **Designated for Greenbelt Alliance Initiative Fund ("GAIF") -** Represents amounts collected and spent to support ballot initiative campaigns, which are consistent with the Organization's objectives. Additions to this fund come from nondeductible donor contributions and an allocation of the interest or investment income earned by the Organization. (see Note 7)

- **Designated for Quasi Endowment -** Represents amounts set aside by the Board to be treated as an endowment fund, whereby the principal will be held indefinitely and earnings will be used for operations. These amounts can be removed from this designation at the Board's discretion and are therefore unrestricted. (see Note 6)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. (see Note 5)

Permanently restricted endowment - Net assets subject to donor-imposed stipulations that amounts received be maintained permanently by the Organization. The earnings or losses realized on permanently restricted and Quasi Endowment funds are classified as unrestricted support and revenue. The Board has established specific policies related to these net assets and any earnings or losses. (see Note 6)

Accounting for restricted support

The Organization reports gifts of cash and other assets as restricted support if they are received with donor's stipulation limiting the use of the donated assets. When a donor's restriction expires, that is, 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 restrictions.

In-kind contributions

Contributed services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. No such contributions were recognized during the years ended September 30, 2010 and 2009.

Pledges received

Pledges of grants or donations are recorded as revenue when they are received in writing. The receivables are recorded net of allowance for estimated uncollectible amounts. No such pledges were received during the years ended September 30, 2010 and 2009.

Allocation of expenses

Shared expenses are allocated to programs and supporting services based on the ratio of each activity's direct salary cost to total salary expense.

Cash and cash equivalents

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentration of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. Cash and cash equivalents were held in two financial institutions where the guaranteed amount of Federal Deposit Insurance Corporation was $250,000 per account holder. The Organization had no uninsured cash or cash equivalents as of September 30, 2010. Total uninsured cash and cash equivalents as of September 30, 2009 was $1,516.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of financial instruments

The Organization establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are readily accessible at the measurement date for identical, unrestricted net assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities. Valuations for assets and liabilities traded in less active dealer or broker markets are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Inputs that are both significant to the fair value measurement and unobservable. Valuations for assets and liabilities are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The following tables present the Foundation's assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of September 30, 2010 and 2009:

	September 30, 2010			
	Level 1	Level 2	Level 3	Fair Value Measurements
Investments	$ 811,795	$ -	$ -	$ 811,795
Investments restricted for endowments	945,586	255,157	-	1,200,743
Total investments	$ 1,757,381	$ 255,157	$ -	$ 2,012,538

	September 30, 2009			
	Level 1	Level 2	Level 3	Fair Value Measurements
Investments restricted for endowments	$ 876,615	$ 236,547	$ -	$ 1,113,162

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments
Investments are recorded at fair value and include mutual funds and investments held and managed on a pooled basis by a community foundation or third party manager. Investment earnings include unrealized and realized gains and losses, interest and dividends.

Fixed assets and depreciation
Fixed assets are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation of furniture and equipment is provided over the estimated useful lives of the assets, generally three to five years, using the straight-line method of depreciation. Leasehold improvements are depreciated over the life of the asset or the lease, whichever is shorter.

Deferred rent
The Organization's corporate office is leased under an agreement which has fixed increases in the monthly rent payment. Rent expense is recognized on a straight-line basis over the life of the entire lease. The difference between the cash payments and the expense recognized is recorded as a deferred rent liability.

Income taxes
The Organization has been granted tax exempt status by the Internal Revenue Service and the California Franchise Tax Board. In addition, the Organization has received a ruling from the Internal Revenue Service that it is not a private foundation. The Organization is registered with the Registry of Charitable Trusts of the Office of the Attorney General of the State of California.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. Management has determined whether any tax positions have met the recognition threshold and have measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities.

Subsequent events
Subsequent events have been evaluated through December 30, 2010, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

Reclassifications
Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

NOTE 3 – GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable consist of the following:

	September 30, 2010	September 30, 2009
Grants:		
Planning and Conservation League	$ -	$ 2,000
David L. Klein Foundation	-	25,000
The Wallace Alexander Gerbode Foundation	75,000	125,000
Marin Community Foundation	307,000	192,000
Wild Spaces Foundation	-	100,000
Total grants receivable	382,000	444,000
Accounts receivable:		
Donations receivable/Groundspring	2,553	3,187
Non-Profit Housing Association	160	160
Employee receivable	-	730
Transform	17,000	17,156
Total accounts receivable	19,713	21,233
Total grants and accounts receivable	$ 401,713	$ 465,233

NOTE 4 – FIXED ASSETS

Fixed assets consist of the following:

	September 30, 2010	September 30, 2009
Furniture and equipment	$ 70,054	$ 64,685
Leasehold improvements	7,062	7,062
Total fixed assets	77,116	71,747
Less: accumulated depreciation	(68,855)	(65,811)
Net fixed assets	$ 8,261	$ 5,936

Depreciation expense for the years ended September 30, 2010 and 2009 was $3,044 and $3,615, respectively.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	September 30, 2009	Additions	Released	September 30, 2010
Grants with use restrictions:				
Bay Area Open Space Council	$ -	$ 3,120	$ 3,120	$ -
SF Housing Action Coalition	41,355	130,782	127,934	44,603
Total grants with use restrictions	41,355	133,902	131,054	44,603
Grants with time restrictions:				
East Bay Community Foundation (1) (Upper Broadway Project)	7,680	-	7,680	-
East Bay Community Foundation (2) (Great Communities Collaborative)	-	40,000	6,154	33,846
East Bay Community Foundation (3) (General Operating)	11,667	-	11,667	-
Gerbode (Grow Smart Bay Area)	133,333	-	50,000	83,333
Goldman Foundation (Grow Smart Bay Area)	8,333	100,000	75,000	33,333
HealthTrust (1) (Grow Smart Bay Area)	57,000	-	57,000	-
HealthTrust (2) (South Bay General Plans)	-	75,000	18,750	56,250
Heller Foundation (Grow Smart Bay Area)	4,167	-	4,167	-
Hewlett Foundation (1) (Communications Consultant)	-	35,000	32,083	2,917
Hewlett Foundation (2) (Great Communities Collaborative)	-	200,000	183,333	16,667
Marin Community Foundation (Smart Growth)	176,000	474,000	368,583	281,417
Packard Foundation (Green Vision)	22,500	-	22,500	-
Resource Legacy Fund (Envision Bay Area)	-	50,000	4,167	45,833
San Francisco Foundation (1) (Great Communities Collaborative)	30,208	32,500	62,708	-
San Francisco Foundation (2) (Grow Smart Bay Area)	17,500	35,000	26,250	26,250
Silicon Valley Community Foundation (1) (Grow Smart Bay Area)	62,500	-	62,500	-
Silicon Valley Community Foundation (2) (Great Communities Collaborative)	-	40,000	36,666	3,334
Transform (1) (Great Communities Collaborative)	80,208	-	80,208	-
Transform (2) (Climate Plan Program Sub Grant)	-	75,000	75,000	-
Wildspaces (Grow Smart Bay Area)	166,667	-	166,667	-
Net gain from investment	-	90,153	90,153	-
Total grants with time restrictions	777,763	1,246,653	1,441,236	583,180
Total temporarily restricted net assets	$ 819,118	$1,380,555	$ 1,572,290	$ 627,383

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

A description of the significant restrictions follows:

Grants with use restrictions - Grants pledged or received that are for a specific purpose are included in this category.

Bay Area Open Space Council ("BAOSC") – The BAOSC is a collaborative effort of over 150 public and non-profit agencies and organizations, providing regional leadership and expertise for the preservation and professional management of open spaces in and around the San Francisco Bay Area. All amounts received are passed through to BAOSC.

The San Francisco Housing Action Coalition ("SFHAC") - The SFHAC was formed in 1999 to address housing needs in San Francisco. SFHAC is supported by contributions and dues which are collected by the Organization. The SFHAC does not have a stand-alone board and the director is an employee of the Organization.

Grants with time restrictions - Grants pledged or received that are for future periods are included in this category.

East Bay Community Foundation Upper Broadway Project – The Organization has partnered with East Bay Housing Organization to address affordable housing and high-quality transit oriented development along Upper Broadway in Oakland, California for the regional planning process for this area.

Great Communities Collaborative - Grants were received in support of the Organization's Great Communities Program. The Great Communities Collaborative is a group of the Bay Area's leading transit, housing, and environmental advocates working together to ensure that development around new transit stations is vibrant, pedestrian-oriented, and supports the use of transit.

General operating support - Grants were received for the Organization's general operating support.

Envision Bay Area / Grow Smart Bay Area ("GSBA") - GSBA is Greenbelt Alliance's new long-range project to help re-shape the course of growth and development in the nine-county Bay Area. As part of GSBA, Greenbelt Alliance plans to work closely with a broad cross section of partners to make the Bay Area a national example of how a diverse and populous region can grow without sacrificing its natural environment, and while improving the quality of life for residents across the socio-economic spectrum.

Health Trust (South Bay General Plans) – The Organization received a grant with the long-term goal to add policy language to the General Plans in the cities of San Jose, Santa Clara and Mountain View about improving public health.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Hewlett Foundation (Communications Consultant) – A grant was received to assist the Organization in choosing and implementing a new database.

Marin Community Foundation (Smart Growth) - A grant was received to promote smart growth efforts in Marin County and to play a leadership role in the upcoming General Countywide Plan update, the blueprint for managing the county's projected growth through 2020. Smart growth principles include: planning for the future, promoting prosperous and livable communities; providing better housing and transportation opportunities; and protecting farmland, open space, and the environment.

Green Vision - Grants were received in support of the Organization's Green Vision Project. The Green Vision project is unique effort that brings together - for the first time - all the region's major conservation organizations and agencies to achieve a common goal: a fully protected 3 million acre greenbelt around the Bay Area.

TransForm (Climate Plan) - A grant was received to promote the Organization's ClimatePlan program. ClimatePlan is a new network of leading organizations that have come together to inform and educate California's local, regional and state decision-makers about the global warming-land use connection. The mission of ClimatePlan is to promote land use policies and public investment to help achieve the greenhouse gas reduction targets established by AB 32, California's Global Warming Solutions Act, while improving the quality of life in California and serving as a model for national action.

NOTE 6 – INVESTMENT: RESTRICTED AND DESIGNATED FOR ENDOWMENT

The Organization has established an endowment fund which has 2 components, 1) a permanently restricted endowment (the "Permanent Endowment Fund") established from contributions restricted by donors and, 2) an unrestricted but designated endowment established from Board designated funds (the "Quasi Endowment Fund"). All permanently restricted bequests or gifts received are added to the Permanent Endowment Fund. If bequests are not restricted, the Board has a policy that 75% of such bequests will be designated as Quasi Endowment Funds. These two funds together are referred to as the Combined Endowment Fund.

NOTE 6 – INVESTMENT: RESTRICTED AND DESIGNATED FOR ENDOWMENT (CONTINUED)

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund (if any). The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies. The following is the Organization's policy with regard to earnings on endowment funds:

Earnings or losses on the Permanent Endowment Funds (including realized or unrealized gains or losses, and interest or dividends) are recorded as temporarily restricted revenue until they are appropriated for expenditure and the Quasi Endowment Fund is a component of unrestricted net assets. None of the contributions to the Permanent Endowment Fund restrict the use of the earnings on the endowment gift. The net earnings are classified as available for operations or designated as Quasi Endowment Funds based on the following policy established by the Board:

(a) An amount equal to 4% annually of the Combined Endowment Fund will be used for operations and classified as available for operations. Any earnings in excess of this amount will be added to the Quasi Endowment Fund.
(b) Any net losses incurred on investments are allocated as a reduction of the Quasi Endowment fund balance.

In establishing this policy, the Organization considered the long-term expected investment return on its endowment. Combined Endowment Fund assets are invested in a well diversified asset mix, which includes equity and debt securities, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the fund if possible. Accordingly, the Organization expects its Combined Endowment Fund assets, over time, to produce an average annual rate of return in excess of 4%. Actual returns in any given year may vary from this amount.

NOTE 6 – INVESTMENT: RESTRICTED AND DESIGNATED FOR ENDOWMENT (CONTINUED)

Activity in the Permanent and Quasi Endowment Funds during the years ended September 30, 2010 and 2009 is summarized as follows:

	Quasi Endowment	Temporarily Restricted	Permanent Endowment	Combined Endowment
Balance at September 30, 2009	$ 17,482	$ -	$ 1,057,382	$ 1,074,864
Bequests and contributions	77,100	-	-	77,100
Investment return:				
Investment income	352	21,270	-	21,622
Realized and unrealized gains	1,120	67,763	-	68,883
4% of combined endowment appropriated for expenditure	(21,588)	(43,898)	-	(65,486)
Transfer to Quasi Endowment	45,135	(45,135)	-	-
Balance at September 30, 2010	$ 119,601	$ -	$ 1,057,382	$ 1,176,983

In January 1998, the Organization contracted with the East Bay Community Foundation ("EBCF") to manage its investments. At September 30, 2010 and 2009, the entire combined fund is held in investments managed by the EBCF.

NOTE 7 – DESIGNATED FOR GREENBELT ALLIANCE INITIATIVE FUND ("GAIF")

The Organization has established a fund for amounts collected and spent to support ballot initiative campaigns which are consistent with the Organization's objectives. Activity in the fund during the years ended September 30, 2010 and 2009 is summarized as follows:

	September 30, 2010	September 30, 2009
GAIF beginning balance	$ 16,898	$ 24,706
Contributions to fund	8,048	1,284
Interest earnings allocated to GAIF	18,090	-
Qualifying expenses	(12,736)	(9,092)
GAIF ending balance	$ 30,300	$ 16,898

NOTE 8 – OPERATING LEASES

The Organization has several operating lease arrangements for its office spaces in San Francisco (main office), San Jose, Santa Rosa, and Walnut Creek, expiring at various dates through 2013.

Minimum required rental payments under these leases are as follows:

Year ending September 30,	
2011	$ 89,122
2012	61,911
2013	4,800
Thereafter	-
Total	$ 155,833

Rent expense for the years ended September 30, 2010 and 2009 was $111,905 and $123,044, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2009, a member of the Organization's Board was also a trustee of EBCF. EBCF holds and manages the Organization's investments and did not make any grants to the Organization during the year ended September 30, 2009. There were no related party transactions during the year ended September 30, 2010.