

Save The Bay, Inc.

Financial Statements

June 30, 2019 and 2018

Independent Auditors' Report

Board of Directors
Save The Bay, Inc.

We have audited the accompanying financial statements of Save The Bay, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the statement of functional expenses for the year ended June 30, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Save The Bay, Inc. as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in note 15 to the financial statements, the Organization restated its 2018 financial statements to correct a misstatement related to the effects of applying an inappropriate useful life to a piece of property and equipment. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in note 2 to the financial statements, during the year ended June 30, 2019, the Organization adopted new accounting guidance resulting in a change in the manner in which it presents its net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP
February 11, 2020

Save The Bay, Inc.

Statements of Financial Position

	June 30,	
ASSETS	2019	2018
Cash and cash equivalents	\$ 578,694	\$ 536,836
Accounts receivable	58,869	36,693
Grants receivable	38,360	145,136
Unconditional promises to give, net	982,278	902,588
Prepaid expenses and other	91,232	87,538
Cash held for long-term purposes	1,215,428	652,503
Property and equipment, net of accumulated depreciation	6,293,708	6,050,896
Cash held for property improvements and other long-term activities	124,980	497,223
Investments	<u>1,921,057</u>	<u>1,737,522</u>
	<u>\$ 11,304,606</u>	<u>\$ 10,646,935</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 44,532	\$ 76,308
Accrued expenses	181,565	163,978
Deferred revenue	251,070	233,191
Long-term debt, net of debt issuance costs	<u>1,118,046</u>	<u>1,238,282</u>
Total Liabilities	<u>1,595,213</u>	<u>1,711,759</u>
Net Assets		
Without donor restrictions		
Undesignated	(39,385)	(61,055)
Board designated		
Long-term investment	571,788	547,775
Property and equipment	<u>5,175,662</u>	<u>4,812,614</u>
	5,708,065	5,299,334
With donor restrictions	<u>4,001,328</u>	<u>3,635,842</u>
Total Net Assets	<u>9,709,393</u>	<u>8,935,176</u>
	<u>\$ 11,304,606</u>	<u>\$ 10,646,935</u>

Save The Bay, Inc.

Statements of Activities

	Year Ended June 30, 2019			Year Ended June 30, 2018		
	Without Donor	With Donor	2019	Without Donor	With Donor	2018
	Restrictions	Restrictions	Total	Restrictions	Restrictions	Total
REVENUE						
Contributions	\$ 1,292,808	\$ 46,465	\$ 1,339,273	\$ 978,461	\$ 297,954	\$ 1,276,415
In-kind contributions	349,099	-	349,099	377,579	-	377,579
Grants	130,551	416,108	546,659	459,804	215,895	675,699
Government contracts	423,485	13,000	436,485	379,231	-	379,231
Program revenue	549,163	-	549,163	538,732	-	538,732
Other income, net	558,137	-	558,137	453,089	-	453,089
Net assets released from restrictions	462,305	(462,305)	-	289,709	(289,709)	-
Total Revenue	<u>3,765,548</u>	<u>13,268</u>	<u>3,778,816</u>	<u>3,476,605</u>	<u>224,140</u>	<u>3,700,745</u>
COSTS AND EXPENSES						
Policy/habitat	1,139,734	-	1,139,734	905,497	-	905,497
Education	1,584,102	-	1,584,102	1,499,899	-	1,499,899
Communication	310,860	-	310,860	263,657	-	263,657
General and administrative	264,261	-	264,261	273,707	-	273,707
Fundraising	761,120	-	761,120	748,103	-	748,103
Total Costs and Expenses	<u>4,060,077</u>	<u>-</u>	<u>4,060,077</u>	<u>3,690,863</u>	<u>-</u>	<u>3,690,863</u>
Excess (Deficiency) of Revenue over Costs and Expenses Before Other Income	<u>(294,529)</u>	<u>13,268</u>	<u>(281,261)</u>	<u>(214,258)</u>	<u>224,140</u>	<u>9,882</u>
OTHER INCOME						
Contributions - Anniversary Campaign	102,950	818,454	921,404	100,371	1,480,449	1,580,820
Investment gain and interest income	42,027	92,047	134,074	40,795	61,554	102,349
Net assets released from restrictions	558,283	(558,283)	-	59,123	(59,123)	-
	<u>703,260</u>	<u>352,218</u>	<u>1,055,478</u>	<u>200,289</u>	<u>1,482,880</u>	<u>1,683,169</u>
Change in Net Assets	408,731	365,486	774,217	(13,969)	1,707,020	1,693,051
NET ASSETS						
Beginning of year, as previously stated	-	-	-	5,663,733	1,928,822	7,592,555
Prior period adjustment	-	-	-	(350,430)	-	(350,430)
Beginning of year, restated	<u>5,299,334</u>	<u>3,635,842</u>	<u>8,935,176</u>	<u>5,313,303</u>	<u>1,928,822</u>	<u>7,242,125</u>
End of year	<u>\$ 5,708,065</u>	<u>\$ 4,001,328</u>	<u>\$ 9,709,393</u>	<u>\$ 5,299,334</u>	<u>\$ 3,635,842</u>	<u>\$ 8,935,176</u>

Save The Bay, Inc.

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services			Management and		Total Expenses
	Policy/Habitat	Education	Communications	General	Fundraising	
Salaries	\$ 491,615	\$ 567,451	\$ 124,678	\$ 264,330	\$ 350,834	\$ 1,798,908
Employee benefits	42,088	80,244	18,179	34,738	38,143	213,392
Payroll taxes	42,883	49,719	11,452	21,866	30,419	156,339
Total Salaries and Related Expenses	576,586	697,414	154,309	320,934	419,396	2,168,639
Conferences and meetings	4,381	2,772	765	10,993	64,016	82,927
In-kind contributions	38,757	257,580	38,762	-	-	335,099
Insurance expense	22,028	31,706	5,223	13,197	15,716	87,870
Interest expense	15,818	18,401	4,120	7,352	11,476	57,167
Occupancy	11,506	38,909	-	171,341	-	221,756
Professional fees	182,674	12,600	21,205	94,554	19,835	330,868
Purchased services	15,919	55,502	11,159	32,380	46,150	161,110
Supplies	57,793	52,803	28,229	49,754	49,371	237,950
Telephone and IT	7,754	10,456	1,409	5,381	3,901	28,901
Transportation	25,445	76,713	102	7,448	2,727	112,435
Overhead allocation	165,412	253,851	42,856	(583,063)	120,944	-
Total Functional Expenses Before Depreciation and Amortization	1,124,073	1,508,707	308,139	130,271	753,532	3,824,722
Depreciation and amortization	15,661	75,395	2,721	133,990	7,588	235,355
Total Functional Expenses	\$ 1,139,734	\$ 1,584,102	\$ 310,860	\$ 264,261	\$ 761,120	\$ 4,060,077

Save The Bay, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 774,217	\$ 1,693,051
Adjustments to reconcile change in net assets to net cash from operating activities		
Donated property and equipment	(14,000)	(50,371)
Depreciation and amortization	235,355	219,721
Amortization of debt issuance costs to interest expense	2,736	2,736
Interest and dividends restricted for long-term investment	(27,970)	(20,541)
Net unrealized and realized gains on investments	(103,064)	(79,706)
Contributions received restricted for long-term purposes	(726,216)	(1,300,261)
Changes in operating assets and liabilities		
Accounts receivable	(22,176)	(1,593)
Grants receivable	106,776	(79,518)
Unconditional promises to give	(79,690)	(485,100)
Prepaid expenses and other	(3,694)	8,353
Accounts payable	(31,776)	23,136
Accrued expenses	17,587	(8,534)
Deferred revenue	17,879	32,467
Net Cash from Operating Activities	145,964	(46,160)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in cash held for long-term purposes	(562,925)	(652,503)
Decrease in cash held for property improvements and other long-term activities	372,243	36,552
Purchase of investments	(620,154)	(639,064)
Proceeds from sales of investments	567,653	184,063
Purchases of property and equipment	(464,167)	(69,654)
Net Cash from Investing Activities	(707,350)	(1,140,606)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received restricted for long-term purposes	726,216	1,300,261
Payments on long-term debt	(122,972)	(105,847)
Net Cash from Financing Activities	603,244	1,194,414
Net Change in Cash and Cash Equivalents	41,858	7,648
CASH AND CASH EQUIVALENTS		
Beginning of year	536,836	529,188
End of year	\$ 578,694	\$ 536,836
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 54,432	\$ 56,421

See Notes to Financial Statements

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

1. Nature of Organization

Save the Bay, Inc. (the "Organization") is a not-for-profit corporation chartered under the laws of the State of Rhode Island. The Organization was established for the purpose of preserving and protecting the water quality of Narragansett Bay and the ecological integrity of the Narragansett Bay Basin for present users and for posterity. The Organization conducts research, provides public education and engages in public activism to carry out its environmental protection programs. The programs for the Organization are funded primarily from contributions, grants and contracts and program revenue. The Organization has initiated a fundraising campaign in anticipation of its fiftieth anniversary. Donors may direct their contributions to the following funds: endowment, debt retirement, public access (for property improvements), bay defense, capacity investments and general support for the campaign to be allocated to the aforementioned funds.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 these estimates.

Net Asset Presentation

The Organization records resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follow:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time and/or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Basis of Presentation (continued)

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends, and/or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

Except for those cash equivalents which are included in the Organization's investment portfolio which are held for long-term investment purposes, cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase.

Grants and Accounts Receivable

The Organization carries its grants and accounts receivable at cost less an allowance for doubtful accounts. The Organization provides appropriate provisions for doubtful accounts based upon factors surrounding the credit risk and activity of specific clients, historical trends and other information. The Organization does not accrue interest on those receivables. Accounts are written off when the Organization has determined that there is no likelihood of collection. Management has determined that no provision for doubtful accounts is necessary at June 30, 2019 and 2018.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are due beyond one year are discounted to reflect the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. The Organization provides appropriate provisions for uncollectible pledges based upon factors surrounding the risk and activity of specific pledges, historical trends and other information.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Investments and Investment Income

Investments consist principally of equity and debt securities that are traded or listed on national exchanges. Investments are carried at fair value. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Property and Equipment

Property and equipment is recorded at cost, and contributed property is recorded at the estimated fair value at the date of contribution. Depreciation of property and equipment is provided over the estimated useful life of the asset, which range from ten to forty years, using the straight-line method. Leasehold improvements are depreciated over the shorter of the useful life or the term of the lease inclusive of expected renewals. Expenditures for maintenance and repairs are expensed as incurred. Expenditures that improve or extend the estimated useful lives are capitalized.

Deferred Revenue

The Organization may receive advances for certain program services and events applicable to the subsequent year. These amounts are recorded as deferred revenue in the year they are received and included in revenue when earned.

Debt Issuance Costs

Debt issuance costs are reported on the statement of financial position as a direct deduction from the face amount of the debt. The debt issuance costs are being amortized over the term of the debt on a method that approximates the interest method. The Organization reflects amortization of debt issuance costs within interest expense.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Program Service Fees

The Organization recognizes revenue for program services upon providing such services to program participants.

Grants

Grants are generally considered to be exchange transactions in which the grantor requires the performance of specified activities.

Entitlement to cost reimbursement grants are based on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance-based grants are based on the attainment of specific performance goals and, therefore, revenue is recognized to the extent of performance achieved. Grant receipts in excess of revenues recognized are presented as deferred revenue.

Contributions

Contributions are defined as voluntary, nonreciprocal transfers.

Unconditional contributions that are without donor restrictions are recognized as support when received or promised, if applicable. Contributions received whose use is contingent upon the occurrence of a future event are deferred until the condition is substantially met, at which time they are recognized as support. During fiscal year 2019 the Organization received a conditional pledge for a maximum amount of \$125,000, of which approximately \$67,500 had met the conditions at June 30, 2019. There were no such conditional contributions at June 30, 2018.

In-kind Contributions

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial 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 value in the period received. General volunteer services do not meet these criteria for recognition in the financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services using a variety of techniques such as square footage and time and effort.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Operating Measure

The statement of activities separately reports changes in net assets from operating and non-operating activities. Operating activities consist principally of revenues and expenses relating to ongoing activities. Non-operating activities consist of stock contributions received for long-term purposes and investment return.

Income Taxes and Accounting for Uncertainty in Income Taxes

Except for taxes that may be due for unrelated business income, the Organization is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization has no uncertain tax positions that would require financial statement recognition and/or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to fiscal 2016

Reclassifications

Certain accounts in the fiscal 2018 financial statements have been reclassified to conform to the fiscal 2019 financial statement presentation. These reclassifications had no effect on previously reported changes in net assets.

Accounting Pronouncement Adopted

During the year ended June 30, 2019, the Organization adopted Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The main provision of this guidance affecting the Organization’s financial statements is the presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and the recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. As permitted by the new guidance, the Organization has elected not to present a statement of functional expenses for 2018.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Accounting Pronouncements to be Adopted

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements, including industry specific guidance, when it becomes effective. The underlying principle of the update is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This new guidance is effective for years beginning after December 15, 2018. Management continues to evaluate the potential impact of this update on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Contributions Received and Contributions Made*. The standard requires an entity to determine whether a transaction is conditional which affects the timing of the revenue recognized. The standard clarifies how an entity determines whether a resource provider is participating in an exchange transaction by determining whether the resource provider is receiving a value in return for the revenue received by the entity. The standard provides for additional clarifying guidance on how to determine whether a contribution is conditional. The standard will be effective for years beginning after December 15, 2019. The Organization is currently in the process of evaluating the impact of this update on the financial statements.

Leases

In February 2016, FASB issued ASU 2016-02, *Leases*. This update requires all leases with a term greater than 12 months to be recognized on the statement of financial position through a right-of-use asset and a lease liability. This ASU is effective for years beginning after December 15, 2020 and early adoption is permitted. Management continues to evaluate the potential impact of this update on the financial statements and related disclosures

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 11, 2020.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The Organization does not believe that a significant risk of loss due to the failure of a financial institution presently exists. In order to mitigate credit risk for funds exceeding federal deposit insurance limits and to increase return on cash balances, the Organization opened an account at a different institution for deposit of funds not required for immediate operations.

4. Unconditional Promises to Give

The following is a summary of gross unconditional promises to give as of June 30, 2019 and 2018:

	2019	2018
Ongoing operations	\$ 518,500	\$ 449,526
Anniversary campaign	<u>553,052</u>	<u>496,601</u>
Total unconditional promises to give	<u>\$ 1,071,552</u>	<u>\$ 946,127</u>

The following is a summary of unconditional promises to give by due date of discounts and allowance as of June 30, 2019 and 2018:

	2019	2018
Unconditional promises to give due in:		
Less than one year	\$ 555,938	\$ 418,550
One to five years	<u>515,614</u>	<u>527,577</u>
Total unconditional promises to give	1,071,552	946,127
Discount to net present value		
Less discount for net present values	(25,774)	(40,039)
Less allowance for uncollectible promises to give	<u>(63,500)</u>	<u>(3,500)</u>
	<u>\$ 982,278</u>	<u>\$ 902,588</u>

The discount rate applied to unconditional promises to give due in excess of one year was 1.76% and 2.73% at June 30, 2019 and 2018, respectively.

Save The Bay, Inc.

Notes to Financial Statements June 30, 2019 and 2018

5. Investments and Investment Income

The following schedule summarizes the fair value of investments by the fair value hierarchy for the years ended June 30, 2019 and 2018:

	2019			Total
	Level 1	Level 2	Level 3	
Corporate stocks	\$ 965,804	\$ -	\$ -	\$ 965,804
Mutual funds - fixed income	52,116			52,116
Preferred stocks	7,473	-	-	7,473
Corporate bonds	-	225,551	-	225,551
Government bonds and U.S. treasury notes	-	142,278	-	142,278
Exchange traded funds	-	364,930	-	364,930
	\$ 1,025,393	\$ 732,759	\$ -	1,758,152
Brokerage cash and cash equivalents				162,905
				\$ 1,921,057

	2018			Total
	Level 1	Level 2	Level 3	
Corporate stocks	\$ 1,005,473	\$ -	\$ -	\$ 1,005,473
Mutual funds - fixed income	75,913			75,913
Preferred stocks	7,503	-	-	7,503
Corporate bonds	-	215,925	-	215,925
Government bonds and U.S. treasury notes	-	89,112	-	89,113
Exchange traded funds	-	196,547	-	196,547
	\$ 1,088,889	\$ 501,584	\$ -	1,590,474
Brokerage cash and cash equivalents				147,048
				\$ 1,737,522

The following schedule summarizes the gain on investments, net of management fees, for the years ended June 30, 2019 and 2018:

	2019	2018
Interest and dividends, net	\$ 27,970	\$ 20,542
Net realized and unrealized gain	103,064	79,706
	\$ 131,034	\$ 100,248

Save The Bay, Inc.

Notes to Financial Statements June 30, 2019 and 2018

6. Property and Equipment

Property and equipment consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Building and improvements	\$ 4,536,350	\$ 4,536,350
Site improvements	2,264,928	2,264,928
Leasehold improvements	42,685	42,685
Boats	977,010	977,010
Docks	873,660	339,839
Breakwater	581,566	581,566
Equipment	234,770	236,149
Furniture and fixtures	271,577	279,663
Motor vehicles	14,000	-
Construction in progress	3,500	73,155
	9,800,046	9,331,345
Less accumulated depreciation	(3,506,338)	(3,280,449)
	\$ 6,293,708	\$ 6,050,896

7. Long-Term Debt

Long-term debt consisted of the following at June 30, 2019 and 2018:

	2019	2018
Note payable bank, due in monthly installments of \$9,675 through December 31, 2017. The interest rate was fixed at 4.1%. Effective January 8, 2018 the bank amended and restated the note payable to allow for monthly payments of principal and interest of \$9,379 through December 2023, at which time all unpaid principal and interest is due. Interest under the amended note is charged at 4.47%. The note is collateralized by substantially all assets of the Organization.	\$ 1,130,531	\$ 1,253,503
Less debt issuance costs	(12,485)	(15,221)
	\$ 1,118,046	\$ 1,238,282

The note contains restrictive covenants related to the maintenance of certain liquidity and debt service coverage ratios.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

7. Long-Term Debt (continued)

Aggregate maturities required on long-term debt as of June 30, 2019 are due in future years as follows:

2020	\$ 62,555
2021	65,448
2022	68,474
2023	71,641
2024	862,413
	<u>\$ 1,130,531</u>

8. Line of Credit

The Organization has a line of credit agreement with a bank that allows for maximum borrowings of \$300,000. The line is secured by the Organization's assets, and is renewable annually. Interest is payable at a per annum rate equal to 3% above LIBOR (5.40% and 5.09% at June 30, 2019 and 2018). There were no borrowings outstanding under the line of credit agreement as of June 30, 2019 and 2018.

9. Endowment Net Assets

Endowment funds

The Organization's long-term investments consist of seven individual funds established for a variety of purposes. The Organization also includes funds that have been designated by the Board of Directors to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted 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 net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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. The remaining portion of the donor-restricted endowment fund that is classified as net assets with donor restrictions as to a specific purpose until those amounts are appropriated for expenditure by the Organization in a manner consistent with the Organization's spending policy, which the Board of Directors feels is within the standard of prudence prescribed by UPMIFA.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

9. Endowment Net Assets (*continued*)

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 fund
2. The purposes of the Organization and the donor-restricted fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of the investments
6. Other resources of the Organization
7. The investment policies and strategy of the Organization
8. Funds with deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to maintain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2019 or 2018.

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through a combination of capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment spending policy

The Organization's Board of Directors appropriates an annual amount not to exceed 5% of the average principal balance as of the last day of the past 16 calendar quarters to support current operations. Any appropriations above that 5% threshold require a three fourths vote of approval by the Board.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

9. Endowment Net Assets (continued)

Endowment net assets

Endowment net assets consisted of the following at June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 571,788	\$ -	\$ 571,788
Donor restricted endowment funds			
Historical gift value	-	1,082,459	1,082,459
Appreciation	-	266,810	266,810
	<u>\$ 571,788</u>	<u>\$ 1,349,269</u>	<u>\$ 1,921,057</u>

Endowment net assets consisted of the following at June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 547,775	\$ -	\$ 547,775
Donor restricted endowment funds			
Historical gift value	-	982,459	982,459
Appreciation	-	207,288	207,288
	<u>\$ 547,775</u>	<u>\$ 1,189,747</u>	<u>\$ 1,737,522</u>

Changes in endowment net assets for the year ended June 30, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 547,775	\$ 1,189,747	\$ 1,737,522
Contributions	-	100,000	100,000
Investment income	38,987	92,047	131,034
Appropriation of endowment net assets for expenditure	(14,974)	(32,525)	(47,499)
Endowment net assets, ending	<u>\$ 571,788</u>	<u>\$ 1,349,269</u>	<u>\$ 1,921,057</u>

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

9. Endowment Net Assets (continued)

Endowment net assets (continued)

Changes in endowment net assets for the year ended June 30, 2018 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 529,225	\$ 653,049	\$ 1,182,274
Contributions	-	500,000	500,000
Investment income	38,693	61,555	100,248
Appropriation of endowment net assets for expenditure	(20,143)	(24,857)	(45,000)
Endowment net assets, ending	<u>\$ 547,775</u>	<u>\$ 1,189,747</u>	<u>\$ 1,737,522</u>

10. Net Assets With Donor Restrictions

At June 30, 2019 and 2018, net assets with donor restrictions were available for the following purposes:

	<u>2019</u>	<u>2018</u>
Time or purpose restricted		
Ongoing operations:		
General operations/restricted as to time	\$ 493,427	\$ 397,496
Environmental policy and habitat restoration	166,976	257,416
Education programs	86,008	78,230
Subtotal, ongoing operations	<u>746,411</u>	<u>733,142</u>
Anniversary campaign:		
General anniversary campaign support	1,044,065	617,372
Bay defense	604,500	519,000
Public access	-	430,000
Strategic initiatives	132,636	123,081
Debt retirement	74,447	23,500
Subtotal, anniversary campaign	1,855,648	1,712,953
Amounts to be held in perpetuity	1,132,459	982,459
Endowment earnings in excess of amounts expended	266,810	207,288
	<u>\$ 4,001,328</u>	<u>\$ 3,635,842</u>

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

10. Net Assets With Donor Restrictions (continued)

For the years June 30, 2019 and 2018, net assets released were released from restriction for the following purposes:

	2019	2018
Time or purpose restricted		
Ongoing operations:		
General operations/restricted as to time	\$ 172,075	\$ 100,312
Environmental policy and habitat restoration	212,000	131,891
Education programs	78,230	57,506
Subtotal, Ongoing Operations	462,305	289,709
Anniversary campaign:		
General anniversary campaign support	-	31,765
Bay defense	10,000	-
Public access	430,000	-
Strategic initiatives	75,455	-
Debt retirement	10,303	2,500
	525,758	34,265
Endowment earnings in excess of amounts expended	32,525	24,858
Subtotal, Nonoperating Income	558,283	59,123
	\$ 1,020,588	\$ 348,832

The Organization's net assets with donor restrictions to be held in perpetuity are held and invested by third parties as part of the Organization's endowment when received by the donor. They consist of funds maintained in a perpetual endowment. In some cases, the donors have restricted the use of income earned on such funds for specific purposes. In other cases, the donors have indicated that the income earned on such funds is available for the general charitable purposes of the Organization.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

10. Net Assets With Donor Restrictions (*continued*)

At June 30, 2019 and 2018, net assets with donor restrictions to be held in perpetuity consisted of the following:

Fund	Purpose	2019	2018
John H. Chafee Memorial Endowment	<i>Explore the Bay</i> educational programs	\$ 197,022	\$ 197,022
Alison Walsh Fund	\$1,000 per year awarded to a recipient for outstanding environmental advocacy	25,000	25,000
Roosa Family Fund for Marine Education	Marine environmental education for school children	100,000	100,000
Leeds Mitchell East Bay Marsh Restoration Endowment	East Bay marsh restoration	5,000	5,000
Julia Sands Chase Endowment Fund	General operating support	155,437	155,437
Marine Operations Fund	Boat maintenance	500,000	500,000
Island Foundation*	Scientific or educational programs	100,000	-
Garnett and Booth	Capital campaign endowment	50,000	-
		\$ 1,132,459	\$ 982,459

*\$50,000 of this balance is included in unconditional promises to give at June 30, 2019.

11. Operating Leases

The Organization's administrative and program facility located in Providence, Rhode Island is constructed on land leased from a local university for an annual lease payment of \$1. The term of the lease is through January 2051, with an option to renew for 15 years. The fair value related to the land lease has not been determined; therefore, no revenue and expense have been recorded in the statements of activities and changes in net assets. No in-kind services have been recognized in the financial statements, as management believes that the value of such space is not material.

Save The Bay, Inc.

Notes to Financial Statements June 30, 2019 and 2018

11. Operating Leases (*continued*)

The Organization leases office space in Westerly, Rhode Island from which its South County office is operated. The current lease requires monthly payments of \$750 and is a month-to-month lease. For the years ended June 30, 2019 and 2018, the expenses related to this lease were \$9,000.

In December 2017, the Organization entered into a noncancelable operating lease for a copier expiring in December 2022. Total lease expense incurred was \$10,548 and \$14,305 for the years ended June 30, 2019 and 2018.

Future minimum lease payments under the noncancelable operating lease at June 30, 2019 due in future years are as follows:

2020	\$	10,548
2021		10,548
2022		10,548
2023		5,274
	\$	<u>36,918</u>

12. In-Kind Contributions

In addition to direct financial support, the Organization is supported by the community in many ways. Contributed services of volunteers are an important part of the resources needed to achieve the Organization's mission.

For the years ended June 30, 2019 and 2018, in-kind contributions consisted of the following:

	<u>2019</u>	<u>2018</u>
Volunteer effort	\$ 335,099	\$ 327,208
Property and equipment donations	<u>14,000</u>	<u>50,371</u>
	<u>\$ 349,099</u>	<u>\$ 377,579</u>

U.S. GAAP limits the recognition of certain contributions of services in the financial statements. There were approximately 29,000 and 28,700 volunteer hours contributed during the fiscal years ended June 30, 2019 and 2018, respectively, approximately 15,700 and 13,400 hours of which were not recognized in the statements of activities, respectively.

The City of Newport provides the Organization space to operate a program. In consideration, the Organization provides the City of Newport educational program services. No in-kind services have been recognized in the financial statements, as management believes that the value of such space is not material.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

13. Retirement Plan

The Organization sponsors a 403(b) plan for all employees meeting certain eligibility requirements. Employee contributions are voluntary. The Organization did not make any matching contributions for the years ended, June 30, 2019 and 2018.

14. Financial Assets and Liquidity Resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and property and equipment costs were as follows:

Financial assets:	
Cash and cash equivalents	\$ 578,694
Accounts receivable	58,869
Grants receivable	38,360
Unconditional promises to give, net	982,278
Cash held for long-term purposes	1,215,428
Cash held for property improvements and other long-term activities	124,980
Investments	<u>1,921,057</u>
Total financial assets available within one year	4,919,666
Liquidity resources:	
Available borrowings on line of credit	300,000
Less: Financial Assets with:	
Board designated for long-term investment	(571,788)
Donor-imposed restrictions	<u>(4,001,328)</u>
Total financial assets and liquid resources available within one year	<u>\$ 646,550</u>

The Organization is typically able to manage liquidity with its cash reserves, however, should those reserves prove inadequate, the Organization has a line of credit with a bank upon which funds can be drawn (Note 8).

The Organization's governing board has designated a portion of its unrestricted resources for certain specific purposes. Those amounts could be utilized in the event of an unanticipated liquidity need.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

15. Prior Period Adjustment

The Organization had certain amounts reported at June 30, 2017 that required adjustment to properly present the financial statements in accordance with U.S. GAAP. Such adjustments were made to the net asset categories as a result of an understatement in accumulated depreciation balance of \$350,430 resulting from an incorrect asset life applied to an asset constructed on leased property. The effect this correction would be to decrease the change in net assets by \$3,653 for the years ended June 30, 2018 and 2017.

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