

Save The Bay, Inc.

Financial Statements

June 30, 2020 and 2019



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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, 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.

Board of Directors
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Save The Bay, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

March 25, 2021

Save The Bay, Inc.

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 573,839	\$ 578,694
Accounts receivable	72,570	58,869
Grants receivable	55,581	38,360
Unconditional promises to give, net	868,941	982,278
Prepaid expenses and other	90,237	91,232
Restricted cash, anniversary campaign	1,261,776	1,340,408
Property and equipment, net of accumulated depreciation	6,106,742	6,293,708
Deposits on purchase of property and equipment	131,643	-
Investments	<u>2,077,120</u>	<u>1,921,057</u>
	<u>\$ 11,238,449</u>	<u>\$ 11,304,606</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 27,143	\$ 44,532
Accrued expenses	168,070	181,565
Deferred revenue	120,244	251,070
Long-term debt, net of debt issuance costs in 2019	<u>412,800</u>	<u>1,118,046</u>
Total Liabilities	<u>728,257</u>	<u>1,595,213</u>
Net Assets		
Without donor restrictions		
Undesignated	(153,240)	(39,385)
Board designated		
Long-term investment	587,418	571,788
Property and equipment	<u>6,106,742</u>	<u>5,175,662</u>
	6,540,920	5,708,065
With donor restrictions	<u>3,969,272</u>	<u>4,001,328</u>
Total Net Assets	<u>10,510,192</u>	<u>9,709,393</u>
	<u>\$ 11,238,449</u>	<u>\$ 11,304,606</u>

See Notes to Financial Statements

Save The Bay, Inc.

Statements of Activities

	Year Ended June 30, 2020			Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT						
Contributions	\$ 1,201,260	\$ 609,207	\$ 1,810,467	\$ 1,292,808	\$ 46,465	\$ 1,339,273
In-kind contributions	75,519	-	75,519	349,099	-	349,099
Grants	280,786	154,032	434,818	130,551	416,108	546,659
Government contracts	437,912	-	437,912	423,485	13,000	436,485
Program revenue	402,690	-	402,690	549,163	-	549,163
Other income, net	434,140	-	434,140	558,137	-	558,137
Net assets released from restrictions	453,184	(453,184)	-	462,305	(462,305)	-
Total Revenue and Support	<u>3,285,491</u>	<u>310,055</u>	<u>3,595,546</u>	<u>3,765,548</u>	<u>13,268</u>	<u>3,778,816</u>
OPERATING EXPENSES						
Policy/habitat	996,405	-	996,405	1,108,255	-	1,108,255
Education	1,196,521	-	1,196,521	1,490,306	-	1,490,306
Communication	310,170	-	310,170	304,019	-	304,019
General and administrative	134,166	-	134,166	122,919	-	122,919
Fundraising	748,575	-	748,575	742,056	-	742,056
Total Operating Expenses Before Depreciation, Amortization and Interest Expense	<u>3,385,837</u>	<u>-</u>	<u>3,385,837</u>	<u>3,767,555</u>	<u>-</u>	<u>3,767,555</u>
Depreciation and amortization	246,590	-	246,590	235,355	-	235,355
Interest expense	45,657	-	45,657	57,167	-	57,167
Total Operating Expenses	<u>3,678,084</u>	<u>-</u>	<u>3,678,084</u>	<u>4,060,077</u>	<u>-</u>	<u>4,060,077</u>
Excess (Deficiency) of Revenue and Support Over Operating Expenses Before Other Changes in Net Assets	<u>(392,593)</u>	<u>310,055</u>	<u>(82,538)</u>	<u>(294,529)</u>	<u>13,268</u>	<u>(281,261)</u>
OTHER CHANGES IN NET ASSETS						
Contributions - Anniversary Campaign	-	757,983	757,983	102,950	818,454	921,404
Investment gain and interest income, net	38,709	86,645	125,354	42,027	92,047	134,074
Net assets released from restrictions	1,186,739	(1,186,739)	-	558,283	(558,283)	-
	<u>1,225,448</u>	<u>(342,111)</u>	<u>883,337</u>	<u>703,260</u>	<u>352,218</u>	<u>1,055,478</u>
Change in Net Assets	832,855	(32,056)	800,799	408,731	365,486	774,217
NET ASSETS						
Beginning 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>
End of year	<u>\$ 6,540,920</u>	<u>\$ 3,969,272</u>	<u>\$ 10,510,192</u>	<u>\$ 5,708,065</u>	<u>\$ 4,001,328</u>	<u>\$ 9,709,393</u>

See Notes to Financial Statements

Save The Bay, Inc.

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services			Management and General	Fundraising	Total Expenses
	Policy/Habitat	Education	Communications			
Salaries	\$ 470,719	\$ 546,299	\$ 109,882	\$ 257,535	\$ 365,170	\$ 1,749,605
Employee benefits	50,051	96,331	16,303	33,367	43,190	239,242
Payroll taxes	40,650	48,164	9,358	23,824	31,793	153,789
Total Salaries and Related Expenses	561,420	690,794	135,543	314,726	440,153	2,142,636
Conferences and meetings	2,353	2,683	-	7,155	52,099	64,290
In-kind contributions	32,058	12,664	30,797	-	-	75,519
Insurance expense	23,419	33,534	5,410	11,877	18,612	92,852
Occupancy	12,987	34,351	-	167,409	-	214,747
Professional fees	148,777	14,945	39,688	99,826	11,794	315,030
Purchased services	2,991	39,916	38,055	34,022	50,206	165,190
Supplies	34,084	70,792	22,747	46,295	48,227	222,145
Telephone and IT	6,339	10,152	1,026	2,935	3,428	23,880
Transportation	15,293	47,480	686	3,653	2,436	69,548
Overhead allocation	156,684	239,210	36,218	(553,732)	121,620	-
Total Functional Expenses Before Depreciation, Amortization and Interest Expense	996,405	1,196,521	310,170	134,166	748,575	3,385,837
Depreciation and amortization	15,577	76,250	2,426	144,290	8,047	246,590
Interest expense	9,337	11,332	2,067	15,842	7,079	45,657
Total Functional Expenses	\$ 1,021,319	\$ 1,284,103	\$ 314,663	\$ 294,298	\$ 763,701	\$ 3,678,084

Save The Bay, Inc.

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services			Management and General	Fundraising	Total Expenses
	Policy/Habitat	Education	Communications			
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	<u>576,586</u>	<u>697,414</u>	<u>154,309</u>	<u>320,934</u>	<u>419,396</u>	<u>2,168,639</u>
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
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
Occupancy allocation	165,412	253,851	42,856	(583,063)	120,944	-
Total Functional Expenses Before Depreciation, Amortization and Interest Expense	<u>1,108,255</u>	<u>1,490,306</u>	<u>304,019</u>	<u>122,919</u>	<u>742,056</u>	<u>3,767,555</u>
Depreciation and amortization	15,661	75,395	2,721	133,990	7,588	235,355
Interest expense	15,818	18,401	4,120	7,352	11,476	57,167
Total Functional Expenses	<u>\$ 1,139,734</u>	<u>\$ 1,584,102</u>	<u>\$ 310,860</u>	<u>\$ 264,261</u>	<u>\$ 761,120</u>	<u>\$ 4,060,077</u>

See Notes to Financial Statements

Save The Bay, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 800,799	\$ 774,217
Adjustments to reconcile change in net assets to net cash from operating activities		
Donated property and equipment	-	(14,000)
Depreciation and amortization	246,590	235,355
Amortization of debt issuance costs to interest expense	12,485	2,736
Interest and dividends restricted for long-term investment	(23,067)	(27,970)
Net unrealized and realized gains on investments	(85,496)	(103,064)
Gain on sale of property and equipment	(11,000)	-
Contributions received restricted for long-term purposes	(1,063,304)	(726,216)
Changes in operating assets and liabilities		
Accounts receivable	(13,701)	(22,176)
Grants receivable	(17,221)	106,776
Unconditional promises to give	113,337	(79,690)
Prepaid expenses and other	995	(3,694)
Accounts payable	(17,389)	(31,776)
Accrued expenses	(13,495)	17,587
Deferred revenue	(130,826)	17,879
Net Cash from Operating Activities	(201,293)	145,964
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(830,235)	(620,154)
Proceeds from sales of investments	782,735	567,653
Deposit on property and equipment	(131,643)	-
Proceeds from sale of property and equipment	11,000	-
Purchases of property and equipment	(59,624)	(464,167)
Net Cash from Investing Activities	(227,767)	(516,668)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received restricted for long-term purposes	1,063,304	726,216
Proceeds from long-term debt	412,800	-
Payments on long-term debt	(1,130,531)	(122,972)
Net Cash from Financing Activities	345,573	603,244
Net Change in Cash and Cash Equivalents	(83,487)	232,540
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	1,919,102	1,686,562
End of year	\$ 1,835,615	\$ 1,919,102

See Notes to Financial Statements

Save The Bay, Inc.

Statements of Cash Flows (Continued)

	Year Ended June 30,	
	<u>2020</u>	<u>2019</u>
SUPPLEMENTAL DISCLOSURE OF COMPONENTS OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents	\$ 573,839	\$ 578,694
Restricted cash, anniversary campaign	<u>1,261,776</u>	<u>1,340,408</u>
	<u>\$ 1,835,615</u>	<u>\$ 1,919,102</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 33,172	\$ 54,432

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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 connection with 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, 2020 and 2019

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

Net Asset Presentation (continued)

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as net assets with donor restrictions until 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 statements of activities as net assets released from restrictions.

Changes in Accounting Principles

Revenue Recognition

Effective July 1, 2019, the Organization adopted Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework. As permitted by the new framework, the Organization elected not to adjust the promised amount of consideration for the effects of a significant financing component as all revenue is collected within one year or less. The Organization adopted ASC 606 using the modified retrospective approach. The adoption of ASC 606 had an immaterial impact on the Organization’s financial statements.

In 2019, the Organization adopted Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides clarifying guidance on accounting for the grants and contracts of nonprofit organizations as they relate to the new revenue standard (ASU 2014-09, *Revenue from Contracts with Customers*). The ASU also aims to minimize diversity in the classification of grants and contracts that exists under current guidance with regards to exchange transactions and unconditional and conditional contributions. The adoption of the guidance related to contributions received under this ASU did not have a material impact on the financial statements or related disclosures.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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

Changes in Accounting Principles (continued)

Cash Flows

During the year ended June 30, 2020, the Organization adopted ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This guidance requires that a statement of cash flows explain changes of operating cash and cash equivalents, as well as amounts generally described as either restricted cash or restricted cash equivalents. As a result, the Organization's restricted cash is included in both the beginning and ending cash balances presented in the statements of cash flows, as well as their changes included in cash flows for operations, financing, and investing activities. The ASU has been applied retrospectively to all periods presented.

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 customers and grantors, 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, 2020 and 2019.

Unconditional Promises to Give

Contributions, including unconditional promises to give, are measured at their fair value when received and considered available for general use, unless specifically restricted by the donor or subject to other legal restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discounts is included in contribution revenue.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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

Investment Valuation and Income Recognition

Investments are carried at fair value. Interest income is recorded on an accrual basis and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on a trade-date basis using the high-cost method. Interest income is recorded on the accrual basis. Realized and unrealized gain (losses) on investments are included in 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 three 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.

Impairment of Long-Lived Assets

U.S. GAAP guidance, *Accounting for the Impairment or Disposal of Long-lived Assets* requires long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to futures undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, impairment would then be measured as the difference between the fair value of the asset and its carrying value to determine the amount of the impairment. The Organization generally determines fair value by using the undiscounted cash flow method. No impairment losses have been recorded during the years ended June 30, 2020 and 2019.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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

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 \$57,500 and \$67,500 had met the conditions at June 30, 2020 and 2019. There were no new conditional contributions at June 30, 2020.

Grants

Revenue from private grants and contract agreements, which are generally considered non-exchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Payments received in advance of conditions being met are recorded as refundable advances on the statements of financial positions. Grant-supported programs are subject to audit by the applicable granting agencies. The possible disallowances by the granting agencies of any item charged to the program cannot be determined until such time when the audits occur. Therefore, no provision for any potential disallowances that may result from such audits has been made in the accompanying financial statements. Management is of the opinion that disallowances, if any, will not be material to the accompanying financial statements.

Program Service Fees

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

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.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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

Functional Allocation of Expenses

The expenses incurred on behalf of the various programs and activities of the Organization have been summarized on a functional basis on the statements of activities and functional expenses. Accordingly, natural expenses attributable to more than one functional category are allocated using a variety of techniques such as square footage and time and effort.

Operating Measure

The statements of activities separately report 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, contributions received as part of the Organization's anniversary campaign 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.

Accounting Pronouncements to be Adopted

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases*. This update requires all leases with a term greater than 12 months to be recognized on the statements of financial position through a right-of-use asset and a lease liability. The ASU is effective for years beginning after December 15, 2021 and early adoption is permitted. Management continues to evaluate the potential impact of this update on the financial statements and related disclosures.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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

Accounting Pronouncements to be Adopted (continued)

Interest Rates

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform*. This update provides optional practical expedients and exceptions for applying U.S. GAAP to contract modifications, hedging relationships and other transactions affected by the anticipating transition away from LIBOR. The Organization may elect to apply the ASU for contract modifications as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. The Organization has not adopted this standard as of December 31, 2020. Management continues to evaluate the potential impact of this update on the financial statements and related disclosures.

Current Expected Credit Losses

In November 2019, the FASB issued ASU 2019-11 – *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* to modify certain aspects of the requirements regarding development of estimates of credit losses for financial instruments. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of this ASU. Management continues to evaluate the potential impact of this update on the financial statements and related disclosures.

Contributed Nonfinancial Assets

The FASB issued ASU 2020-07 – *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* to clarify the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items. The Update does not change existing recognition and measurement requirements for contributed nonfinancial assets. The new ASU is effective for annual reporting periods beginning after June 15, 2021 with early adoption permitted. Management continues to evaluate the potential impact of this update on the financial statements and related disclosures.

Reclassifications

Certain accounts in the fiscal 2019 financial statements have been reclassified to conform to the fiscal 2020 financial statement presentation. These reclassifications had no effect on previously reported changes in net assets.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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

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 March 25, 2021. There were no material subsequent events that required recognition or disclosure in these financial statements.

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 federally insured limits. 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 unconditional promises to give by due date of discounts and allowance as of June 30:

	<u>2020</u>	<u>2019</u>
Unconditional promises to give due in:		
Less than one year	\$ 592,540	\$ 555,938
One to five years	<u>342,500</u>	<u>515,614</u>
Total unconditional promises to give	935,040	1,071,552
Less discount for net present values	(2,599)	(25,774)
Less allowance for uncollectible promises to give	<u>(63,500)</u>	<u>(63,500)</u>
	<u>\$ 868,941</u>	<u>\$ 982,278</u>

The discount rate applied to unconditional promises to give due in excess of one year was 0.29% and 1.76% at June 30, 2020 and 2019.

The following is a summary of gross unconditional promises to give as of June 30:

	<u>2020</u>	<u>2019</u>
Ongoing operations	\$ 670,500	\$ 518,500
Anniversary campaign	<u>264,540</u>	<u>553,052</u>
Total unconditional promises to give	<u>\$ 935,040</u>	<u>\$ 1,071,552</u>

Save The Bay, Inc.

Notes to Financial Statements June 30, 2020 and 2019

5. Investments

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

	2020			Total
	Level 1	Level 2	Level 3	
Corporate stocks	\$ 1,013,893	\$ -	\$ -	\$ 1,013,893
Mutual funds - fixed income	79,608	-	-	79,608
Preferred stocks	7,506	-	-	7,506
Corporate bonds	-	183,626	-	183,626
Government bonds and U.S. treasury notes	-	123,502	-	123,502
Exchange traded funds	-	447,739	-	447,739
	<u>\$ 1,101,007</u>	<u>\$ 754,867</u>	<u>\$ -</u>	1,855,874
Brokerage cash and cash equivalents				221,246
				<u>\$ 2,077,120</u>

	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
	<u>\$ 1,025,393</u>	<u>\$ 732,759</u>	<u>\$ -</u>	1,758,152
Brokerage cash and cash equivalents				162,905
				<u>\$ 1,921,057</u>

6. Property and Equipment

Property and equipment consisted of the following as of June 30:

	2020	2019
Building and improvements	\$ 4,536,350	\$ 4,536,350
Site improvements	2,264,928	2,264,928
Leasehold improvements	42,685	42,685
Boats	944,885	977,010
Docks	873,660	873,660
Breakwater	581,566	581,566
Equipment	234,770	234,770
Furniture and fixtures	331,077	271,577
Motor vehicles	14,000	14,000
Construction in progress	3,500	3,500
	9,827,421	9,800,046
Less accumulated depreciation	<u>(3,720,679)</u>	<u>(3,506,338)</u>
	<u>\$ 6,106,742</u>	<u>\$ 6,293,708</u>

Save The Bay, Inc.

Notes to Financial Statements June 30, 2020 and 2019

7. Line of Credit

Through April 19, 2020, the Organization has a line of credit agreement with a bank that allowed for maximum borrowings of \$300,000. On April 20, 2020, the maximum borrowings were increased to \$500,000. The line is secured by the Organization's assets, and is renewable annually. Interest is payable at a per annum rate equal to floating at 200 basis points above 30-day LIBOR Advantage Index (2.16% and 5.40% at June 30, 2020 and 2019). There were no borrowings outstanding under the line of credit agreement as of June 30, 2020 and 2019.

8. Long-Term Debt

Long-term debt consisted of the following at June 30:

	2020	2019
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.		
Such note was repaid in full during the year ended June 30, 2020.	\$ -	\$ 1,130,531
Payroll Protection Program Loan, 1% note payable, bank, payable in monthly installments of \$46,060 beginning in October 2020 with a final payment due in April 2022. This loan is part of the Small Business Act. The Organization expects the loan to qualify for Section 1106 of the CARES Act and is expected to be forgiven at the end of its term.	412,800	-
	412,800	1,130,531
Less debt issuance costs	-	(12,485)
	\$ 412,800	\$ 1,118,046

9. Endowment Net Assets

Endowment funds

The Organization's long-term investments consist of eleven 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.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

9. Endowment Net Assets *(continued)*

Endowment funds (continued)

The Board of Directors of the Organization has interpreted Uniform Prudent Management of Institutions 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 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.

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, 2020 or 2019.

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.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

9. Endowment Net Assets (continued)

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 three fourths vote of approval by the Board of Directors. The Organization applied a 4% spending policy to the endowment for each of the years ended June 30, 2020 and 2019.

Endowment net assets

Endowment net assets consisted of the following at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 587,418	\$ -	\$ 587,418
Donor restricted endowment funds			
Historical gift value	-	1,183,459	1,183,459
Appreciation	-	306,243	306,243
	<u>\$ 587,418</u>	<u>\$ 1,489,702</u>	<u>\$ 2,077,120</u>

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>

Changes in endowment net assets for the year ended June 30, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 571,788	\$ 1,349,269	\$ 1,921,057
Contributions	-	101,000	101,000
Investment income	34,246	86,645	120,891
Appropriation of endowment net assets for expenditure	(18,616)	(47,212)	(65,828)
Endowment net assets, ending	<u>\$ 587,418</u>	<u>\$ 1,489,702</u>	<u>\$ 2,077,120</u>

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

9. Endowment Net Assets (continued)

Endowment net assets (continued)

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	<u>(14,974)</u>	<u>(32,525)</u>	<u>(47,499)</u>
Endowment net assets, ending	<u>\$ 571,788</u>	<u>\$ 1,349,269</u>	<u>\$ 1,921,057</u>

10. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Time or purpose restricted		
Ongoing operations:		
General operations/restricted as to time	\$ 878,435	\$ 493,427
Environmental policy and habitat restoration	63,102	166,976
Education programs	<u>114,930</u>	<u>86,008</u>
Subtotal, ongoing operations	<u>1,056,467</u>	<u>746,411</u>
Anniversary campaign:		
General anniversary campaign support	445,329	1,044,065
Bay defense	716,814	604,500
Strategic initiatives	244,331	132,636
Debt retirement	<u>12,130</u>	<u>74,447</u>
Subtotal, anniversary campaign	1,418,604	1,855,648
Amounts to be held in perpetuity	1,187,959	1,132,459
Endowment earnings in excess of amounts expended	<u>306,242</u>	<u>266,810</u>
	<u>\$ 3,969,272</u>	<u>\$ 4,001,328</u>

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, 2020 and 2019

10. Net Assets With Donor Restrictions (continued)

Net assets released were released from restriction for the following purposes for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Time or purpose restricted		
Ongoing operations:		
General operations/restricted as to time	\$ 224,200	\$ 172,075
Environmental policy and habitat restoration	142,976	212,000
Education programs	<u>86,008</u>	<u>78,230</u>
Subtotal, Ongoing Operations	<u>453,184</u>	<u>462,305</u>
Anniversary campaign:		
General anniversary campaign support	164,393	-
Bay defense	-	10,000
Public access	-	430,000
Strategic initiatives	761,112	75,455
Debt retirement	<u>214,022</u>	<u>10,303</u>
	1,139,527	525,758
Endowment earnings in excess of amounts expended	<u>47,212</u>	<u>32,525</u>
Subtotal, Nonoperating Income	<u>1,186,739</u>	<u>558,283</u>
	<u>\$ 1,639,923</u>	<u>\$ 1,020,588</u>

Net assets with donor restrictions to be held in perpetuity consisted of the following at June 30:

Fund	Purpose	<u>2020</u>	<u>2019</u>
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

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

10. Net Assets With Donor Restrictions (continued)

		2020	2019
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	100,000
Garnett and Booth	Capital campaign endowment	50,000	50,000
Marcia Morris	Capital campaign endowment	500	-
The Davis Family Fund	Capital campaign endowment	50,000	-
Deborah Penn*	Capital campaign endowment	5,000	-
		\$ 1,187,959	\$ 1,132,459

*\$2,500 of this balance is included in unconditional promises to give at June 30, 2020.

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. No in-kind services have been recognized in the financial statements, as management believes that the value of such space is not material.

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.

The Organization has a noncancelable operating lease for a copier expiring in December 2022. Total lease expense incurred was \$10,548 for each of the years ended June 30, 2020 and 2019.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

11. Operating Leases (continued)

Future minimum lease payments under the noncancelable operating lease at June 30, 2020 due in future years are as follows:

2021	\$	10,548
2022		10,548
2023		<u>5,274</u>
	\$	<u><u>26,370</u></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.

In-kind contributions consisted of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Volunteer effort	\$ 75,519	\$ 335,099
Property and equipment donations	<u>-</u>	<u>14,000</u>
	<u>\$ 75,519</u>	<u>\$ 349,099</u>

U.S. GAAP limits the recognition of certain contributions of services in the financial statements. There were approximately 22,800 and 29,000 volunteer hours contributed during the fiscal years ended June 30, 2020 and 2019, approximately 19,800 and 15,700 hours of which were not recognized in the statements of activities.

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.

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, 2020 and 2019.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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.

Financial assets and liquidity resources available within one year for general expenditure were as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 573,839	\$ 578,694
Accounts receivable	72,570	58,869
Grants receivable	55,581	38,360
Unconditional promises to give, net	868,941	982,278
Cash held for long-term purposes	1,261,776	1,340,408
Investments	<u>2,077,120</u>	<u>1,921,057</u>
Total financial assets available within one year	4,909,827	4,919,666
Liquidity resources:		
Available borrowings on line of credit	500,000	300,000
Less: Financial Assets with:		
Board designated for long-term investment	(587,418)	(571,788)
Donor-imposed restrictions	<u>(3,969,272)</u>	<u>(4,001,328)</u>
Total financial assets and liquid resources available within one year	<u>\$ 853,137</u>	<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 7).

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.

15. Commitment

The Organization has a boat purchase and construction contract with unincurred amounts of approximately \$226,000 at June 30, 2020.

Save The Bay, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

16. Uncertainty

The COVID-19 pandemic has developed rapidly in 2020. The State of Rhode Island has imposed various restrictions, including restrictions on business operations. The Organization was unable to hold certain fundraising events and was required to close its exploration center and cancel its in-person educational activities. The Organization implemented certain cost savings measures and developed certain virtual education and fundraising activities. Given the uncertainty of this situation, the duration and disruption in the Organization's business activities and related financial impact cannot be reasonably estimated at this time.

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