

Save The Bay, Inc.

Financial Statements

June 30, 2022 and 2021



Independent Auditors' Report

**Board of Directors
Save The Bay, Inc.**

Opinion

We have audited the accompanying financial statements of Save The Bay, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Save The Bay, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Save The Bay, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Save The Bay, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Save The Bay, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

PKF O'Connor Davies, LLP

December 28, 2022

Save The Bay, Inc.

Statements of Financial Position

	June 30,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,439,722	\$ 724,554
Accounts receivable	78,739	159,554
Grants receivable	42,321	84,520
Unconditional promises to give, net	2,104,093	318,414
Prepaid expenses and other	113,379	83,753
Restricted cash, anniversary campaign	131,325	1,044,738
Restricted cash, gateway aquarium project	1,394,328	-
Investments, anniversary campaign	1,025,441	538,885
Property and equipment, net	6,959,188	6,514,089
Investments, endowment	2,585,134	2,792,297
	<u>\$ 15,873,670</u>	<u>\$ 12,260,804</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 14,253	\$ 17,567
Accrued expenses	401,852	387,332
Deferred revenue	269,965	339,103
Total Liabilities	<u>686,070</u>	<u>744,002</u>
Net Assets		
Without donor restrictions		
Undesignated	(175,998)	78,443
Board designated		
Long-term investment	986,922	912,760
Property and equipment	6,959,188	6,514,089
	<u>7,770,112</u>	<u>7,505,292</u>
With donor restrictions	<u>7,417,488</u>	<u>4,011,510</u>
Total Net Assets	<u>15,187,600</u>	<u>11,516,802</u>
	<u>\$ 15,873,670</u>	<u>\$ 12,260,804</u>

Save The Bay, Inc.

Statements of Activities

	Year Ended June 30, 2022			Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT						
Contributions	\$ 1,582,492	\$ 3,955,473	\$ 5,537,965	\$ 1,250,512	\$ -	\$ 1,250,512
In-kind contributions	373,661	-	373,661	79,335	-	79,335
Grants	646,927	205,435	852,362	359,600	246,801	606,401
Government contracts	167,608	-	167,608	299,718	-	299,718
Program revenue	443,127	-	443,127	52,190	-	52,190
Other income, net	497,830	-	497,830	270,102	-	270,102
Net assets released from restrictions	208,209	(208,209)	-	777,051	(777,051)	-
Total Operating Revenue and Support	3,919,854	3,952,699	7,872,553	3,088,508	(530,250)	2,558,258
OPERATING EXPENSES						
Policy/habitat	835,153	-	835,153	806,581	-	806,581
Education	1,479,571	-	1,479,571	863,769	-	863,769
Communication	251,910	-	251,910	219,517	-	219,517
General and administrative	231,546	-	231,546	156,688	-	156,688
Fundraising	702,984	-	702,984	618,554	-	618,554
Total Operating Expenses Before Depreciation and Amortization	3,501,164	-	3,501,164	2,665,109	-	2,665,109
Depreciation and amortization	287,693	-	287,693	261,286	-	261,286
Total Operating Expenses	3,788,857	-	3,788,857	2,926,395	-	2,926,395
Excess (Deficiency) of Operating Revenue and Support Over Total Operating Expenses Before Other Changes in Net Assets	130,997	3,952,699	4,083,696	162,113	(530,250)	(368,137)
OTHER CHANGES IN NET ASSETS						
Contributions - Anniversary Campaign	-	1,250	1,250	95,765	272,711	368,476
Bad debt recovery	-	16,165	16,165	-	-	-
Investment (loss) gain and interest income, net	(231,310)	(199,003)	(430,313)	203,636	389,835	593,471
Paycheck Protection Program loan forgiveness	-	-	-	412,800	-	412,800
Net assets released from restrictions	365,133	(365,133)	-	90,058	(90,058)	-
	133,823	(546,721)	(412,898)	802,259	572,488	1,374,747
Change in Net Assets	264,820	3,405,978	3,670,798	964,372	42,238	1,006,610
NET ASSETS						
Beginning of year	7,505,292	4,011,510	11,516,802	6,540,920	3,969,272	10,510,192
End of year	\$ 7,770,112	\$ 7,417,488	\$ 15,187,600	\$ 7,505,292	\$ 4,011,510	\$ 11,516,802

See Notes to Financial Statements

Save The Bay, Inc.

Statement of Functional Expenses
Year Ended June 30, 2022

	<u>Program Services</u>					
	Policy/Habitat	Education	Communication	General and Administrative	Fundraising	Total Expenses
Salaries	\$ 444,908	\$ 539,360	\$ 115,986	\$ 391,358	\$ 335,890	\$ 1,827,502
Employee benefits	52,335	100,558	19,460	34,301	46,008	252,662
Payroll taxes	37,601	45,187	9,309	20,510	28,152	140,759
Total Salaries and Related Expenses	<u>534,844</u>	<u>685,105</u>	<u>144,755</u>	<u>446,169</u>	<u>410,050</u>	<u>2,220,923</u>
Conferences and meetings	4,630	69	25	3,733	51,954	60,411
In-kind contributions	37,476	306,016	20,806	-	9,363	373,661
Insurance expense	27,790	45,383	6,881	24,584	20,430	125,068
Occupancy	11,658	53,590	-	126,199	-	191,447
Professional fees	22,886	9,685	3,900	22,740	16,080	75,291
Purchased services	-	37,589	16,752	39,933	51,250	145,524
Supplies	32,427	62,170	21,999	47,184	37,880	201,660
Telephone and IT	6,314	11,891	1,149	2,439	3,308	25,101
Transportation	20,113	58,734	21	3,094	116	82,078
Overhead allocation	<u>137,015</u>	<u>209,339</u>	<u>35,622</u>	<u>(484,529)</u>	<u>102,553</u>	<u>-</u>
Total Functional Expenses Before Depreciation and Amortization	835,153	1,479,571	251,910	231,546	702,984	3,501,164
Depreciation and amortization	<u>15,238</u>	<u>96,412</u>	<u>2,644</u>	<u>165,782</u>	<u>7,617</u>	<u>287,693</u>
Total Functional Expenses	<u><u>\$ 850,391</u></u>	<u><u>\$ 1,575,983</u></u>	<u><u>\$ 254,554</u></u>	<u><u>\$ 397,328</u></u>	<u><u>\$ 710,601</u></u>	<u><u>\$ 3,788,857</u></u>

Save The Bay, Inc.

Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services					
	Policy/Habitat	Education	Communication	General and Administrative	Fundraising	Total Expenses
Salaries	\$ 360,005	\$ 363,319	\$ 91,856	\$ 352,710	\$ 294,326	\$ 1,462,216
Employee benefits	48,774	85,470	18,333	28,266	47,058	227,901
Payroll taxes	34,736	35,207	8,546	18,823	28,772	126,084
Total Salaries and Related Expenses	443,515	483,996	118,735	399,799	370,156	1,816,201
Conferences and meetings	926	150	-	175	2,489	3,740
In-kind contributions	29,818	35,439	8,854	-	1,224	75,335
Insurance expense	25,037	32,996	6,068	17,629	19,449	101,179
Occupancy	12,985	29,973	-	152,989	-	195,947
Professional fees	45,683	-	3,900	63,616	5,225	118,424
Purchased services	5,541	18,929	19,416	34,318	43,181	121,385
Supplies	54,892	28,044	17,812	18,628	36,500	155,876
Telephone and IT	5,883	8,852	1,009	3,346	3,239	22,329
Transportation	12,896	41,653	-	144	-	54,693
Overhead allocation	169,405	183,737	43,723	(533,956)	137,091	-
Total Functional Expenses Before Depreciation and Amortization	806,581	863,769	219,517	156,688	618,554	2,665,109
Depreciation and amortization	15,350	79,829	2,601	155,165	8,341	261,286
Total Functional Expenses	<u>\$ 821,931</u>	<u>\$ 943,598</u>	<u>\$ 222,118</u>	<u>\$ 311,853</u>	<u>\$ 626,895</u>	<u>\$ 2,926,395</u>

Save The Bay, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,670,798	\$ 1,006,610
Adjustments to reconcile change in net assets to net cash from operating activities		
Donated property and equipment	-	(4,000)
Paycheck Protection Program loan forgiveness	-	(412,800)
Depreciation and amortization	287,693	261,286
Interest and dividends restricted for long-term investment	(40,395)	(28,715)
Net unrealized and realized loss (gain) on investments	470,708	(573,403)
Gain on sale of property and equipment	-	(35,000)
Contributions received restricted for long-term purposes	(2,074,699)	(453,219)
Insurance proceeds from property loss	-	(19,830)
Changes in operating assets and liabilities		
Accounts receivable	80,815	(86,984)
Grants receivable	42,199	(28,939)
Unconditional promises to give	(1,785,679)	550,527
Prepaid expenses and other	(29,626)	6,484
Accounts payable	(3,314)	(9,576)
Accrued expenses	(17,104)	219,262
Deferred revenue	(69,138)	218,859
Net Cash from Operating Activities	<u>532,258</u>	<u>610,562</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,555,600)	(1,081,462)
Proceeds from sales of investments	845,894	671,227
Deposit on property and equipment	-	131,643
Proceeds from sale of property and equipment	-	35,000
Purchases of property and equipment	(701,168)	(664,633)
Insurance proceeds from property loss	-	19,830
Net Cash from Investing Activities	<u>(1,410,874)</u>	<u>(888,395)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received restricted for long-term purposes	<u>2,074,699</u>	<u>453,219</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	1,196,083	175,386
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	<u>1,769,292</u>	<u>1,593,906</u>
End of year	<u>\$ 2,965,375</u>	<u>\$ 1,769,292</u>

See Notes to Financial Statements

Save The Bay, Inc.

Statements of Cash Flows (*Continued*)

	Year Ended June 30,	
	2022	2021
SUPPLEMENTAL DISCLOSURE OF COMPONENTS OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents	\$ 1,439,722	\$ 724,554
Restricted cash, anniversary campaign	131,325	1,044,738
Restricted cash, gateway aquarium project	1,394,328	-
	<u>\$ 2,965,375</u>	<u>\$ 1,769,292</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash Investing and Financing Activities		
Paycheck Protection Program loan forgiveness	\$ -	\$ 412,800
Property and equipment purchased with accounts payable	31,624	-

Save The Bay, Inc.

Notes to Financial Statements June 30, 2022 and 2021

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. 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 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 follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This category may also include amounts designated by the Board of Directors for specific purposes.

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, 2022 and 2021

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.

Accounting Pronouncement Adopted

Effective July 1, 2021, the Organization adopted Accounting Standard Update ("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 ASU does not change existing recognition and measurement requirements for contributed nonfinancial assets.

Cash, Cash Equivalents and Restricted Cash

For reporting purposes, 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. Cash and cash equivalents are reported as either unrestricted or restricted cash and cash equivalent balances. Cash is restricted for the purposes of the anniversary campaign and the Gateway Aquarium Project.

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, 2022 and 2021.

Save The Bay, Inc.

Notes to Financial Statements June 30, 2022 and 2021

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

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.

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.

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. Realized and unrealized gain (losses) on investments are included in the change in net assets.

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.

Save The Bay, Inc.

Notes to Financial Statements June 30, 2022 and 2021

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

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, 2022 and 2021.

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. There were no new conditional contributions at June 30, 2022 and 2021.

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 position. 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.

Save The Bay, Inc.

Notes to Financial Statements June 30, 2022 and 2021

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

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 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. The expenses that are allocated include salaries and wages, and payroll taxes, which are allocated based on time and effort, while occupancy for the Education program is based on square footage and other occupancy is based on personnel expense for each program and department.

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, investment return, and debt forgiveness.

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.

Save The Bay, Inc.

Notes to Financial Statements June 30, 2022 and 2021

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

Accounting Pronouncement to be Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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.

Reclassifications

Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previous changes in net assets.

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 December 28, 2022.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash and cash equivalents 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. The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment, investment advisor, investment manager or group of investments represents a significant concentration of credit risk.

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:

	2022	2021
Unconditional promises to give due in:		
Less than one year	\$ 1,115,383	\$ 180,685
One to five years	<u>1,058,500</u>	<u>165,000</u>
Total unconditional promises to give	2,173,883	345,685
Less discount for net present values	(65,690)	(3,271)
Less allowance for uncollectible promises to give	<u>(4,100)</u>	<u>(24,000)</u>
	<u><u>\$ 2,104,093</u></u>	<u><u>\$ 318,414</u></u>

Save The Bay, Inc.

Notes to Financial Statements June 30, 2022 and 2021

4. Unconditional Promises to Give *(continued)*

The discount rate applied to unconditional promises to give due in excess of one year was 3.01% and 0.87% at June 30, 2022 and 2021.

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

	2022	2021
Ongoing operations	\$ 2,160,600	\$ 280,000
Anniversary campaign	13,283	65,685
	<u>\$ 2,173,883</u>	<u>\$ 345,685</u>

5. Investments

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

	2022		
	Level 1	Level 2	Total
Corporate stocks	\$ 2,179,275	\$ -	\$ 2,179,275
Preferred stocks	46,928	-	46,928
Mutual funds - fixed income	114,237	-	114,237
Corporate bonds	-	711,481	711,481
Government bonds and U.S. treasury notes	317,696	-	317,696
Exchange traded funds	150,612	-	150,612
	<u>\$ 2,808,748</u>	<u>\$ 711,481</u>	3,520,229
Brokerage cash and cash equivalents			90,346
			<u>\$ 3,610,575</u>

	2021		
	Level 1	Level 2	Total
Corporate stocks	\$ 1,289,484	\$ -	\$ 1,289,484
Mutual funds - fixed income	156,002	-	156,002
Corporate bonds	-	409,247	409,247
Government bonds and U.S. treasury notes	84,871	-	84,871
Exchange traded funds	1,061,574	-	1,061,574
	<u>\$ 2,591,931</u>	<u>\$ 409,247</u>	3,001,178
Brokerage cash and cash equivalents			330,004
			<u>\$ 3,331,182</u>

Save The Bay, Inc.

Notes to Financial Statements June 30, 2022 and 2021

5. Investments (*continued*)

The following is a reconciliation of the investments as presented in the fair value hierarchy to the categorizations presented on the statements of financial position at June 30:

	2022	2021
Investments, anniversary campaign	\$ 1,025,441	\$ 538,885
Investments, endowment	2,585,134	2,792,297
	<u>\$ 3,610,575</u>	<u>\$ 3,331,182</u>

The global and domestic economic uncertainty has resulted in significant volatility in financial markets. This volatility has affected, and may continue to affect, the value of the Organization's investments. The effects of economic and market conditions subsequent to June 30, 2022 are not reflected in these financial statements and future effects on the Organization's investments cannot be predicted

6. Property and Equipment

Property and equipment consisted of the following at June 30:

	2022	2021
Building and improvements	\$ 4,536,350	\$ 4,536,350
Site improvements	2,719,795	2,691,525
Leasehold improvements	42,685	42,685
Boats	1,235,903	942,495
Docks	877,640	877,640
Breakwater	585,066	585,066
Equipment	248,581	243,616
Furniture and fixtures	271,577	271,577
Motor vehicles	18,000	18,000
Construction in progress	645,756	239,607
	11,181,353	10,448,561
Less accumulated depreciation and amortization	(4,222,165)	(3,934,472)
	<u>\$ 6,959,188</u>	<u>\$ 6,514,089</u>

Save The Bay, Inc.

Notes to Financial Statements June 30, 2022 and 2021

7. Line of Credit

The Organization has a line of credit agreement with a bank, with maximum borrowings of \$500,000. On February 24, 2022, the Organization renewed their line of credit. The line is secured by the Organization's assets, and is renewable annually. The outstanding principal balance shall bear interest at a per annum rate equal to 2.05% above simple secured overnight financing rate ("SOFR") (3.50% and 2.10% at June 30, 2022 and 2021). There were no borrowings outstanding under the line of credit agreement at June 30, 2022 and 2021. As further security, the Lender required a Pledged Asset Account Agreement on the investment account portfolio dated July 31, 2020. On August 17, 2020, the Organization opened a separate investment account transferring \$921,774 as the opening balance. At June 30, 2022 and 2021, the investment account balance was \$969,502 and \$1,090,736.

On August 31, 2022, the line of credit maximum borrowings was increased to \$1,500,000. All other existing terms of the line of credit agreement remained unchanged.

8. 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.

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.

Save The Bay, Inc.

Notes to Financial Statements June 30, 2022 and 2021

8. 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 at June 30, 2022 or 2021.

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 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, 2022 and 2021.

Save The Bay, Inc.

Notes to Financial Statements June 30, 2022 and 2021

8. Endowment Net Assets (*continued*)

Endowment net assets

Endowment net assets consisted of the following at June 30:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 986,922	\$ -	\$ 986,922
Donor restricted endowment funds			
Historical gift value	-	1,183,459	1,183,459
Appreciation	-	414,753	414,753
	<u>\$ 986,922</u>	<u>\$ 1,598,212</u>	<u>\$ 2,585,134</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 912,760	\$ -	\$ 912,760
Donor restricted endowment funds			
Historical gift value	-	1,183,459	1,183,459
Appreciation	-	696,078	696,078
	<u>\$ 912,760</u>	<u>\$ 1,879,537</u>	<u>\$ 2,792,297</u>

Changes in endowment net assets were as follows for the years ended June 30:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 912,760	\$ 1,879,537	\$ 2,792,297
Contributions and pledge receipts	232,427	-	232,427
Investment loss	(112,845)	(199,002)	(311,847)
Disbursements	(45,420)	(82,323)	(127,743)
Endowment net assets, ending	<u>\$ 986,922</u>	<u>\$ 1,598,212</u>	<u>\$ 2,585,134</u>

Save The Bay, Inc.

Notes to Financial Statements June 30, 2022 and 2021

8. Endowment Net Assets (*continued*)

	2021	
	Without Donor Restrictions	With Donor Restrictions
		Total
Endowment net assets, beginning	\$ 587,418	\$ 1,489,702
Contributions and pledge receipts	149,765	-
Investment income	175,577	389,835
Endowment net assets, ending	<u>\$ 912,760</u>	<u>\$ 1,879,537</u>

9. Net Assets With Donor Restrictions

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

	2022	2021
Time or purpose restricted		
Ongoing operations		
General operations/restricted as to time	\$ 265,212	\$ 319,483
Gateway aquarium project	3,942,892	50,000
Environmental policy and habitat restoration	164,070	79,543
Education programs	<u>106,742</u>	<u>77,190</u>
Subtotal, ongoing operations	<u>4,478,916</u>	<u>526,216</u>
Anniversary campaign		
General anniversary campaign support	463,959	435,948
Bay defense	736,304	736,304
Strategic initiatives	<u>135,597</u>	<u>429,005</u>
Subtotal, anniversary campaign	1,335,860	1,601,257
Amounts to be held in perpetuity	1,187,959	1,187,959
Endowment earnings in excess of amounts expended	<u>414,753</u>	<u>696,078</u>
	<u>\$ 7,417,488</u>	<u>\$ 4,011,510</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, 2022 and 2021

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

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

	<u>2022</u>	<u>2021</u>
Time or purpose restricted		
Ongoing operations		
General operations/restricted as to time	\$ 141,853	\$ 635,987
Environmental policy and habitat restoration	35,473	49,992
Education programs	30,883	91,072
Subtotal, Ongoing Operations	<u>208,209</u>	<u>777,051</u>
Anniversary campaign		
General anniversary campaign support	-	1,048
Bay defense	-	5,510
Strategic initiatives	365,133	71,370
Debt retirement	-	12,130
Subtotal, Nonoperating Income	<u>365,133</u>	<u>90,058</u>
	<u>\$ 573,342</u>	<u>\$ 867,109</u>

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

	<u>2022</u>	<u>2021</u>
Education programs	\$ 397,022	\$ 397,022
Strategic initiatives	530,000	530,000
General anniversary campaign support	260,937	260,937
	<u>\$ 1,187,959</u>	<u>\$ 1,187,959</u>

10. 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 contribution has 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, 2022 and 2021, the expense related to this lease was \$9,000 each year.

Save The Bay, Inc.

Notes to Financial Statements June 30, 2022 and 2021

10. Operating Leases (*continued*)

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, 2022 and 2021.

On September 28, 2021, the Organization signed a non-cancelable ten year lease for the relocation of the Exploration Center. The Organization will pay rent equal to 10% of each regular admission visitor ticket with a minimum rent payment of \$30,000 per operating year. Lease commenced October 1, 2021.

The Organization leases space in Bowen's Wharf that expires in April 2023, with payments of \$750 made from November through April. Total lease expense incurred was \$4,500 and \$0 for the years ended June 30, 2022 and 2021.

Future minimum lease payments under the noncancelable operating leases at June 30:

2023	\$ 39,774
2024	30,000
2025	30,000
2026	30,000
2027	30,000
	<u>\$ 159,774</u>

11. 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:

	2022	2021
Volunteer effort	\$ 373,661	\$ 75,335
Property and equipment donations	-	4,000
	<u>\$ 373,661</u>	<u>\$ 79,335</u>

U.S. GAAP limits the recognition of certain contributions of services in the financial statements. There were approximately 23,745 and 7,033 volunteer hours contributed during the fiscal years ended June 30, 2022 and 2021, approximately 10,918 and 4,507 hours of which were not recognized in the statements of activities.

12. 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, 2022 and 2021.

Save The Bay, Inc.

Notes to Financial Statements June 30, 2022 and 2021

13. Financial Assets and Availability of Financial 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:

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 1,439,722	\$ 724,554
Accounts receivable	78,739	159,554
Grants receivable	42,321	84,520
Unconditional promises to give, net	2,104,093	318,414
Cash, anniversary campaign	131,325	1,044,738
Cash, gateway aquarium project	1,394,328	-
Investments	3,610,575	3,331,182
Total financial assets	8,801,103	5,662,962
Less: Financial Assets with		
Board designated for long-term investment	(986,922)	(912,760)
Donor-imposed restrictions	(7,417,488)	(4,011,510)
Total financial assets available within one year	396,693	738,692
Liquidity resources		
Available borrowings on line of credit	500,000	500,000
Total financial assets and liquidity resources available within one year	\$ 896,693	\$ 1,238,692

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.

14. Commitment

During 2022 the Organization had ongoing construction for the gateway aquarium project. The project is estimated to be completed during 2023. The total estimated cost of the project is \$6,500,000.

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