

# **Save The Bay, Inc.**

Financial Statements

June 30, 2023 and 2022

## **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, 2023 and 2022, 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, 2023 and 2022, 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.

December 6, 2023

# Save The Bay, Inc.

## Statements of Financial Position

	June 30,	
	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,183,183	\$ 1,439,722
Accounts receivable	85,958	78,739
Grants receivable	75,826	42,321
Unconditional promises to give, net	826,661	2,104,093
Prepaid expenses and other	129,325	113,379
Restricted cash, anniversary campaign	1,267,169	131,325
Restricted cash, Gateway Aquarium Project	910,278	1,394,328
Investments, anniversary campaign	276,951	1,025,441
Property and equipment, net	11,080,958	6,959,188
Right-of-use asset, operating lease	460,421	-
Investments, endowment	2,575,754	2,585,134
	<u>\$ 18,872,484</u>	<u>\$ 15,873,670</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 153,042	\$ 14,253
Accrued expenses	395,873	401,852
Deferred revenue	321,498	269,965
Operating lease liabilities	496,707	-
Total Liabilities	<u>1,367,120</u>	<u>686,070</u>
Net Assets		
Without donor restrictions		
Undesignated	816,922	469,758
Board designated		
Long-term investment	877,054	986,922
Property and equipment	6,046,674	6,313,432
	<u>7,740,650</u>	<u>7,770,112</u>
With donor restrictions	9,764,714	7,417,488
Total Net Assets	<u>17,505,364</u>	<u>15,187,600</u>
	<u>\$ 18,872,484</u>	<u>\$ 15,873,670</u>

See Notes to Financial Statements

**Save The Bay, Inc.**

Statements of Activities

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE AND SUPPORT</b>						
Contributions	\$ 1,604,228	\$ 1,913,196	\$ 3,517,424	\$ 1,582,492	\$ 3,955,473	\$ 5,537,965
In-kind contributions	420,652	-	420,652	373,661	-	373,661
Grants	-	987,000	987,000	646,927	205,435	852,362
Government contracts	268,470	-	268,470	167,608	-	167,608
Program revenue	596,951	-	596,951	443,127	-	443,127
Other income, net	529,472	-	529,472	497,830	-	497,830
Endowment return designated for operations	263,133	-	263,133	127,743	-	127,743
Net assets released from restrictions	466,484	(466,484)	-	208,209	(208,209)	-
Total Operating Revenue and Support	<u>4,149,390</u>	<u>2,433,712</u>	<u>6,583,102</u>	<u>4,047,597</u>	<u>3,952,699</u>	<u>8,000,296</u>
<b>OPERATING EXPENSES</b>						
Policy/habitat	998,601	-	998,601	835,153	-	835,153
Education	1,825,833	-	1,825,833	1,479,571	-	1,479,571
Communication	261,227	-	261,227	251,910	-	251,910
General and administrative	171,947	-	171,947	231,546	-	231,546
Fundraising	780,445	-	780,445	702,984	-	702,984
Total Operating Expenses Before Depreciation and Amortization	4,038,053	-	4,038,053	3,501,164	-	3,501,164
Depreciation and amortization	305,897	-	305,897	287,693	-	287,693
Total Operating Expenses	<u>4,343,950</u>	<u>-</u>	<u>4,343,950</u>	<u>3,788,857</u>	<u>-</u>	<u>3,788,857</u>
Excess (Deficiency) of Operating Revenue and Support Over Total Operating Expenses Before Other Changes in Net Assets	<u>(194,560)</u>	<u>2,433,712</u>	<u>2,239,152</u>	<u>258,740</u>	<u>3,952,699</u>	<u>4,211,439</u>
<b>OTHER CHANGES IN NET ASSETS</b>						
Contributions - Anniversary Campaign	-	-	-	-	1,250	1,250
Bad debt recovery	-	-	-	-	16,165	16,165
Investment (loss) gain and interest income, net	184,306	157,439	341,745	(231,310)	(199,003)	(430,313)
Endowment return designated for operations	(263,133)	-	(263,133)	(127,743)	-	(127,743)
Net assets released from restrictions	243,925	(243,925)	-	365,133	(365,133)	-
	<u>165,098</u>	<u>(86,486)</u>	<u>78,612</u>	<u>6,080</u>	<u>(546,721)</u>	<u>(540,641)</u>
Change in Net Assets	<u>(29,462)</u>	<u>2,347,226</u>	<u>2,317,764</u>	<u>264,820</u>	<u>3,405,978</u>	<u>3,670,798</u>
<b>NET ASSETS</b>						
Beginning of year	<u>7,770,112</u>	<u>7,417,488</u>	<u>15,187,600</u>	<u>7,505,292</u>	<u>4,011,510</u>	<u>11,516,802</u>
End of year	<u>\$ 7,740,650</u>	<u>\$ 9,764,714</u>	<u>\$ 17,505,364</u>	<u>\$ 7,770,112</u>	<u>\$ 7,417,488</u>	<u>\$ 15,187,600</u>

See Notes to Financial Statements

**Save The Bay, Inc.**

Statement of Functional Expenses  
Year Ended June 30, 2023

	<u>Program Services</u>			General and Administrative	Fundraising	Total Expenses
	Policy/Habitat	Education	Communication			
Salaries	\$ 486,055	\$ 623,790	\$ 120,270	\$ 401,574	\$ 365,673	\$ 1,997,362
Employee benefits	60,996	108,352	18,909	43,730	43,816	275,803
Payroll taxes	41,527	55,324	10,655	29,439	31,319	168,264
Total Salaries and Related Expenses	<u>588,578</u>	<u>787,466</u>	<u>149,834</u>	<u>474,743</u>	<u>440,808</u>	<u>2,441,429</u>
Bad debt expense	-	-	-	2,177	-	2,177
Conferences and meetings	8,466	3,639	-	4,749	48,941	65,795
In-kind contributions	36,090	372,432	5,900	-	6,230	420,652
Insurance expense	31,364	57,591	7,495	23,420	22,542	142,412
Occupancy	11,499	70,892	-	174,950	-	257,341
Professional fees	60,972	7,450	3,900	39,637	12,174	124,133
Purchased services	900	58,411	7,895	74,939	49,585	191,730
Supplies	27,240	85,440	32,224	58,829	38,682	242,415
Telephone and IT	5,444	8,871	953	2,465	2,872	20,605
Transportation	18,347	105,436	-	4,718	863	129,364
Overhead allocation	<u>209,701</u>	<u>268,205</u>	<u>53,026</u>	<u>(688,680)</u>	<u>157,748</u>	<u>-</u>
Total Functional Expenses Before Depreciation and Amortization	998,601	1,825,833	261,227	171,947	780,445	4,038,053
Depreciation and amortization	<u>14,780</u>	<u>117,660</u>	<u>2,457</u>	<u>163,671</u>	<u>7,329</u>	<u>305,897</u>
Total Functional Expenses	<u>\$ 1,013,381</u>	<u>\$ 1,943,493</u>	<u>\$ 263,684</u>	<u>\$ 335,618</u>	<u>\$ 787,774</u>	<u>\$ 4,343,950</u>

See Notes to Financial Statements

**Save The Bay, Inc.**

Statement of Functional Expenses  
Year Ended June 30, 2022

	<u>Program Services</u>			General and Administrative	Fundraising	Total Expenses
	Policy/Habitat	Education	Communication			
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	<u>37,601</u>	<u>45,187</u>	<u>9,309</u>	<u>20,510</u>	<u>28,152</u>	<u>140,759</u>
Total Salaries and Related Expenses	534,844	685,105	144,755	446,169	410,050	2,220,923
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>\$ 850,391</u>	<u>\$ 1,575,983</u>	<u>\$ 254,554</u>	<u>\$ 397,328</u>	<u>\$ 710,601</u>	<u>\$ 3,788,857</u>

See Notes to Financial Statements

# Save The Bay, Inc.

## Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,317,764	\$ 3,670,798
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	305,897	287,693
Interest and dividends restricted for long-term investment	(49,453)	(40,395)
Net unrealized and realized loss (gain) on investments	(292,292)	470,708
Contributions received restricted for long-term purposes	(3,348,853)	(2,074,699)
Amortization of right-of-use asset, operating lease	36,286	-
Changes in operating assets and liabilities		
Accounts receivable	(7,219)	80,815
Grants receivable	(33,505)	42,199
Unconditional promises to give	1,277,432	(1,785,679)
Prepaid expenses and other	(15,946)	(29,626)
Accounts payable	(10,722)	(3,314)
Accrued expenses	(5,979)	(17,104)
Deferred revenue	51,533	(69,138)
Net Cash from Operating Activities	<u>224,943</u>	<u>532,258</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(442,835)	(1,555,600)
Proceeds from sales of investments	1,542,450	845,894
Purchases of property and equipment	(4,278,156)	(701,168)
Net Cash from Investing Activities	<u>(3,178,541)</u>	<u>(1,410,874)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions received restricted for long-term purposes	<u>3,348,853</u>	<u>2,074,699</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	395,255	1,196,083
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>		
Beginning of year	<u>2,965,375</u>	<u>1,769,292</u>
End of year	<u>\$ 3,360,630</u>	<u>\$ 2,965,375</u>

See Notes to Financial Statements



**Save The Bay, Inc.**

Statements of Cash Flows *(Continued)*

	Year Ended June 30,	
	2023	2022
<b>SUPPLEMENTAL DISCLOSURE OF COMPONENTS OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>		
Cash and cash equivalents	\$ 1,183,183	\$ 1,439,722
Restricted cash, anniversary campaign	1,267,169	131,325
Restricted cash, Gateway Aquarium Project	910,278	1,394,328
	<u>\$ 3,360,630</u>	<u>\$ 2,965,375</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Non-cash Investing and Financing Activities		
Property and equipment purchased with accounts payable	\$ 149,511	\$ 31,624

## **Save The Bay, Inc.**

### **Notes to Financial Statements June 30, 2023 and 2022**

#### **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.

##### ***Change in Accounting Policy***

The Organization adopted Financial Accounting Standards Board Topic 842, *Leases*, using the effective date method with July 1, 2022 as the date of the initial adoption, with certain practical expedients available.

The Organization elected the available practical expedients to account for its existing operating leases as operating leases and capital leases as finance leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, on July 1, 2022, the Organization recognized a right-of-use ("ROU") asset and lease liability of \$496,707 that represent the present value of the remaining operating lease payments of \$698,500 discounted using the risk free interest rate at July 1, 2022 for the number of years equal to the term of the lease.

## **Save The Bay, Inc.**

### **Notes to Financial Statements June 30, 2023 and 2022**

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

##### ***Change in Accounting Policy (continued)***

The standard had an impact on the Organization's statement of financial position but did not have an impact on its statements of activities and cash flows. The most significant impact was the recognition of ROU assets and lease liability for operating lease.

##### ***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.

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.

##### ***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.

## **Save The Bay, Inc.**

### **Notes to Financial Statements June 30, 2023 and 2022**

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

##### ***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, 2023 and 2022. The grants and accounts receivable, net balance was \$244,074 at July 1, 2021

##### ***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.

## **Save The Bay, Inc.**

### **Notes to Financial Statements June 30, 2023 and 2022**

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

##### ***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 future 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, 2023 and 2022.

##### ***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, 2023 and 2022.

##### ***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.

## **Save The Bay, Inc.**

### **Notes to Financial Statements June 30, 2023 and 2022**

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

##### ***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. Deferred revenue was \$339,103 at July 1, 2021.

##### ***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, 2023 and 2022**

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

##### ***Leases***

As of July 1, 2022, the Organization leases a separate location from a third party, and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets ("ROU" assets) and operating lease liabilities on the accompanying statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The leases do not provide an implicit borrowing rate. The Organization uses their risk-free rate based on information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

##### ***Reclassifications***

Certain amounts in the prior period presented have been reclassified to confirm to the current period financial statements presentation. These reclassification 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 6, 2023.

#### **3. Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash and investments held at financial institutions. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). At times cash balances may exceed the FDIC and/or the SIPC limit. As of June 30, 2023 and 2022, the Organization's uninsured cash on deposit totaled approximately \$1,861,000 and \$2,414,000. As of June 30, 2023 and 2022 the Organization's uninsured investment holdings totaled approximately \$3,427,000 and \$3,330,000.

## Save The Bay, Inc.

### Notes to Financial Statements June 30, 2023 and 2022

#### 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:

	2023	2022
Unconditional promises to give due in:		
Less than one year	\$ 503,508	\$ 1,115,383
One to five years	358,000	1,058,500
Total unconditional promises to give	861,508	2,173,883
Less discount for net present values	(30,747)	(65,690)
Less allowance for uncollectible promises to give	(4,100)	(4,100)
	<u>\$ 826,661</u>	<u>\$ 2,104,093</u>

The discount rate applied to unconditional promises to give due in excess of one year was 4.13% and 3.01% at June 30, 2023 and 2022.

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

	2023	2022
Ongoing operations	\$ 347,500	\$ 257,600
Gateway Aquarium Project	485,500	1,903,000
Anniversary campaign	28,508	13,283
	<u>\$ 861,508</u>	<u>\$ 2,173,883</u>

#### 5. Investments

The following schedule summarizes the fair value of investments by the fair value hierarchy as of June 30:

	2023	
	Level 1	Level 2
Corporate stocks	\$ 1,971,403	\$ -
Preferred stocks	22,693	-
Corporate bonds	-	423,445
Government bonds and U.S. treasury notes	341,574	-
Exchange traded funds	59,897	-
	<u>\$ 2,395,567</u>	<u>\$ 423,445</u>
Brokerage cash and cash equivalents		33,693
		<u>\$ 2,852,705</u>



## Save The Bay, Inc.

### Notes to Financial Statements June 30, 2023 and 2022

#### 5. Investments (*continued*)

	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>	<u>3,520,229</u>
Brokerage cash and cash equivalents			90,346
			<u>\$ 3,610,575</u>

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:

	2023	2022
Investments, anniversary campaign	\$ 276,951	\$ 1,025,441
Investments, endowment	2,575,754	2,585,134
	<u>\$ 2,852,705</u>	<u>\$ 3,610,575</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, 2023 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:

	Estimated Useful Lives	2023	2022
Building and improvements	10 to 40 years	\$ 4,536,350	\$ 4,536,350
Site improvements	2 to 25 years	2,719,795	2,719,795
Leasehold improvements	5 years	42,685	42,685
Boats	10 to 15 years	1,235,903	1,235,903
Docks	2 to 20 years	877,640	877,640
Breakwater	20 years	585,066	585,066
Equipment	3 to 10 years	248,581	248,581
Furniture and fixtures	5 to 40 years	271,577	271,577

## Save The Bay, Inc.

### Notes to Financial Statements June 30, 2023 and 2022

#### 6. Property and Equipment (*continued*)

	<u>Estimated Useful Lives</u>	<u>2023</u>	<u>2022</u>
Motor vehicles	2 to 3 years	57,139	18,000
Construction in progress		<u>5,034,284</u>	<u>645,756</u>
		15,609,020	11,181,353
Less accumulated depreciation and amortization		<u>(4,528,062)</u>	<u>(4,222,165)</u>
		<u>\$ 11,080,958</u>	<u>\$ 6,959,188</u>

#### 7. Line of Credit

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. 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") (7.30% and 3.50% at June 30, 2023 and 2022). There were no borrowings outstanding under the line of credit agreement at June 30, 2023 and 2022. 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 to serve as the additional security required. At June 30, 2023 and 2022, the investment account balance was \$1,065,588 and \$969,502.

#### 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.

## **Save The Bay, Inc.**

### **Notes to Financial Statements June 30, 2023 and 2022**

#### **8. Endowment Net Assets (*continued*)**

##### *Endowment funds (continued)*

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 at June 30, 2023 or 2022.

##### *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, 2023 and 2022.

# Save The Bay, Inc.

## Notes to Financial Statements June 30, 2023 and 2022

### 8. Endowment Net Assets (*continued*)

#### *Endowment net assets*

Endowment net assets consisted of the following at June 30:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 877,054	\$ -	\$ 877,054
Donor restricted endowment funds			
Historical gift value	-	1,183,459	1,183,459
Appreciation	-	515,241	515,241
	<u>\$ 877,054</u>	<u>\$ 1,698,700</u>	<u>\$ 2,575,754</u>
	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>

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 986,922	\$ 1,598,212	\$ 2,585,134
Contributions and pledge receipts	4,815	-	4,815
Investment gain	91,501	157,437	248,938
Disbursements	(206,184)	(56,949)	(263,133)
Endowment net assets, ending	<u>\$ 877,054</u>	<u>\$ 1,698,700</u>	<u>\$ 2,575,754</u>

## Save The Bay, Inc.

### Notes to Financial Statements June 30, 2023 and 2022

#### 8. Endowment Net Assets (*continued*)

	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>

#### 9. Net Assets With Donor Restrictions

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

	2023	2022
Time or purpose restricted		
Ongoing operations		
General operations/restricted as to time	\$ 327,253	\$ 265,212
Gateway Aquarium Project	6,297,644	3,942,892
Environmental policy and habitat restoration	231,873	164,070
Education programs	112,807	106,742
Subtotal, Ongoing Operations	<u>6,969,577</u>	<u>4,478,916</u>
Anniversary campaign		
General anniversary campaign support	399,036	463,959
Bay defense	676,304	736,304
Strategic initiatives	16,597	135,597
Subtotal, anniversary campaign	<u>1,091,937</u>	<u>1,335,860</u>
Amounts to be held in perpetuity	1,187,959	1,187,959
Endowment earnings in excess of amounts expended	<u>515,241</u>	<u>414,753</u>
	<u>\$ 9,764,714</u>	<u>\$ 7,417,488</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, 2023 and 2022

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

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

	<u>2023</u>	<u>2022</u>
Time or purpose restricted		
Ongoing operations		
General operations/restricted as to time	\$ 181,401	\$ 59,530
Environmental policy and habitat restoration	106,697	35,473
Education programs	121,435	30,883
Subtotal, Ongoing Operations	<u>409,533</u>	<u>125,886</u>
Anniversary campaign		
General anniversary campaign support	119,000	-
Bay defense	60,000	-
Strategic initiatives	64,925	365,133
	<u>243,925</u>	<u>365,133</u>
Endowment earnings in excess of amounts expended	56,951	82,323
Subtotal, Nonoperating Income	<u>300,876</u>	<u>447,456</u>
	<u>\$ 710,409</u>	<u>\$ 573,342</u>

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

	<u>2023</u>	<u>2022</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. Leases

The Organization has an operating lease for a separate location from a third party. This lease has a remaining lease term of 18.25 years.

## Save The Bay, Inc.

### Notes to Financial Statements June 30, 2023 and 2022

#### 10. Leases (*continued*)

For the year ended June 30:

Lease expense		
Operating lease cost	\$	36,286
Supplemental cash flows		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$	-
Weighted average remaining lease terms		
Operating leases		18.25 years
Weighted average discount rate		
Operating leases		3.35%

Minimum future lease payments as of June 30, 2023, for each of the following years and in the aggregate are approximately:

Year ending June 30,	Operating Leases
2024	\$ -
2025	19,250
2026	33,000
2027	33,000
2028	33,000
Thereafter	580,250
Total future minimum lease payments	698,500
Less imputed interest	(201,793)
Total lease liability	<u>\$ 496,707</u>

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. No in-kind contribution has been recognized in the financial statements, as management believes that the value of such space is not material. In this case, management estimates that the fair value of the land is approximately equal to the improvements that were made by the Organization. Since ownership of the land remains with the university, management believes that the significant improvements made to the land support not recognizing an in-kind contribution. Accordingly, an additional asset is not recorded.

## Save The Bay, Inc.

### Notes to Financial Statements June 30, 2023 and 2022

#### 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:

	2023	2022
Volunteer effort	<u>\$ 420,652</u>	<u>\$ 373,661</u>

The volunteer efforts are utilized in each department. The Organization uses the national rate as published by Independent Sector to determine the in-kind contribution value. In-kind contributions had no associated donor restrictions. U.S. GAAP limits the recognition of certain contributions of services in the financial statements. There were approximately 15,460 and 23,745 volunteer hours contributed during the fiscal years ended June 30, 2023 and 2022, approximately 1,649 and 10,918 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, 2023 and 2022.

#### 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:

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 1,183,183	\$ 1,439,722
Accounts receivable	85,958	78,739
Grants receivable	75,826	42,321
Unconditional promises to give, net	826,661	2,104,093
Cash, anniversary campaign	1,267,169	131,325
Cash, Gateway Aquarium Project	910,278	1,394,328
Investments	<u>2,852,705</u>	<u>3,610,575</u>
Total financial assets	<u>\$ 7,201,780</u>	<u>\$ 8,801,103</u>



## Save The Bay, Inc.

### Notes to Financial Statements June 30, 2023 and 2022

#### 13. Financial Assets and Availability of Financial Resources (*continued*)

	<u>2023</u>	<u>2022</u>
Less: Financial Assets that are		
Board designated for long-term investment	(877,054)	(986,922)
Donor-imposed restrictions	<u>(4,730,430)</u>	<u>(7,417,488)</u>
Total financial assets available within one year	1,594,296	396,693
 Liquidity resources		
Available borrowings on line of credit	<u>1,500,000</u>	<u>500,000</u>
 Total financial assets and liquidity resources available within one year	 <u>\$ 3,094,296</u>	 <u>\$ 896,693</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.

Donor-imposed restrictions are reduced by the balance included in construction in progress. The Construction in progress relates to the Gateway Aquarium Project which is funded by donor restricted funds.

#### 14. Commitment

During 2022 and 2023 the Organization had ongoing construction for the Gateway Aquarium Project. The project is estimated to be completed during the spring of 2024. The total estimated cost of the project is \$6,500,000. At June 30, 2023 the remaining commitment of the project is approximately \$1,500,000.

\* \* \* \* \*