



AND AFFILIATES

**COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

BUZZARDS BAY COALITION, INC. AND AFFILIATES

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September 30, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors of
Buzzards Bay Coalition, Inc. and Affiliates:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Buzzards Bay Coalition, Inc. (a Massachusetts corporation, not for profit) and Affiliates (collectively, the Organization), which comprise the combined statements of financial position as of September 30, 2016 and 2015, and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the year ended September 30, 2016, and the fifteen months ended September 30, 2015, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Buzzards Bay Coalition, Inc. and Affiliates as of September 30, 2016 and 2015, and the changes in their net assets and their cash flows for the year ended September 30, 2016, and the fifteen months ended September 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statement as a whole. The accompanying supplementary information shown on pages 23 and 24 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Alexander, Brown, Fenning & Co., P.C.

Boston, Massachusetts
January 19, 2017

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Combined Statements of Financial Position
September 30, 2016 and 2015

Assets	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current Assets:								
Cash	\$ -	\$ 87,865	\$ 679,224	\$ 767,089	\$ -	\$ 41,222	\$ 673,413	\$ 714,635
Accounts and contracts receivable	218,714	10,000	-	228,714	148,750	20,000	-	168,750
Current portion of pledges receivable	139,821	760,339	56,084	956,244	75,825	50,620	65,000	191,445
Conservation properties held for sale	-	-	-	-	16,116	-	-	16,116
Other assets	70,372	-	-	70,372	79,886	-	-	79,886
Current portion of due (to) from	(593,217)	593,217	-	-	(211,192)	211,192	-	-
Total current assets	<u>(164,310)</u>	<u>1,451,421</u>	<u>735,308</u>	<u>2,022,419</u>	<u>109,385</u>	<u>323,034</u>	<u>738,413</u>	<u>1,170,832</u>
Property and Equipment, net	<u>4,250,281</u>	<u>-</u>	<u>-</u>	<u>4,250,281</u>	<u>4,256,429</u>	<u>-</u>	<u>-</u>	<u>4,256,429</u>
Other Assets:								
Pledges receivable, net	-	705,570	93,750	799,320	5,000	63,000	249,834	317,834
Investments	45,183	77,295	1,827,157	1,949,635	-	20,179	1,523,084	1,543,263
Conservation properties	1,544,741	-	-	1,544,741	1,125,688	-	-	1,125,688
Loans receivable and accrued interest	-	-	-	-	4,014,638	-	-	4,014,638
Due (to) from, net of current portion	(348,531)	-	348,531	-	(368,415)	-	368,415	-
Total other assets	<u>1,241,393</u>	<u>782,865</u>	<u>2,269,438</u>	<u>4,293,696</u>	<u>4,776,911</u>	<u>83,179</u>	<u>2,141,333</u>	<u>7,001,423</u>
Total assets	<u>\$ 5,327,364</u>	<u>\$ 2,234,286</u>	<u>\$ 3,004,746</u>	<u>\$ 10,566,396</u>	<u>\$ 9,142,725</u>	<u>\$ 406,213</u>	<u>\$ 2,879,746</u>	<u>\$ 12,428,684</u>
Liabilities and Net Assets								
Current Liabilities:								
Line of credit	\$ 126,345	\$ -	\$ -	\$ 126,345	\$ -	\$ -	\$ -	\$ -
Current portion of notes payable	250,000	-	-	250,000	-	-	-	-
Accounts payable and accrued expenses	126,820	-	-	126,820	207,432	-	-	207,432
Deferred revenues	109,937	-	-	109,937	105,871	-	-	105,871
Total current liabilities	<u>613,102</u>	<u>-</u>	<u>-</u>	<u>613,102</u>	<u>313,303</u>	<u>-</u>	<u>-</u>	<u>313,303</u>
Notes Payable, net of current portion	<u>352,708</u>	<u>-</u>	<u>-</u>	<u>352,708</u>	<u>5,100,000</u>	<u>-</u>	<u>-</u>	<u>5,100,000</u>
Total liabilities	<u>965,810</u>	<u>-</u>	<u>-</u>	<u>965,810</u>	<u>5,413,303</u>	<u>-</u>	<u>-</u>	<u>5,413,303</u>
Net Assets:								
Unrestricted	4,361,554	-	-	4,361,554	3,729,422	-	-	3,729,422
Temporarily restricted	-	2,234,286	-	2,234,286	-	406,213	-	406,213
Permanently restricted	-	-	3,004,746	3,004,746	-	-	2,879,746	2,879,746
Total net assets	<u>4,361,554</u>	<u>2,234,286</u>	<u>3,004,746</u>	<u>9,600,586</u>	<u>3,729,422</u>	<u>406,213</u>	<u>2,879,746</u>	<u>7,015,381</u>
Total liabilities and net assets	<u>\$ 5,327,364</u>	<u>\$ 2,234,286</u>	<u>\$ 3,004,746</u>	<u>\$ 10,566,396</u>	<u>\$ 9,142,725</u>	<u>\$ 406,213</u>	<u>\$ 2,879,746</u>	<u>\$ 12,428,684</u>

The accompanying notes are an integral part of these combined statements.

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Combined Statements of Activities and Changes in Net Assets

For the Year Ended September 30, 2016 and Fifteen Months Ended September 30, 2015

	Year Ended September 30, 2016				Fifteen Months Ended September 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Grants and contributions	\$ 1,020,225	\$ 2,399,735	\$ -	\$ 3,419,960	\$ 918,254	\$ 583,963	\$ -	\$ 1,502,217
Government contracts	1,316,626	-	-	1,316,626	1,963,607	-	-	1,963,607
In-kind goods and services	419,049	-	-	419,049	335,446	-	-	335,446
Fundraising events	286,113	-	-	286,113	227,344	-	-	227,344
Membership fees	115,490	-	-	115,490	196,475	-	-	196,475
Investment income appropriated for operations	76,698	-	-	76,698	85,013	-	-	85,013
Miscellaneous income	15,671	-	-	15,671	20,952	-	-	20,952
Rental income	9,185	-	-	9,185	2,800	-	-	2,800
Net assets released from purpose restrictions	587,846	(587,846)	-	-	932,329	(932,329)	-	-
Net assets released from time restriction	90,932	(90,932)	-	-	-	-	-	-
Total support and revenue	3,937,835	1,720,957	-	5,658,792	4,682,220	(348,366)	-	4,333,854
Expenses:								
Program Services	3,364,089	-	-	3,364,089	4,173,872	-	-	4,173,872
Fundraising and Development	560,710	-	-	560,710	644,590	-	-	644,590
General and Administrative	298,101	-	-	298,101	457,702	-	-	457,702
Total expenses	4,222,900	-	-	4,222,900	5,276,164	-	-	5,276,164
Changes in net assets from operations	(285,065)	1,720,957	-	1,435,892	(593,944)	(348,366)	-	(942,310)
Other Revenues (Expenses):								
Net gain on unwind of Buzzards Bay Center, Inc.	912,208	-	-	912,208	-	-	-	-
Investment return	2,141	131,372	-	133,513	(347)	(29,881)	-	(30,228)
Endowment contributions	-	-	125,000	125,000	-	-	5,000	5,000
Capital grants	-	50,000	-	50,000	-	48,600	-	48,600
Interest income on notes receivable	5,290	-	-	5,290	36,912	-	-	36,912
Net assets released from capital restrictions	-	-	-	-	65,437	(65,437)	-	-
Loss on disposal of property and equipment	-	-	-	-	(8,577)	-	-	(8,577)
Investment income appropriated for operations	(2,442)	(74,256)	-	(76,698)	(3,945)	(81,068)	-	(85,013)
Total other revenues (expenses)	917,197	107,116	125,000	1,149,313	89,480	(127,786)	5,000	(33,306)
Changes in net assets	632,132	1,828,073	125,000	2,585,205	(504,464)	(476,152)	5,000	(975,616)
Net Assets:								
Beginning of period	3,729,422	406,213	2,879,746	7,015,381	4,233,886	882,365	2,874,746	7,990,997
End of period	<u>\$ 4,361,554</u>	<u>\$ 2,234,286</u>	<u>\$ 3,004,746</u>	<u>\$ 9,600,586</u>	<u>\$ 3,729,422</u>	<u>\$ 406,213</u>	<u>\$ 2,879,746</u>	<u>\$ 7,015,381</u>

The accompanying notes are an integral part of these combined statements.

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Combined Statements of Cash Flows

For the Year Ended September 30, 2016 and Fifteen Months Ended September 30, 2015

	Year Ended September 30, 2016	Fifteen Months Ended September 30, 2015
Cash Flows from Operating Activities:		
Changes in net assets	\$ 2,585,205	\$ (975,616)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	183,139	280,419
Land protection costs	-	60,900
Write-off of uncollectible pledges	25,643	22,521
Change in discount of pledges receivable	24,180	-
Loss on Impairment on conservation properties	427,568	-
Capital grants	(50,000)	(48,600)
Net realized and unrealized (gains) losses on investments	(100,687)	69,426
Net gain on unwind of Buzzards Bay Center, Inc.	(912,208)	-
Loss on disposal of property and equipment	-	8,577
Endowment contributions	(125,000)	(5,000)
Interest income on notes receivable	(5,290)	(36,912)
Changes in operating assets and liabilities:		
Accounts and contracts receivable	(59,964)	282,564
Pledges receivable	(1,461,108)	65,039
Other assets	9,514	11,105
Accounts payable and accrued expenses	(80,612)	50,602
Deferred revenues	4,066	104,016
Net cash provided by (used in) operating activities	<u>464,446</u>	<u>(110,959)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	100,000	100,000
Purchase of investments	(405,685)	(132,945)
Acquisition of property and equipment	(176,991)	(179,489)
Acquisition of conservation properties	(846,621)	(485,223)
Proceeds from sale of conservation properties held for sale	16,116	683,660
Proceeds from sale of certificate of deposit	-	65,523
Net cash provided by (used in) investing activities	<u>(1,313,181)</u>	<u>51,526</u>
Cash Flows from Financing Activities:		
Line of credit	126,345	-
Debt proceeds, net	434,844	-
Capital grants	50,000	48,600
Endowment contributions	290,000	97,500
Net cash provided by financing activities	<u>901,189</u>	<u>146,100</u>
Net Change in Cash	52,454	86,667
Cash:		
Beginning of period	<u>714,635</u>	<u>627,968</u>
End of period	<u>\$ 767,089</u>	<u>\$ 714,635</u>
Supplemental Disclosure of Non-Cash Transactions:		
Cash paid for interest	<u>\$ 53,762</u>	<u>\$ 83,062</u>

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Combined Statements of Functional Expenses
 For the Year Ended September 30, 2016 and Fifteen Months Ended September 30, 2015

	Year Ended September 30, 2016				Fifteen Months Ended September 30, 2015			
	Program Services	Fundraising and Development	General and Administrative	Total Expenses	Program Services	Fundraising and Development	General and Administrative	Total Expenses
Personnel and Related:								
Salaries	\$ 839,539	\$ 267,763	\$ 64,959	\$ 1,172,261	\$ 967,858	\$ 347,487	\$ 99,583	\$ 1,414,928
Employee benefits	86,902	24,460	9,134	120,496	125,656	43,226	2,376	171,258
Payroll taxes	70,364	22,442	5,444	98,250	67,775	25,912	24,395	118,082
Contract labor	-	-	93,000	93,000	-	-	114,513	114,513
Total personnel and related	<u>996,805</u>	<u>314,665</u>	<u>172,537</u>	<u>1,484,007</u>	<u>1,161,289</u>	<u>416,625</u>	<u>240,867</u>	<u>1,818,781</u>
Occupancy:								
Depreciation	137,354	23,808	21,977	183,139	230,223	25,568	24,628	280,419
Rent	56,598	9,810	8,380	74,788	65,422	10,904	10,904	87,230
Interest expense	38,718	6,711	6,195	51,624	5,029	838	838	6,705
Facility maintenance	15,238	2,641	2,438	20,317	15,624	2,257	2,257	20,138
Utilities	12,615	2,187	2,018	16,820	18,773	2,406	2,406	23,585
Total occupancy	<u>260,523</u>	<u>45,157</u>	<u>41,008</u>	<u>346,688</u>	<u>335,071</u>	<u>41,973</u>	<u>41,033</u>	<u>418,077</u>
Operations:								
Contractual services	557,910	72,531	700	631,141	847,438	2,745	3,580	853,763
Loss on impairment of conservation properties	427,568	-	-	427,568	-	-	-	-
Legal services	416,551	-	1,000	417,551	339,072	-	5,000	344,072
Land protection costs	365,397	-	379	365,776	1,272,965	-	81	1,273,046
Lab analysis	92,694	-	-	92,694	63,890	-	-	63,890
Printing and postage	25,811	29,802	5,091	60,704	31,595	38,969	10,610	81,174
Program supplies	55,670	52	-	55,722	59,742	-	-	59,742
Events	26,903	26,805	-	53,708	-	55,579	-	55,579
Meetings and events	21,341	15,488	8,403	45,232	11,280	13,215	16,069	40,564
Software maintenance	18,644	18,644	5,020	42,308	-	35,409	8,386	43,795
Insurance	27,155	800	10,515	38,470	9,719	800	31,855	42,374
Office equipment and supplies	20,974	6,778	1,023	28,775	2,423	468	36,496	39,387
Accounting and audit	-	-	28,425	28,425	-	-	26,030	26,030
Travel	22,249	3,006	710	25,965	24,989	4,598	1,322	30,909
Bad debt expense	-	7,843	17,800	25,643	-	22,521	-	22,521
Bank and credit card fees	-	10,392	3,499	13,891	-	10,583	3,915	14,498
IT services	8,202	2,689	430	11,321	310	-	14,520	14,830
Telephone	6,657	2,151	325	9,133	6,737	-	6,262	12,999
Payroll services	5,420	1,752	264	7,436	-	-	9,857	9,857
Membership dues	5,292	341	245	5,878	5,628	311	1,181	7,120
Miscellaneous	2,323	1,814	727	4,864	1,724	794	638	3,156
Total operations	<u>2,106,761</u>	<u>200,888</u>	<u>84,556</u>	<u>2,392,205</u>	<u>2,677,512</u>	<u>185,992</u>	<u>175,802</u>	<u>3,039,306</u>
Total expenses	<u>\$ 3,364,089</u>	<u>\$ 560,710</u>	<u>\$ 298,101</u>	<u>\$ 4,222,900</u>	<u>\$ 4,173,872</u>	<u>\$ 644,590</u>	<u>\$ 457,702</u>	<u>\$ 5,276,164</u>

The accompanying notes are an integral part of these combined statements.

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Notes to Combined Financial Statements
September 30, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Buzzards Bay Coalition, Inc.

Buzzards Bay Coalition, Inc. (the Coalition) is a not-for-profit corporation, founded in 1987 as a membership-supported organization dedicated to the protection, restoration and sustainable use and enjoyment of Buzzards Bay and its watershed. The Coalition works to improve the health of the Buzzards Bay ecosystem for all through education, conservation, research, and advocacy. The Coalition is supported primarily through membership, donor contributions and government grants.

The Coalition pursues its mission through specific programs aimed at protecting and improving Bay health and building public awareness. These programs include: a Bay-wide Water Quality Monitoring Program, which utilizes various volunteers each year to sample coastal water quality in thirty major coves and harbors; education programs aimed at creating an informed, active citizenry; a land protection program which supports the conservation of important watershed open space and habitat; and a Baykeeper advocacy program which works through direct citizen advocacy through the regulatory and legal process at the local, state and Federal levels to support Bay restoration and protection. In 2014, the Coalition and its Affiliate, Acushnet River Reserve, Inc. (see below), received accreditation by the National Land Trust Accreditation Commission.

The Coalition and its Affiliates, as defined below, are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Sections 501(c)(3) and 501(a), respectively, of the Internal Revenue Code (IRC). The Coalition and Affiliates are also exempt from state income taxes. Contributions made to the Coalition and Affiliates are deductible by donors within the requirements of the IRC.

SIGNIFICANT ACCOUNTING POLICIES

The Coalition and its Affiliates prepare their combined financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Combination

Buzzards Bay Center, Inc. (the Center) is a nonprofit organization incorporated in May 2009, and was formed to acquire real estate for the benefit of and to further support the operations and mission of the Coalition. The Coalition is the sole member of the Center. In 2016, the Center and the Coalition, along with its lenders, executed a series of transactions to unwind the New Markets Tax Credit financing structure for the property, including the transfer of the Center's assets to the Coalition (see Notes 5).

Acushnet River Reserve, Inc. (the Reserve) is a nonprofit organization incorporated in September 2010, and was formed to acquire and maintain real estate and to restore natural resources within the Acushnet River watershed for conservation, scientific, educational, and recreational purposes. The Coalition is the sole member of the Reserve.

The combined financial statements include the accounts of the Coalition, the Center and the Reserve (collectively, the Organization). The Coalition, the Center and the Reserve are related through common governance and control. All significant balances between classes of net assets and intercompany balances and transactions have been eliminated in the accompanying combined financial statements.

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Notes to Combined Financial Statements
September 30, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Combination (Continued)

Effective July 2014, the Organization changed its fiscal year end from June 30th to September 31st. The Organization has elected to present the combined financial statements for the year ended September 30, 2016, and the fifteen months ended September 30, 2015.

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Organization. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors (see below).

Board designated net assets represent funds designated by the Board of Directors for long-term investment and growth to support operational needs. Income earned from these funds is reinvested in the fund. Annual withdrawal from this fund is based on an investment spending policy. Board designated net assets were \$196,446 and \$194,567 as of September 30, 2016 and 2015, respectively, and is included in unrestricted net assets in the accompanying combined statements of financial position.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent amounts received or committed by donors with time or purpose restrictions that have not yet been met.

Temporarily restricted net assets were available for the following purposes at September 30:

	<u>2016</u>	<u>2015</u>
Watershed Protection Projects	\$ 1,438,102	\$ 172,017
Generations Campaign (2016 -)	420,563	-
Other restricted program support	231,109	121,259
Net appreciation on permanently restricted endowments (see Note 3)	77,295	20,179
Advocacy and Public Education to Reduce Pollution in New Bedford Harbor	67,217	35,986
The Campaign for Buzzards Bay (2008 – 2011)	<u>-</u>	<u>56,772</u>
Total	<u>\$ 2,234,286</u>	<u>\$ 406,213</u>

Watershed Protection Project

These funds are used to support land protection, conservation property management and habitat restoration, and monitoring activities associated with Coalition watershed protection projects.

The Campaign for Buzzards Bay (2008 – 2011)

The Campaign for Buzzards Bay was a multi-year, comprehensive capital campaign focused on raising funds to support the goals and objectives of the Coalition's 2008-2010 Strategic Plan and specifically to protect Bay water quality, engage more people in the Coalition's work, and to preserve and restore important watershed lands.

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Notes to Combined Financial Statements
September 30, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily Restricted Net Assets (Continued)

Generations Campaign – (2016 -)

In 2016, on the eve of the Organization's 30th anniversary, the Coalition launched the early phase of a new "Generations" capital campaign to raise funds to support the acquisition of new lands for conservation, construction of facilities to support field operations and outdoor engagement programs, and expansion of endowment to sustain the organization and its programs for a second generation.

Other Restricted Program Support

The Coalition often receives funding restricted to specific program work. This program support will help fund core programs as well as some new initiatives central to the Coalition's mission.

Advocacy and Public Education to Reduce Pollution in New Bedford Harbor

These funds are restricted by the donor to be used specifically to educate the public and advocate for solutions to reduce nitrogen pollution in New Bedford Harbor.

Net Appreciation on Permanently Restricted Endowments

These funds are the accumulated unspent realized and unrealized appreciation of the permanently restricted net assets (see below).

Permanently Restricted Net Assets

Permanently restricted net assets consist of funds subject to donor-imposed restrictions requiring that the principal (historic dollar value/fund corpus) be invested in perpetuity and that only a prudent portion of the appreciation be appropriated for the support of the Coalition's charitable mission (see Note 3). Permanently restricted net assets also include a land revolving loan fund (see Note 3).

Property and Equipment and Depreciation

The Organization records property and equipment at cost, if purchased, or at fair value on the date received, if donated. Expenditures for maintenance and repairs are charged to operations as incurred. The Organization capitalizes all equipment purchases exceeding \$1,500 with useful lives in excess of one year. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	39 years
Furniture, fixtures, equipment and boat	5 - 10 years
Computer software	3 years
Leasehold improvements	Term of the lease

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Notes to Combined Financial Statements
September 30, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts and Contracts Receivable and Allowance for Doubtful Accounts

The Organization carries its accounts and contracts receivable at net realizable value. The Organization evaluates its receivables and establishes an allowance for doubtful accounts based on collections experience and current credit conditions. There was no allowance for doubtful accounts at September 30, 2016 and 2015.

Pledges Receivable and Reserve for Uncollectible Pledges

Pledges consist of written or verbal commitments from donors (see Note 4). Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give expected to be collected in future years are recorded at the present value for estimated future cash flows. Conditional pledges are recorded as revenue once the condition has been met. The reserve for uncollectible pledges was \$17,800 at September 30, 2016. There was no reserve for uncollectible pledges at September 30, 2015.

Cash Equivalents

Cash equivalents include money market accounts and certificates of deposit. Cash equivalents are considered Level 1 in the fair value hierarchy.

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Notes to Combined Financial Statements
September 30, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs, except for its conservation properties, which are valued using Level 3 inputs (see Note 7).

The Organization records investments at fair value. Realized gains or losses on investment transactions are recorded based on the average cost method. Unrealized gains or losses are recognized based on market value changes during the period. Interest and dividends are recorded when earned.

Investment Return Allocations and Spending Policy

Massachusetts follows the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). Subject to the intent of a donor, the Organization may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Board of Directors of the Organization.

Under the Organization's investment policy, the Board of Directors appropriates for operations 1% of the market value of certain components of the Organization's investment portfolio over each of the preceding four quarters throughout the year. Transfers to the operating net assets, in accordance with this policy, were \$76,698 and \$85,013 for the year ended September 30, 2016, and for the fifteen months ended September 30, 2015, respectively, and is reflected as investment income appropriated for operations in the accompanying combined statements of activities and changes in net assets.

The Organization has an investment policy which, combined with the spending rate, attempts to provide a predictable stream of returns combined with asset protection. Endowment assets include those assets restricted by donors that the Organization must hold in perpetuity. Under the Organization's investment policy and spending rate, both approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Subcommittee is responsible for managing the fund according to the investment policy and closely monitors the investments in order to maximize risk adjusted returns.

Loans Receivable and Accrued Interest

Loans receivable are carried at unpaid principal balances. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Notes to Combined Financial Statements
September 30, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

Expenses related directly to a program are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Deferred Revenue

Deferred revenue consists of prepaid annual event revenue. Amounts will be recognized as revenue as earned.

Revenue Recognition

Contributions, government contracts, membership fees, and grants are recorded as revenue when received or committed. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying combined statements of activities and changes in net assets as net assets released from restrictions. Fundraising events revenue is recognized in the period it is earned. All other revenue is recognized as earned.

In-kind Goods and Services

During the year ended September 30, 2016, and the fifteen months ended September 30, 2015, the Organization received donated goods and services from various persons or organizations for use in its programs. The value of these goods and services is reflected in the accompanying combined statements of activities and changes in net assets based upon a value assigned by the donor or a reasonable estimate as determined by management.

In-kind goods and services are as follows for the year ended September 30, 2016, and the fifteen months ended September 30, 2015:

	<u>2016</u>	<u>2015</u>
Legal services	\$ 404,230	\$ 297,917
Fundraising events	14,819	8,205
Equipment and vehicle	-	19,543
Other	-	9,781
	<u>\$ 419,049</u>	<u>\$ 335,446</u>

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at September 30, 2016 and 2015. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Notes to Combined Financial Statements
September 30, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Conservation Restrictions

The Organization accomplishes its land conservation objectives, in part, by purchasing or accepting donations of interests in real property in the form of conservation restrictions (MGL Ch. 184 ss. 31-33). Conservation restrictions represent numerous perpetual restrictions over the use and development of land between the Organization and private landowners. These restrictions are binding on all future landowners of the affected property. These restrictions generally provide that the land will be maintained unimpaired in its current natural, agricultural, scenic, or recreational state. The costs of acquiring and monitoring conservation restrictions are expensed in the year obtained and have no carrying value (see Note 7).

Conservation Properties and Impairment

Conservation properties consist of land that has either been acquired through purchase or has been donated to the Organization for which they hold title to the property in furtherance of its mission. The conservation properties may be available for sale/transfer to local town, state or Federal entities to be held by them for conservation purposes (see Note 7).

The Organization, at times, enters into agreements to purchase land which it then sells or donates to local municipalities to further its conservation mission. With the purchase of these properties, the Organization transfers ownership to the municipality which, in turn, grants a conservation restriction to the Organization. Conservation properties held for sale are properties that the Organization has deemed to have significant restoration potential but are not in the interest of the Organization. In December 2015, the Organization donated the property held for sale as of September 30, 2015 (see Note 7).

When conservation restrictions are placed on a property, impairment losses on the property are recognized based on the excess of the assets carrying amount over the fair value of the asset.

Use of Estimates

The preparation of combined financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Combined Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating support and revenue and expenses in the accompanying combined statements of activities and changes in net assets. Non-operating revenues (expenses) include unwind activity, investment activity, capital campaign activity, endowment contributions, and loss on disposal of property and equipment.

Subsequent Events

Subsequent events have been evaluated through January 19, 2017, which is the date the combined financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combined financial statements.

BUZZARDS BAY COALITION, INC. AND AFFILIATESNotes to Combined Financial Statements
September 30, 2016 and 2015

2. INVESTMENTS

Investments are comprised of the following as of September 30:

	<u>2016</u>	<u>2015</u>
Money market fund	\$ 105,102	\$ 129,315
Certificates of deposits	-	200,014
Equities:		
Mutual funds:		
Large blend	1,026,840	774,053
Other	556,786	128,106
Short-term bonds	159,307	154,087
Foreign large blend	<u>101,600</u>	<u>157,688</u>
	<u>\$ 1,949,635</u>	<u>\$ 1,543,263</u>

Investments are not insured and are subject to ongoing market fluctuations. The Organization holds its investments for long-term purposes. Since these investments are not intended to be used for current operating costs, they are presented as non-current assets in the accompanying combined financial statements.

The following schedule summarizes the investment return in the accompanying combined statements of activities and changes in net assets for the year ended September 30, 2016, and fifteen months ended September 30, 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 32,826	\$ 39,198
Net realized losses	(2,506)	(1,896)
Net unrealized gains (losses)	<u>103,193</u>	<u>(67,530)</u>
Total investment gain (loss)	<u>\$ 133,513</u>	<u>\$ (30,228)</u>

3. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following funds at September 30:

	<u>2016</u>	<u>2015</u>
General	\$ 802,419	\$ 702,419
Water Quality Monitoring (Bay Science)	575,550	550,550
Building Maintenance Fund	500,000	500,000
Land Stewardship Fund	<u>105,000</u>	<u>105,000</u>
Total endowment fund	1,982,969	1,857,969
Revolving Loan Fund	<u>1,021,777</u>	<u>1,021,777</u>
Total permanently restricted	<u>\$ 3,004,746</u>	<u>\$ 2,879,746</u>

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Notes to Combined Financial Statements
September 30, 2016 and 2015

3. PERMANENTLY RESTRICTED NET ASSETS (Continued)

General - These funds provide the flexibility to support the areas of greatest need at the Organization. The General Endowment is available for the President and the Board of Directors to direct to the most pressing and strategic priorities.

Water Quality Monitoring - This endowment was funded by donors interested in ensuring the long-term sustainability of the Organization's water quality and habitat monitoring activities.

Building Maintenance Fund - As part of the capital campaign, the Organization purchased and renovated headquarters in New Bedford, Massachusetts. Funds were earmarked by a donor to be certain the Organization could properly maintain this historic and state-of-the-art green facility.

Land Stewardship Fund - The Organization's Board of Directors set aside \$105,000 of the General Endowment to be designated as a land stewardship fund, recognizing the responsibility the Organization has to monitor the conservation restrictions and properties for which it has accepted responsibility and ownership.

Revolving Loan Fund - The primary purpose of the Buzzards Bay Land Revolving Loan Fund (the Land Fund) is to assist the Organization and other nonprofit land conservation organizations in the purchase of land or interests in land in the Buzzards Bay Watershed to be held permanently as open space. The Land Fund provides bridge loans, short-term options, down payments, and support for other related project and transactional costs necessary to advance land conservation in the Buzzards Bay Watershed.

From time-to-time, the Land Fund may be used in other financial transactions, including legal defense of conservation restrictions that are closely related to land conservation. There were no such financial transactions for the year ended September 30, 2016, and fifteen months ended September 30, 2015.

In order to fund the purchase of conservation properties, the Organization may borrow from the Land Fund with authorization from the Board of Directors. As of September 30, 2016 and 2015, the Organization has borrowed \$348,531 and \$368,415, respectively, from the Land Fund, which is included in due (to) from in the accompanying combined statements of financial position.

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Notes to Combined Financial Statements
September 30, 2016 and 2015

3. PERMANENTLY RESTRICTED NET ASSETS (Continued)

A reconciliation of endowment activity is as follows:

	<u>Unrestricted</u> <u>Board</u> <u>Designated</u>	<u>Donor Restricted</u>		<u>Total</u> <u>Endowment</u>
		<u>Temporarily</u> <u>Restricted</u>	<u>Permanently</u> <u>Restricted</u>	
Endowment net assets, June 30, 2014	\$ 199,925	\$ 131,128	\$ 1,852,969	\$ 2,184,022
Investment return	(1,413)	(29,881)	-	(31,294)
Contributions	-	-	5,000	5,000
Investment income appropriated for operations	<u>(3,945)</u>	<u>(81,068)</u>	<u>-</u>	<u>(85,013)</u>
Endowment net assets, September 30, 2015	194,567	20,179	1,857,969	2,072,715
Investment return	4,321	131,372	-	135,693
Contributions	-	-	125,000	125,000
Investment income appropriated for operations	<u>(2,442)</u>	<u>(74,256)</u>	<u>-</u>	<u>(76,698)</u>
Endowment net assets, September 30, 2016	<u>\$ 196,446</u>	<u>\$ 77,295</u>	<u>\$ 1,982,969</u>	<u>\$ 2,256,710</u>

4. PLEDGES

Pledges receivable are due as follows:

	<u>2016</u>	<u>2015</u>
Due within one year	\$ 974,044	\$ 191,445
Due in two to five years	<u>823,500</u>	<u>317,834</u>
	1,797,544	509,279
Less – discount	24,180	-
Less – allowance	<u>17,800</u>	<u>-</u>
Total pledges	1,755,564	509,279
Less - current portion	<u>956,244</u>	<u>191,445</u>
Total pledges, net	<u>\$ 799,320</u>	<u>\$ 317,834</u>

The pledges have been discounted using a 1% discount rate as of September 30, 2016. There was no discount as of September 30, 2015, as the discount would be insignificant.

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Notes to Combined Financial Statements
September 30, 2016 and 2015

5. NEW MARKETS TAX CREDITS TRANSACTION

In 2010, the Center entered into a series of transactions to execute the New Markets Tax Credit (NMTC) financing structure. An investor (the NMTC Investor) provided equity totaling \$1,115,000, which was invested in BBC Investment Fund, LLC (the Investment Fund). The Investment Fund in turn invested the total proceeds of \$1,115,000, plus loan proceeds of \$3,835,000 from the Coalition, into MassDevelopment New Markets CDE #5, LLC (MassDevelopment CDE) as a qualified entity investment (QEI). MassDevelopment CDE used the proceeds of the QEI to make two loans totaling \$4,950,000 (see Note 9) to the Center, which qualified as low-income community investments (QLICI loans), as defined in Section 45D(d) of the IRC. The Center used the \$4,950,000 of the loan proceeds to fund a portion of the costs of acquisition and rehabilitation of a 12,000 square foot historic building into a research and educational center (the Project).

The NMTC program offers credits against Federal income taxes over a seven-year period for QEIs in designated Community Development Entities (such as MassDevelopment CDE) pursuant to Section 45D of the IRC in order to assist eligible businesses in making investments in certain low-income communities. The Center was a Qualified Active Low-Income Community Business (QALICB) and operated the Project consistent with the requirements of the NMTC in accordance with Section 45D(d)(2) of the IRC.

As part of funding the Project, the Coalition entered into the following notes receivable agreements with the Investment Fund:

<u>Borrower</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Maturity Date</u>
BBC Investment Fund, LLC	.77%	\$ 3,835,000	August 2048

The payment terms on this loan receivable were as follows:

- \$2,500,000 note receivable - no interest payments were due through August 2017. Beginning in August 2018, through the maturity date, payments of principal and interest were due annually in the amount of \$162,296.

Interest income relative to this loan totaled \$5,290 and \$36,912 for the year ended September 30, 2016, and fifteen months ended September 30, 2015, respectively. Accrued interest receivable on this loan totaled \$179,638 as of September 30, 2015, and is included in loans receivable and accrued interest in the accompanying combined statement of financial position. The full amount of the note receivable and accrued interest were written off during 2016 as part of the unwind of the Center (see page 17).

Master Lease

On August 18, 2009, the Center entered into a lease agreement to lease the property to the Coalition through August 18, 2017. Under the agreement, the Coalition paid \$41,531, in arrears, beginning on August 18, 2010. The Coalition had the option to extend the lease for three additional ten-year terms upon written notice to the Center sixty days prior to the expiration of the original term. The Coalition terminated the lease in August, 2016.

The Coalition was responsible for all utilities, real estate taxes, and common area maintenance expenses related to the Project. In accordance with *Accounting for Leases*, the Coalition recognized the expense associated with the Sublease agreement on a straight-line basis. Rent expense and income under the agreement was \$41,531 and \$51,913, respectively, for the year ended September 30, 2016, and the fifteen months ended September 30, 2015, which has been eliminated in the accompanying combined statements of activities and changes in net assets and functional expenses, respectively.

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Notes to Combined Financial Statements
September 30, 2016 and 2015

5. NEW MARKETS TAX CREDITS TRANSACTION (Continued)

Put and Call Agreement

In connection with the NMTC financing structure, the Coalition entered into a put and call agreement with the NMTC Investor. Under the put and call agreement, the NMTC Investor has the right and option (the Put Option) to sell its interest in the Investment Fund to the Coalition for \$1,000 at the end of the tax credit investment period (August 19, 2017), if the Coalition provides notice to the NMTC Investor six months prior to the end of the tax credit period. In the event the NMTC Investor does not exercise the Put Option, the Coalition has the right and option (the Call) to purchase the interest in the Investment Fund for an amount equal to the fair market value of the interest in the Investment Fund as determined by a qualified independent appraiser. During fiscal year 2016, the Coalition exercised its Put Option and purchased the NMTC Investor's interest in the Investment Fund for \$1,000.

Unwind of the Center

On August 24, 2016, the Center and the Coalition, along with its lenders, the NMTC Investor, and the Investment Fund executed a series of transactions to unwind the NMTC financing structure of the Project. The transactions were as follows:

- The Coalition purchased the NMTC Investor's interest in the Investment Fund (see above) and became the sole member of the Investment Fund. As a result, the Coalition assumed all the NMTC Investor's obligation including the Coalition's notes receivable from the Investment Fund.
- MassDevelopment CDE assigned its two loans totaling \$4,950,000 (see Note 9) plus any accrued interest to the Investment Fund as a redemption of the Investment Fund's interest in Mass Development CDE.
- The Center transferred the Project to the Coalition. In addition, all other assets and liabilities of the Center were also transferred to the Coalition.

As a result of the unwind, the Center's two notes payable and the Coalition notes receivable from the Investment Fund, LLC were effectively written off/forgiven.

The table below summarizes the net gain recognized as part of the unwind process, reflected in the accompanying combining statement of activities and changes in net assets for the year ended September 30, 2016:

	<u>Coalition</u>	<u>Center</u>	<u>Eliminations</u>	<u>Total</u>
Forgiveness of debt and accrued interest	\$ -	\$ 4,954,846	\$ -	\$ 4,954,846
Costs associated with unwind	(28,000)	-	-	(28,000)
Transfer of property	3,411,378	(4,066,378)	655,000	-
Write-off of note receivable and due (to) from	<u>(4,118,768)</u>	<u>104,130</u>	<u>-</u>	<u>(4,014,638)</u>
	<u>\$ (735,390)</u>	<u>\$ 992,598</u>	<u>\$ 655,000</u>	<u>\$ 912,208</u>

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Notes to Combined Financial Statements
September 30, 2016 and 2015

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 4,302,376	\$ 4,040,728
Furniture, fixtures and equipment	733,709	818,366
Land	336,500	336,500
Boat	194,598	194,598
Computer software	96,618	96,618
Leasehold improvements	<u>40,439</u>	<u>40,439</u>
	5,704,240	5,527,249
Less - accumulated depreciation	<u>1,453,959</u>	<u>1,270,820</u>
	<u>\$ 4,250,281</u>	<u>\$ 4,256,429</u>

7. CONSERVATION PROPERTIES, RESTRICTIONS AND IMPAIRMENT

Conservation properties held by the Coalition and Affiliates consist of the following as of September 30, 2016:

<u>Conservation Properties</u>	<u>Town</u>	<u>Acreage</u>	<u>Acquired/Deposit</u>	<u>2016</u>	<u>2015</u>
Burgess Point	Wareham	15.50	August 18, 2016	\$ 230,000	\$ -
Wickets Island	Wareham	4.61	June 30, 2016	75,453	250,000
Kelly Property	Falmouth	3.00	June 30, 2016	-	-
Tinkham Property (N)	Mattapoisett	7.95	June 27, 2016	-	-
Tinkham Property (S)	Mattapoisett	11.36	June 27, 2016	-	-
Conant Property	Wareham	23.96	October 28, 2015	-	-
Marks Cove Bog	Wareham	16.20	February 12, 2015	25,223	25,223
Mitchell Property	Mattapoisett	4.00	May 22, 2015	-	-
LaPalme Farm	Acushnet	47.00	July 31, 2012	155,000	155,000
Coelho & Walega	Acushnet	3.80	June 26, 2012	27,960	27,960
Horseshoe Mill	Wareham	10.00	June 20, 2012	90,000	90,000
Town Line	Mattapoisett	63.00	February 29, 2012	22,899	22,899
Decas Bogs	Mattapoisett	125.00	December 22, 2011	-	69,727
Carreiro Property	Fairhaven	10.70	August 24, 2011	90,344	90,344
Riverside Marsh	Acushnet	4.95	December 30, 2010	-	-
Tripps Mill Brook	Mattapoisett	24.33	May 28, 2010	239,727	167,861
New Boston Road	Acushnet	0.31	May 28, 2010	-	2,139
Marsh Island	Fairhaven	7.50	December 11, 2009	44,535	44,535
Acushnet Sawmill	Acushnet	<u>21.00</u>	March 12, 2007	<u>180,000</u>	<u>180,000</u>
Total		<u>404.17</u>		<u>\$ 1,181,141</u>	<u>\$ 1,125,688</u>

The Coalition will utilize the calculated impairment values provided by an independent appraisers' certified report, if one is available. Otherwise, the Coalition recognizes impairment on conservation properties equal to 85% of the original cost, based on industry standards, for a piece of property that includes a conservation restriction. During the fifteen months ended September 30, 2015, the Organization sold the Decas River Front and a portion of Mitchell property for \$683,660, which resulted in no gain or loss at September 30, 2015. In fiscal year 2016, the Coalition made total deposits of \$363,600 towards the conservation of Adamsville Road, Angeline Brook, Carvahlo, Motha Farm, and Jaros properties. These deposits are including in conservation properties in the accompanying combined statement of financial position at September 30, 2016.

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Notes to Combined Financial Statements
September 30, 2016 and 2015

7. CONSERVATION PROPERTIES, RESTRICTIONS AND IMPAIRMENT (Continued)

The Coalition recognized \$427,568 of impairment on conservation properties for the year ended September 30, 2016. There were no impairments recognized on properties for the year ended as of September 30, 2015.

The following is a listing of properties with conservation restrictions held by the Organization as of September 30, 2016:

	<u>Property</u>	<u>Town</u>	<u>Acreeage</u>	<u>Acquired</u>
1)	Decas-Winship	Wareham	4.40	August 18, 2016
2)	Decas-Lydias Island	Wareham	1.25	August 18, 2016
3)	Tinkhamtown Woodlands	Mattapoissett	115.00	June 30, 2016
4)	Weweantic Ridge	Wareham	32.00	October 28, 2015
5)	Weeden Road	Fairhaven	32.00	December 11, 2014
6)	Shaw Farm	Fairhaven	122.00	December 11, 2014
7)	Nasketucket Fields	Fairhaven	29.00	June 27, 2014
8)	Quahog Hill	Fairhaven	13.50	June 26, 2014
9)	Shearer	Falmouth	7.00	June 24, 2014
10)	Wankinquoah Rod & Gun Club	Middleborough	287.00	November 20, 2013
11)	North Woods	Mattapoissett	35.00	September 26, 2013
12)	Quissett Harbor 1	Falmouth	4.93	September 26, 2013
13)	Quissett Harbor 2	Falmouth	3.60	September 26, 2013
14)	Sanford South	Middleboro	30.00	June 28, 2013
15)	Peter's Creek Reserve	Dartmouth	29.00	April 22, 2013
16)	Westgate	Wareham	48.54	February 26, 2013
17)	Lloyd Woods	Dartmouth	26.50	November 19, 2012
18)	Old Aucoot	Mattapoissett	307.00	March 2, 2012
19)	Dufficy-Lawrence	Rochester	7.50	December 22, 2011
20)	Old Haskell Farm	Rochester	14.50	December 22, 2011
21)	Rentumis	Rochester	54.20	December 9, 2011
22)	Tripps Mill Brook 2	Mattapoissett	42.67	March 11, 2011
23)	Fitzgerald/New Boston Rd	Fairhaven	67.18	July 16, 2010
24)	Viveiros Dairy (Lot 3)	Fairhaven	36.50	February 26, 2010
25)	Mahoney	Marion	238.00	December 28, 2009
26)	Gurney	Rochester	17.50	December 23, 2009
27)	MacPhail	Rochester	12.50	December 23, 2009
28)	Flume Pond	Falmouth	28.00	December 18, 2008
29)	Shipyard Farm	Fairhaven	53.00	February 22, 2008
30)	Red Barn Farm	Rochester	60.00	December 24, 2007
31)	Gaumont	Rochester	7.00	December 24, 2007
32)	Garfield	Dartmouth	18.00	December 3, 2007
33)	Douglass	Fairhaven	16.45	October 2, 2007
34)	Viveiros Dairy (Lot 2)	Fairhaven	11.00	June 6, 2006
35)	Nulands Neck	Fairhaven	101.00	December 28, 2005
36)	Sperry Farm	Rochester	13.50	December 28, 2005
37)	Field Farm	Mattapoissett	64.00	November 24, 2004
38)	Marsh Island North	Fairhaven	14.25	September 29, 2003
	Total acreage		<u>2,004.47</u>	

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Notes to Combined Financial Statements
September 30, 2016 and 2015

7. CONSERVATION PROPERTIES, RESTRICTIONS AND IMPAIRMENT (Continued)

Upon accepting a conservation restriction, the Organization assumes a perpetual obligation to monitor, normally on an annual basis, the affected property to ensure that the landowners comply with the restrictions. The Organization is obligated to enforce provisions of the restrictions in the event of a violation to the terms of the restriction. The expenses associated with maintaining the above conservation restrictions was approximately \$15,200 and \$12,325 for the year ended September 30, 2016, and the fifteen months ended September 30, 2015, respectively, which is included in land protection costs in the accompanying combined statements of functional expenses. Although conservation restrictions are real property rights, they possess little or no market value due to the resale market that is limited to the owner of the restricted property. Because of the limited market and due to the obligations inherent in conservation restriction ownership, the Organization conservation restriction holdings are not reflected in the accompanying combined financial statements as either assets or liabilities.

8. LINE OF CREDIT

The Coalition has an unsecured credit agreement with a bank, which allows for maximum borrowings up to \$250,000. Borrowings under the agreement are due on demand and interest is payable monthly on outstanding borrowings at the London Interbank Offered Rate plus 275 basis points (2.95% at September 30, 2016). There were borrowings of \$126,345 outstanding on this line of credit at September 30, 2016. There were no borrowings outstanding at September 30, 2015. This line of credit agreement automatically renews annually in January.

9. NOTES PAYABLE

Notes payable consist of the following at September 30:

Buzzards Bay Coalition, Inc.	<u>2016</u>	<u>2015</u>
Non-interest bearing note payable to the Stifler Family Foundation. Principal and interest payments are due and payable on December 31, 2016. Subsequent to year end the Note was extended through December 31, 2017. The note is secured by certain property and is guaranteed by the Coalition. There was no accrued interest at September 30, 2016.	\$ 250,000	\$ -
2.50% note payable to an individual. Principal and interest payments are due and payable on December 31, 2017. The note is secured by certain property and is guaranteed by the Coalition. Accrued interest was \$2,708 at September 30, 2016.	202,708	-
Non-interest bearing note payable to the New Bedford Economic Development Council, Inc. No payments of principal or interest are due before the maturity date of December 11, 2049. In the event of default, interest is payable, compounded at the annual rate of 3%. The note is secured by land located in New Bedford, Massachusetts.	150,000	150,000

BUZZARDS BAY COALITION, INC. AND AFFILIATESNotes to Combined Financial Statements
September 30, 2016 and 2015**9. NOTES PAYABLE (Continued)****Buzzards Bay Center, Inc. (Continued)**

	<u>2016</u>	<u>2015</u>
0.839% note payable to MassDevelopment CDE. Annual interest payments are due and payable commencing in August 2010 through August 2017, at which time annual payments of principal and interest will be due in equal monthly installments based on a thirty-one year amortization schedule. This note was secured by certain property and is guaranteed by the Coalition. Accrued interest was \$3,755 at September 30, 2015. During fiscal year 2016, the note, including accrued interest was forgiven (See Note 5).	-	3,835,000
0.839% note payable to MassDevelopment CDE. Annual interest payments are due and payable commencing in August 2010 through August 2017, at which time annual payments of principal and interest will be due in equal monthly installments based on a thirty-one year amortization schedule. The note was secured by certain property and is guaranteed by the Coalition. Accrued interest was \$1,091 at September 30, 2015. During fiscal year 2016, the note, including accrued interest was forgiven (See Note 5).	-	<u>1,115,000</u>
	602,708	5,100,000
Less - current portion	<u>250,000</u>	-
	<u>\$ 352,708</u>	<u>\$ 5,100,000</u>

10. RETIREMENT PLAN

The Coalition maintains a 401(k) profit sharing plan for employees who have reached 21 years of age and worked for the Coalition for over one year or completed at least 1,000 hours of service. Under the plan, the Coalition may make discretionary contributions to the plan. In addition, the Coalition may make matching contributions as a uniform percentage of salary deferrals by participants based on years of service, as defined within the plan document, up to a discretionary amount determined by the Coalition. The contributions for the year ended September 30, 2016, and the fifteen months ended September 30, 2015, were \$57,147 and \$45,887, respectively, which are included in employee benefits in the accompanying combined statements of functional expenses. The Coalition's contributions are vested at a 25% rate per year, becoming fully vested after year four.

11. CONCENTRATION OF CREDIT RISK

The Coalition maintains its cash balances in two banks in Massachusetts and its balances are insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times, cash balances may exceed the insured amounts. The Coalition has not experienced any losses in such accounts. Management believes the Coalition is not exposed to any significant credit risk on cash and cash equivalents.

As of September 30, 2015, 76% of contributions receivable were due from three donors. There were no concentrations of donors at September 30, 2016.

BUZZARDS BAY COALITION, INC. AND AFFILIATES

Notes to Combined Financial Statements
September 30, 2016 and 2015

12. OPERATING LEASES

The Coalition has a ten-year lease agreement for a facility in Falmouth, Massachusetts, which expires in November 2023. Under this agreement, the Coalition is required to make monthly payments of approximately \$2,350. This agreement provides for annual increases based on the Consumer Price Index through the expiration of the lease.

The Coalition's future minimum lease payments for the next five years are \$28,164 per year.

13. RELATED PARTY TRANSACTIONS

As of September 30, 2016 and 2015, the Coalition jointly holds a conservation restriction with the Rochester Land Trust on a property located in Rochester, Massachusetts, which was owned by one of its Board members who also served on the Board of Directors of the Rochester Land Trust.

During the fifteen months ended September 30, 2015, the Coalition jointly held a conservation restriction on a property located in Falmouth, Massachusetts which was owned by one of its board members (see Note 7).

The Coalition received grant funding from an organization of which a member of the Board is also a Board member of the Coalition. This grant totaled approximately \$100,000 and \$5,000 for the year ended September 30, 2016, and the fifteen months ended September 30, 2015, respectively.

A Board member of the Coalition is also a member of the Board of Directors of the Trust from which the Coalition rents office space. Total rent incurred for the year ended September 30, 2016, and the fifteen months ended September 30, 2015, was \$28,824 and \$35,205, respectively.

A Board member of the Coalition is also a member of the Board of Directors of the organization that the Coalition utilizes for laboratory services. Total expenses incurred for the year ended September 30, 2016, and the fifteen months ended September 30, 2015, was \$170,489 and \$63,890, respectively.

For the year ended September 30, 2016, the Coalition contracted with a company owned by a Board member to provide repair services to one of its boats. The total cost of the repairs was \$3,667 and \$16,467 for the years ended September 30, 2016 and 2015, respectively.

Combining Statement of Financial Position
September 30, 2016

Assets	Buzzards Bay Coalition, Inc.				Buzzards Bay Center, Inc.	Acushnet River Reserve, Inc.	Eliminations	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Unrestricted		
Current Assets:								
Cash	\$ -	\$ 87,865	\$ 679,224	\$ 767,089	\$ -	\$ -	\$ -	\$ 767,089
Accounts and contracts receivable	218,714	10,000	-	228,714	-	-	-	228,714
Current portion of pledges receivable	139,821	760,339	56,084	956,244	-	-	-	956,244
Other assets	70,372	-	-	70,372	-	-	-	70,372
Current portion of due (to) from	(593,217)	593,217	-	-	-	-	-	-
Total current assets	<u>(164,310)</u>	<u>1,451,421</u>	<u>735,308</u>	<u>2,022,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,022,419</u>
Property and Equipment, net	<u>4,250,281</u>	<u>-</u>	<u>-</u>	<u>4,250,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,250,281</u>
Other Assets:								
Pledges receivable, net	-	705,570	93,750	799,320	-	-	-	799,320
Investments	45,183	77,295	1,827,157	1,949,635	-	-	-	1,949,635
Conservation properties	1,426,438	-	-	1,426,438	-	118,303	-	1,544,741
Due (to) from, net of current portion	(348,531)	-	348,531	-	-	-	-	-
Total other assets	<u>1,123,090</u>	<u>782,865</u>	<u>2,269,438</u>	<u>4,175,393</u>	<u>-</u>	<u>118,303</u>	<u>-</u>	<u>4,293,696</u>
Total assets	<u>\$ 5,209,061</u>	<u>\$ 2,234,286</u>	<u>\$ 3,004,746</u>	<u>\$ 10,448,093</u>	<u>\$ -</u>	<u>\$ 118,303</u>	<u>\$ -</u>	<u>\$ 10,566,396</u>
Liabilities and Net Assets								
Current Liabilities:								
Line of credit	\$ 126,345	\$ -	\$ -	\$ 126,345	\$ -	\$ -	\$ -	\$ 126,345
Current portion of notes payable	250,000	-	-	250,000	-	-	-	250,000
Accounts payable and accrued expenses	126,820	-	-	126,820	-	-	-	126,820
Deferred revenues	109,937	-	-	109,937	-	-	-	109,937
Total current liabilities	<u>613,102</u>	<u>-</u>	<u>-</u>	<u>613,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>613,102</u>
Notes Payable, net of current portion	<u>352,708</u>	<u>-</u>	<u>-</u>	<u>352,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>352,708</u>
Total liabilities	<u>965,810</u>	<u>-</u>	<u>-</u>	<u>965,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>965,810</u>
Net Assets:								
Unrestricted	4,243,251	-	-	4,243,251	-	118,303	-	4,361,554
Temporarily restricted	-	2,234,286	-	2,234,286	-	-	-	2,234,286
Permanently restricted	-	-	3,004,746	3,004,746	-	-	-	3,004,746
Total net assets	<u>4,243,251</u>	<u>2,234,286</u>	<u>3,004,746</u>	<u>9,482,283</u>	<u>-</u>	<u>118,303</u>	<u>-</u>	<u>9,600,586</u>
Total liabilities and net assets	<u>\$ 5,209,061</u>	<u>\$ 2,234,286</u>	<u>\$ 3,004,746</u>	<u>\$ 10,448,093</u>	<u>\$ -</u>	<u>\$ 118,303</u>	<u>\$ -</u>	<u>\$ 10,566,396</u>

Combining Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2016

	Buzzards Bay Coalition, Inc.			Buzzards Bay Center, Inc.	Acushnet River Reserve, Inc.	Eliminations	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Unrestricted		
Support and Revenue:							
Grants and contributions	\$ 1,020,225	\$ 2,399,735	\$ -	\$ 3,419,960	\$ -	\$ -	\$ 3,419,960
Government contracts	1,316,626	-	-	1,316,626	-	-	1,316,626
In-kind goods and services	419,049	-	-	419,049	-	-	419,049
Fundraising events	286,113	-	-	286,113	-	-	286,113
Membership fees	115,490	-	-	115,490	-	-	115,490
Investment income appropriated for operations	76,698	-	-	76,698	-	-	76,698
Miscellaneous income	15,671	-	-	15,671	-	-	15,671
Rental income	9,185	-	-	9,185	41,531	(41,531)	9,185
Net assets released from purpose restrictions	587,846	(587,846)	-	-	-	-	-
Net assets released from time restriction	90,932	(90,932)	-	-	-	-	-
Total support and revenue	3,937,835	1,720,957	-	5,658,792	41,531	(41,531)	5,658,792
Expenses:							
Program Services	3,273,644	-	-	3,273,644	121,594	(31,149)	3,364,089
Fundraising and Development	545,635	-	-	545,635	20,266	(5,191)	560,710
General and Administrative	283,026	-	-	283,026	20,266	(5,191)	298,101
Total expenses	4,102,305	-	-	4,102,305	162,126	(41,531)	4,222,900
Changes in net assets from operations	(164,470)	1,720,957	-	1,556,487	(120,595)	-	1,435,892
Other Revenues (Expenses):							
Net gain on unwind of Buzzards Bay Center, Inc.	257,208	-	-	257,208	-	655,000	912,208
Investment return	2,141	131,372	-	133,513	-	-	133,513
Endowment contributions	-	-	125,000	125,000	-	-	125,000
Capital grants	-	50,000	-	50,000	-	-	50,000
Interest income on notes receivable	5,290	-	-	5,290	-	-	5,290
Investment income appropriated for operations	(2,442)	(74,256)	-	(76,698)	-	-	(76,698)
Total other revenues (expenses)	262,197	107,116	125,000	494,313	-	655,000	1,149,313
Changes in net assets	97,727	1,828,073	125,000	2,050,800	(120,595)	655,000	2,585,205
Net Assets:							
Beginning of year	5,138,122	406,213	2,879,746	8,424,081	(872,003)	118,303	7,015,381
Net asset transfer to the Coalition	(992,598)	-	-	(992,598)	992,598	-	-
End of year	\$ 4,243,251	\$ 2,234,286	\$ 3,004,746	\$ 9,482,283	\$ -	\$ 118,303	\$ 9,600,586