



AND AFFILIATE

**COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Contents
September 30, 2018 and 2017

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Independent Auditor's Report

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

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 the Acushnet River Reserve, Inc. (collectively, the Organization), which comprise the combined statements of financial position as of September 30, 2018 and 2017, and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, 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 Affiliate as of September 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended, 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 statements as a whole. The accompanying supplementary information shown on pages 21 and 22 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, Pinning & Co., P.C.

Westborough, Massachusetts
January 22, 2019

BUZZARDS BAY COALITION, INC. AND AFFILIATECombined Statements of Financial Position
September 30, 2018 and 2017

Assets	2018	2017
Current Assets:		
Cash	\$ 827,927	\$ 1,919,509
Accounts and contracts receivable	200,251	145,847
Current portion of pledges receivable	1,574,238	1,821,702
Other assets	71,521	74,907
Total current assets	<u>2,673,937</u>	<u>3,961,965</u>
Property and Equipment, net	<u>7,046,639</u>	<u>4,645,906</u>
Construction in Process	<u>1,942,300</u>	<u>192,917</u>
Other Assets:		
Pledges receivable, net	2,001,746	1,594,306
Investments	2,340,382	1,786,159
Conservation properties	6,950,013	1,743,062
Total other assets	<u>11,292,141</u>	<u>5,123,527</u>
Total assets	<u>\$ 22,955,017</u>	<u>\$ 13,924,315</u>
Liabilities and Net Assets		
Current Liabilities:		
Line of credit	\$ -	\$ 250,000
Current portion of notes payable	70,521	522,979
Accounts payable and accrued expenses	251,831	115,022
Deferred revenues	23,418	160,681
Total current liabilities	<u>345,770</u>	<u>1,048,682</u>
Notes Payable, net of current portion	<u>314,061</u>	<u>150,000</u>
Total liabilities	<u>659,831</u>	<u>1,198,682</u>
Net Assets:		
Unrestricted	13,674,839	4,978,099
Temporarily restricted	4,425,435	4,617,622
Permanently restricted	4,194,912	3,129,912
Total net assets	<u>22,295,186</u>	<u>12,725,633</u>
Total liabilities and net assets	<u>\$ 22,955,017</u>	<u>\$ 13,924,315</u>

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

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BUZZARDS BAY COALITION, INC. AND AFFILIATE

 Combined Statements of Activities and Changes in Net Assets
 For the Years Ended September 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Grants and contributions	\$ 1,259,551	\$ 2,290,670	\$ -	\$ 3,550,221	\$ 1,031,539	\$ 3,275,846	\$ -	\$ 4,307,385
Government contracts	519,122	-	-	519,122	901,901	-	-	901,901
Fundraising events	518,439	-	-	518,439	329,376	-	-	329,376
In-kind goods and services	262,454	-	-	262,454	905,062	-	-	905,062
Membership fees	107,041	-	-	107,041	102,417	-	-	102,417
Investment income appropriated for operations	84,560	-	-	84,560	84,759	-	-	84,759
Rental income	33,237	-	-	33,237	22,030	-	-	22,030
Miscellaneous income	9,501	-	-	9,501	20,888	-	-	20,888
Net assets released from purpose restrictions	813,696	(813,696)	-	-	2,382,849	(2,382,849)	-	-
Net assets released from time restriction	121,234	(121,234)	-	-	360,000	(360,000)	-	-
Total support and revenue	<u>3,728,835</u>	<u>1,355,740</u>	<u>-</u>	<u>5,084,575</u>	<u>6,140,821</u>	<u>532,997</u>	<u>-</u>	<u>6,673,818</u>
Expenses:								
Program services	3,057,089	-	-	3,057,089	5,434,826	-	-	5,434,826
Fundraising and development	478,538	-	-	478,538	496,333	-	-	496,333
General and administrative	308,003	-	-	308,003	298,901	-	-	298,901
Total expenses	<u>3,843,630</u>	<u>-</u>	<u>-</u>	<u>3,843,630</u>	<u>6,230,060</u>	<u>-</u>	<u>-</u>	<u>6,230,060</u>
Changes in net assets from operations	(114,795)	1,355,740	-	1,240,945	(89,239)	532,997	-	443,758
Other Revenues (Expenses):								
Donated property	4,203,447	-	-	4,203,447	500,000	-	-	500,000
Capital grants	-	2,650,552	-	2,650,552	-	1,901,224	-	1,901,224
Endowment contributions	-	-	1,065,000	1,065,000	-	-	125,166	125,166
Forgiveness of note payable	-	250,000	-	250,000	-	-	-	-
Investment return	9,838	234,331	-	244,169	1,720	237,582	-	239,302
Gain on sale of property and equipment	-	-	-	-	356	-	-	356
Net assets released from capital restrictions	4,598,250	(4,598,250)	-	-	203,708	(203,708)	-	-
Investment income appropriated for operations	-	(84,560)	-	(84,560)	-	(84,759)	-	(84,759)
Total other revenues (expenses)	<u>8,811,535</u>	<u>(1,547,927)</u>	<u>1,065,000</u>	<u>8,328,608</u>	<u>705,784</u>	<u>1,850,339</u>	<u>125,166</u>	<u>2,681,289</u>
Changes in net assets	8,696,740	(192,187)	1,065,000	9,569,553	616,545	2,383,336	125,166	3,125,047
Net Assets:								
Beginning of year	<u>4,978,099</u>	<u>4,617,622</u>	<u>3,129,912</u>	<u>12,725,633</u>	<u>4,361,554</u>	<u>2,234,286</u>	<u>3,004,746</u>	<u>9,600,586</u>
End of year	<u>\$ 13,674,839</u>	<u>\$ 4,425,435</u>	<u>\$ 4,194,912</u>	<u>\$ 22,295,186</u>	<u>\$ 4,978,099</u>	<u>\$ 4,617,622</u>	<u>\$ 3,129,912</u>	<u>\$ 12,725,633</u>

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

BUZZARDS BAY COALITION, INC. AND AFFILIATE

 Combined Statements of Cash Flows
 For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 9,569,553	\$ 3,125,047
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	227,864	202,595
Change in reserve for uncollectible pledges	33,218	62,429
Change in discount of pledges receivable	22,933	51,127
Loss on impairment on conservation properties	88,391	500,541
Donated property	(4,203,447)	(500,000)
Capital grants	(2,650,552)	(1,901,224)
Net realized and unrealized gains on investments	(197,768)	(198,826)
Gain on sale of property and equipment	-	(356)
Endowment contributions	(1,065,000)	(125,166)
Forgiveness of note payable	(250,000)	-
Changes in operating assets and liabilities:		
Accounts and contracts receivable	(54,404)	82,867
Pledges receivable	(216,127)	(41,334)
Other assets	3,386	(4,535)
Accounts payable and accrued expenses	136,809	(11,798)
Deferred revenues	(137,263)	50,744
Net cash provided by operating activities	<u>1,307,593</u>	<u>1,292,111</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	-	401,057
Purchase of investments	(356,455)	(38,755)
Cash paid for construction in process	(1,749,383)	(192,917)
Acquisition of property and equipment	(2,628,597)	(85,095)
Acquisition of conservation properties	(1,091,895)	(724,161)
Proceeds from sale of property and equipment	-	12,530
Net cash used in investing activities	<u>(5,826,330)</u>	<u>(627,341)</u>
Cash Flows from Financing Activities:		
Line of credit	(250,000)	123,655
Proceeds from notes payable	173,600	70,271
Payments on notes payable	(211,997)	-
Capital grants received	2,650,552	221,224
Endowment contributions	1,065,000	72,500
Net cash provided by financing activities	<u>3,427,155</u>	<u>487,650</u>
Net Change in Cash	(1,091,582)	1,152,420
Cash:		
Beginning of year	<u>1,919,509</u>	<u>767,089</u>
End of year	<u>\$ 827,927</u>	<u>\$ 1,919,509</u>
Supplemental Disclosure of Non-Cash Transactions:		
Cash paid for interest	<u>\$ 15,744</u>	<u>\$ 15,420</u>
Forgiveness of note payable	<u>\$ 250,000</u>	<u>\$ -</u>

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

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Combined Statements of Functional Expenses
For the Years Ended September 30, 2018 and 2017

	2018				2017			
	Program Services	Fundraising and Development	General and Administrative	Total Expenses	Program Services	Fundraising and Development	General and Administrative	Total Expenses
Personnel and Related:								
Salaries	\$ 967,745	\$ 217,361	\$ 86,630	\$ 1,271,736	\$ 828,166	\$ 283,283	\$ 66,867	\$ 1,178,316
Employee benefits	124,923	29,057	10,007	163,987	109,369	26,457	16,517	152,343
Payroll taxes	77,401	17,385	6,929	101,715	58,995	30,499	5,048	94,542
Contract labor	-	-	93,000	93,000	-	-	93,000	93,000
Total personnel and related	<u>1,170,069</u>	<u>263,803</u>	<u>196,566</u>	<u>1,630,438</u>	<u>996,530</u>	<u>340,239</u>	<u>181,432</u>	<u>1,518,201</u>
Occupancy:								
Depreciation	197,881	16,313	13,670	227,864	167,045	19,027	16,523	202,595
Rent	29,259	-	-	29,259	29,582	-	-	29,582
Facility maintenance	22,525	2,696	2,489	27,710	18,716	2,249	2,075	23,040
Utilities	20,434	2,157	1,991	24,582	16,811	2,183	2,015	21,009
Interest expense	15,744	-	-	15,744	6,985	-	8,435	15,420
Total occupancy	<u>285,843</u>	<u>21,166</u>	<u>18,150</u>	<u>325,159</u>	<u>239,139</u>	<u>23,459</u>	<u>29,048</u>	<u>291,646</u>
Operations:								
Contractual services	481,786	5,020	21,904	508,710	337,492	3,567	-	341,059
Land protection costs	393,192	-	-	393,192	2,112,195	-	-	2,112,195
Legal services	276,672	-	4,682	281,354	939,852	-	460	940,312
Lab analysis	89,362	-	-	89,362	100,888	-	-	100,888
Loss on impairment of conservation properties	88,391	-	-	88,391	500,541	-	-	500,541
Events	40,294	40,293	-	80,587	30,515	30,515	-	61,030
Program supplies	58,226	4,805	4,650	67,681	39,667	992	159	40,818
Printing and postage	31,207	23,851	3,679	58,737	34,737	27,630	612	62,979
Meetings and events	8,223	33,662	13,786	55,671	3,045	18,294	10,868	32,207
Software maintenance	16,557	16,557	9,945	43,059	18,435	18,435	6,764	43,634
Insurance	33,149	4,736	1,093	38,978	9,444	560	33,110	43,114
Bad debt	-	33,218	-	33,218	-	-	-	-
Office equipment and supplies	24,351	7,575	1,008	32,934	21,520	6,672	2,919	31,111
Travel	21,792	3,563	2,214	27,569	19,542	4,802	1,073	25,417
Accounting and audit	1,586	25	20,623	22,234	-	-	24,397	24,397
Bank and credit card fees	-	14,448	4,189	18,637	-	12,409	3,881	16,290
IT services	10,067	1,801	416	12,284	12,314	3,546	1,773	17,633
Miscellaneous	6,757	1,309	3,889	11,955	1,727	2,390	598	4,715
Telephone	8,628	950	219	9,797	8,161	954	477	9,592
Payroll services	6,933	1,557	621	9,111	5,692	1,869	935	8,496
Membership dues	4,004	199	369	4,572	3,390	-	395	3,785
Total operations	<u>1,601,177</u>	<u>193,569</u>	<u>93,287</u>	<u>1,888,033</u>	<u>4,199,157</u>	<u>132,635</u>	<u>88,421</u>	<u>4,420,213</u>
Total expenses	<u>\$ 3,057,089</u>	<u>\$ 478,538</u>	<u>\$ 308,003</u>	<u>\$ 3,843,630</u>	<u>\$ 5,434,826</u>	<u>\$ 496,333</u>	<u>\$ 298,901</u>	<u>\$ 6,230,060</u>

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

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2018 and 2017

1. 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 volunteers each year to sample coastal water quality in coves, harbors and salt ponds of Buzzards Bay and Vineyard Sound; public engagement 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 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 Affiliate, 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 Affiliate are also exempt from state income taxes. Contributions made to the Coalition and Affiliate are deductible by donors within the requirements of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES

The Coalition and its Affiliate 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

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 and the Reserve (collectively, the Organization). The Coalition 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 AFFILIATE

Notes to Combined Financial Statements
September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. In 2017 the Board voted to release \$100,000 from Board designated net assets (see Note 4). Board designated net assets were \$108,004 and \$98,166 as of September 30, 2018 and 2017, respectively, and are 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>2018</u>	<u>2017</u>
Generations Campaign (2016 -)	\$ 3,097,001	\$ 4,007,727
Watershed Protection Projects	754,050	110,946
Net appreciation on permanently restricted endowments (see Note 4)	379,889	230,118
Other restricted program support	93,111	183,609
Advocacy and Public Education to Reduce Pollution in New Bedford Harbor	<u>101,384</u>	<u>85,222</u>
Total	<u>\$ 4,425,435</u>	<u>\$ 4,617,622</u>

Generations Campaign – (2016 -)

In fiscal year 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.

Watershed Protection Projects

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

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.

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Temporarily Restricted Net Assets (Continued)

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 4). Permanently restricted net assets also include a land revolving loan fund (see Note 4).

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. Land is not depreciated. 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

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, 2018 and 2017.

Pledges Receivable and Reserve for Uncollectible Pledges

Pledges consist of written commitments from donors (see Note 5). 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 \$113,447 and \$80,229 at September 30, 2018 and 2017, respectively.

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

Investment Return Allocations and Spending Policy

Investments (see Note 3) are reported at fair value. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred upon sales of securities or based on fair value changes during the period.

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 \$84,560 and \$84,759 for the years ended September 30, 2018 and 2017, respectively, and are reflected as investment income appropriated for operations in the accompanying combined statements of activities and changes in net assets.

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Return Allocations and Spending Policy (Continued)

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.

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, 2018 and 2017. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

Deferred Revenue

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

Revenue Recognition

Grants and contributions and membership fees 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. Government contracts are recorded when services are provided and costs are incurred. Fundraising events revenue is recognized in the period it is earned. All other revenue is recognized as earned.

In-kind Goods and Services and Donated Property

During the years ended September 30, 2018 and 2017, the Organization received donated goods, property, and services from various persons or organizations for use in its programs. The value of these goods, property, 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.

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Goods and Services and Donated Property (Continued)

In-kind goods and services are as follows for the years ended September 30:

	<u>2018</u>	<u>2017</u>
Legal services	\$ 244,472	\$ 898,825
Fundraising events	<u>17,982</u>	<u>6,237</u>
	<u>\$ 262,454</u>	<u>\$ 905,062</u>

During fiscal year 2018, the Coalition received four donations of land. The Greater Fall River Land Conservancy donated approximately 88 acres of conservation land in Fall River. The appraised value of the property is \$837,300. In addition, the Coalition received a donation of approximately 30 acres of forest land in Falmouth, Massachusetts with an appraised value of \$3,310,000. One donor also gave the Coalition approximately 3.5 acres in Fairhaven, Massachusetts and another donor gave approximately 0.75 acres in Wareham, Massachusetts. The total value of the four land donations during fiscal year 2018 is \$4,203,447 and is reflected as donated property in the accompanying combined financial statements for the year ended September 30, 2018.

During fiscal year 2017, a donor granted two parcels of land to the Organization for less than \$100. The value of the land is \$500,000 and is reflected as donated property in the accompanying combined financial statements for the year ended September 30, 2017.

Expense Allocation

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

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).

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Conservation Properties and Impairment (Continued)

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.

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. All other revenues (expenses) are reported as non-operating.

Subsequent Events

Subsequent events have been evaluated through January 22, 2019, which is the date the combined financial statements were available to be issued. See Note 9 for an event that met the criteria for recognition or disclosure in the combined financial statements.

3. INVESTMENTS

Investments are comprised of the following as of September 30:

	<u>2018</u>	<u>2017</u>
Equities:		
Mutual funds:		
Large blend	\$ 1,525,234	\$ 1,198,950
Other	339,693	360,088
Foreign large blend	124,541	121,177
Short-term bonds	125,632	-
Money market fund	<u>225,282</u>	<u>105,944</u>
	<u>\$ 2,340,382</u>	<u>\$ 1,786,159</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.

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2018 and 2017

3. INVESTMENTS (Continued)

The following schedule summarizes the investment return in the accompanying combined statements of activities and changes in net assets for the years ended September 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 58,485	\$ 45,842
Net realized losses	(12,084)	(5,366)
Net unrealized gains	<u>197,768</u>	<u>198,826</u>
Total investment return	<u>\$ 244,169</u>	<u>\$ 239,302</u>

4. PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
General	\$ 902,419	\$ 837,419
Bay Science Fund	1,165,716	665,716
Building Maintenance Fund	500,000	500,000
Land Stewardship Fund	<u>605,000</u>	<u>105,000</u>
Total endowment fund	3,173,135	2,108,135
Land Revolving Loan Fund	<u>1,021,777</u>	<u>1,021,777</u>
Total permanently restricted	<u>\$ 4,194,912</u>	<u>\$ 3,129,912</u>

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.

Bay Science 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 initially 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. During 2018, a donor earmarked an additional \$500,000 to the Land Stewardship Fund.

Land Revolving Land Fund - The primary purpose of the Buzzards Bay Land Revolving Loan Fund (the Land Revolving Loan 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 Revolving Loan 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.

BUZZARDS BAY COALITION, INC. AND AFFILIATENotes to Combined Financial Statements
September 30, 2018 and 2017**4. PERMANENTLY RESTRICTED NET ASSETS (Continued)**

Land Revolving Loan Fund (Continued) - From time-to-time, the Land Revolving Loan 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 years ended September 30, 2018 and 2017.

In order to fund the purchase of conservation properties, the Organization may borrow from the Revolving Loan Fund with authorization from the Board of Directors. As of September 30, 2018 and 2017, the Organization has borrowed \$545,887 and \$621,903, respectively, from the Revolving Loan Fund, which is included in due (to) from in the accompanying combined statements of financial position.

In order to fund the purchase of a conservation property, the Organization borrowed \$300,000 from the General Endowment during fiscal year 2017. The Organization must pay back the General Fund annually and must also pay quarterly interest at 2.5% on the outstanding principal balance. In addition, the Organization's Board released \$100,000 of its Board Designated Endowment to fund the property during fiscal year 2017 (see Note 2). The Organization paid \$50,000 back to the General Endowment during fiscal year 2018.

A reconciliation of endowment activity is as follows:

	<u>Unrestricted</u> <u>Board</u> <u>Designated</u>	<u>Donor Restricted</u> <u>Temporarily</u> <u>Restricted</u>	<u>Permanently</u> <u>Restricted</u>	<u>Total</u> <u>Endowment</u>
Endowment net assets, September 30, 2016	\$ 196,446	\$ 77,295	\$ 1,982,969	\$ 2,256,710
Investment return	1,720	237,582	-	239,302
Contributions	-	-	125,166	125,166
Investment income appropriated for operations	-	(84,759)	-	(84,759)
Released from restrictions (see above)	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Endowment net assets, September 30, 2017	98,166	230,118	2,108,135	2,436,419
Investment return	9,838	234,331	-	244,169
Contributions	-	-	1,065,000	1,065,000
Investment income appropriated for operations	<u>-</u>	<u>(84,560)</u>	<u>-</u>	<u>(84,560)</u>
Endowment net assets, September 30, 2018	<u>\$ 108,004</u>	<u>\$ 379,889</u>	<u>\$ 3,173,135</u>	<u>\$ 3,661,028</u>

BUZZARDS BAY COALITION, INC. AND AFFILIATENotes to Combined Financial Statements
September 30, 2018 and 2017

5. PLEDGES RECEIVABLE

Pledges receivable are due as follows at September 30:

	<u>2018</u>	<u>2017</u>
Due within one year	\$ 1,574,238	\$ 2,091,702
Due in two to seven years	<u>2,213,433</u>	<u>1,479,842</u>
	3,787,671	3,571,544
Less - discount	98,240	75,307
Less - allowance	<u>113,447</u>	<u>80,229</u>
Total pledges	3,575,984	3,416,008
Less - current portion	<u>1,574,238</u>	<u>1,821,702</u>
Total pledges, net	<u>\$ 2,001,746</u>	<u>\$ 1,594,306</u>

The pledges have been discounted using a 3% and 2% discount rate as of September 30, 2018 and 2017, respectively.

6. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROCESS

Property and equipment consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 6,840,845	\$ 4,513,683
Furniture, fixtures and equipment	822,745	812,523
Land	904,903	668,882
Boat	174,643	209,398
Computer software	<u>97,368</u>	<u>96,618</u>
	8,840,504	6,301,104
Less - accumulated depreciation	<u>1,793,865</u>	<u>1,655,198</u>
	<u>\$ 7,046,639</u>	<u>\$ 4,645,906</u>

Construction in process at September 30, 2018 and 2017, consisted of costs incurred for the construction of a science and field operations facility in Marion. These costs of \$1,942,300 and \$192,917 are reflected as construction in process in the accompanying combining statements of financial position as of September 30, 2018 and 2017, respectively.

The construction of the Marion facility is expected to be completed by February 2019 at an expected cost of \$2,600,000.

BUZZARDS BAY COALITION, INC. AND AFFILIATENotes to Combined Financial Statements
September 30, 2018 and 2017**7. CONSERVATION PROPERTIES, RESTRICTIONS AND IMPAIRMENT**

Conservation properties held by the Coalition and Affiliate consist of the following as of September 30:

<u>Conservation Properties</u>	<u>Town</u>	<u>Acreage</u>	<u>Acquired/Deposit</u>	<u>2018</u>	<u>2017</u>
Tucker	Fairhaven	3.5	May 10, 2018	\$ 3,500	\$ -
Machado East	Acush/Fairhav	30.71	August 10, 2018	337,289	-
Broad Marsh	Wareham	45.26	May 23, 2018	22,098	-
Burgess Point Shores	Wareham	5.07	August 17, 2018	305,528	-
Shattuck	Westport	4.17	June 22, 2018	12,000	-
GFRLC Lands	Fall River	87.5	July 24, 2018	821,800	-
Wheeler Forest	Falmouth	30	August 14, 2018	3,310,000	-
Habitat for Humanity	Rochester	1.50	August 21, 2017	4,535	-
Hamlin Crossing	Acushnet	9.00	August, 21, 2018	3,000	-
Machado West	Acushnet	12.83	August 3, 2017	64,243	64,243
Carricorp	Westport	32.50	July 20, 2017	18,388	18,388
Carvalho Farm	Fairhaven	61.50	June 14, 2017	260,000	260,000
Sylvia	Acushnet	1.05	May 25, 2017	1,000	-
Keating Woods	Acushnet	21.66	March 17, 2017	25,299	25,295
Staples	Wareham	.67	March 15, 2017	52,647	-
Jaros	Acushnet	9.00	December 20, 2016	155,395	155,395
Wood	Westport	8.86	November 9, 2016	167,150	-
Burgess Point	Wareham	15.50	August 18, 2016	230,000	230,000
Wickets Island	Wareham	4.61	June 30, 2016	75,453	75,453
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	-	-
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	239,727
New Boston Road	Acushnet	0.31	May 28, 2010	-	-
Marsh Island	Fairhaven	7.50	December 11, 2009	44,535	44,535
Acushnet Sawmill	Acushnet	21.00	March 12, 2007	180,000	180,000
Miscellaneous deposits	Various	0.00	Various	205,000	38,600
Deposits on Allen's Pond		-		-	-
Total		<u>768.95</u>		<u>\$ 6,950,013</u>	<u>\$ 1,743,062</u>

The Coalition will utilize the calculated impairment values provided by an independent appraisers' certified report, if one is available to recognize impairment on conservation properties. 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. The Coalition recognized \$88,391 and \$500,541 of impairment on conservation properties for the years ended September 30, 2018 and 2017, respectively.

BUZZARDS BAY COALITION, INC. AND AFFILIATENotes to Combined Financial Statements
September 30, 2018 and 2017**7. CONSERVATION PROPERTIES, RESTRICTIONS AND IMPAIRMENT (Continued)**

The following is a listing of conservation restrictions held by the Organization as of September 30, 2018:

	<u>Property</u>	<u>Town</u>	<u>Acreage</u>	<u>Acquired</u>
1)	Ocean View Farm North	Dartmouth	55	August 10, 2017
2)	Ocean View Farm South	Dartmouth	59	August 10, 2017
3)	Roy Hawkes	Rochester/ Mattapoissett	164	June 30, 2017
4)	Decas-Winship	Wareham	4.40	August 18, 2016
5)	Decas-Lydias Island	Wareham	1.25	August 18, 2016
6)	Tinkhamtown Woodlands	Mattapoissett	115.00	June 30, 2016
7)	Weweantic Ridge	Wareham	32.00	October 28, 2015
8)	Weeden Road	Fairhaven	32.00	December 11, 2014
9)	Shaw Farm	Fairhaven	122.00	December 11, 2014
10)	Nasketucket Fields	Fairhaven	29.00	June 27, 2014
11)	Quahog Hill	Fairhaven	13.50	June 26, 2014
12)	Shearer	Falmouth	7.00	June 24, 2014
13)	Wankinquoah Rod & Gun Club	Middleborough	287.00	November 20, 2013
14)	North Woods	Mattapoissett	35.00	September 26, 2013
15)	Quissett Harbor 1	Falmouth	4.93	September 26, 2013
16)	Quissett Harbor 2	Falmouth	3.60	September 26, 2013
17)	Sanford South	Middleboro	30.00	June 28, 2013
18)	Peter's Creek Reserve	Dartmouth	29.00	April 22, 2013
19)	Westgate	Wareham	48.54	February 26, 2013
20)	Lloyd Woods	Dartmouth	26.50	November 19, 2012
21)	Old Aucoot	Mattapoissett	307.00	March 2, 2012
22)	Dufficy-Lawrence	Rochester	7.50	December 22, 2011
23)	Old Haskell Farm	Rochester	14.50	December 22, 2011
24)	Rentumis	Rochester	54.20	December 9, 2011
25)	Tripps Mill Brook 2	Mattapoissett	42.67	March 11, 2011
26)	Fitzgerald/New Boston Rd	Fairhaven	67.18	July 16, 2010
27)	Viveiros Dairy (Lot 3)	Fairhaven	36.50	February 26, 2010
28)	Mahoney	Marion	238.00	December 28, 2009
29)	Gurney	Rochester	17.50	December 23, 2009
30)	MacPhail	Rochester	12.50	December 23, 2009
31)	Flume Pond	Falmouth	28.00	December 18, 2008
32)	Shipyard Farm	Fairhaven	53.00	February 22, 2008
33)	Red Barn Farm	Rochester	60.00	December 24, 2007
34)	Gaumont	Rochester	7.00	December 24, 2007
35)	Garfield	Dartmouth	18.00	December 3, 2007
36)	Douglass	Fairhaven	16.45	October 2, 2007
37)	Viveiros Dairy (Lot 2)	Fairhaven	11.00	June 6, 2006
38)	Nulands Neck	Fairhaven	101.00	December 28, 2005
39)	Sperry Farm	Rochester	13.50	December 28, 2005
40)	Field Farm	Mattapoissett	64.00	November 24, 2004
41)	Marsh Island North	Fairhaven	<u>14.25</u>	September 29, 2003
	Total acreage		<u>2,282.47</u>	

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2018 and 2017

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 were approximately \$16,400 for the years ended September 30, 2018 and 2017, which are 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 line of 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 (4.932% and 3.987% at September 30, 2018 and 2017, respectively). There were borrowings of \$250,000 outstanding on this line of credit at September 30, 2017. There were no borrowings outstanding on this line of credit at September 30, 2018. 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>2018</u>	<u>2017</u>
4.75% note payable in the amount of \$173,600 to Bristol County Savings Bank with a maturity date of April 2038. Principal and interest are due monthly in payments of approximately \$1,129, secured by the mortgaged property and an assignment of leases and rents.	\$ 169,582	\$ -
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. The Coalition had certain non-financial covenants as specified in the agreement which it was in compliance with at September 30, 2018 and 2017.	150,000	150,000
2.00% unsecured note payable to an individual. Principal and interest payments were due and payable on September 30, 2018. Accrued interest was \$271 at September 30, 2017. Subsequent to year end, the loan amount increased to \$90,000 with an interest rate of 3% and an updated maturity date of September 30, 2019.	65,000	65,271

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2018 and 2017

9. NOTES PAYABLE (Continued)

Buzzards Bay Coalition, Inc. (Continued)	<u>2018</u>	<u>2017</u>
Non-interest bearing note payable to the Stifler Family Foundation. Principal and interest payments were due and payable on December 31, 2017. This note was forgiven and converted to a gift during fiscal year 2018.	-	250,000
2.50% note payable to an individual. Principal and interest payments were due and payable on December 31, 2017. The note, both principal and accrued interest, was paid in full during fiscal year 2018.	-	<u>207,708</u>
	384,582	<u>672,979</u>
Less - current portion	<u>70,521</u>	<u>522,979</u>
	<u>\$ 314,061</u>	<u>\$ 150,000</u>

Future principal payments are as follows at September 30, 2018:

2019	\$ 70,521
2020	\$ 5,789
2021	\$ 6,070
2022	\$ 6,365
2023	\$ 6,674
Thereafter	\$ 218,642

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 years ended September 30, 2018 and 2017, were \$62,261 and \$57,475, 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 one bank 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.

Two donors accounted for approximately 59% of the net pledges receivable balance as of September 30, 2018.

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2018 and 2017

12. OPERATING LEASES

The Coalition has a ten-year lease agreement for a facility in Falmouth, Massachusetts that expires in November 2023. Under this agreement, the Coalition is required to make monthly payments of approximately \$2,410. 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 approximately \$29,000 per year.

13. CONDITIONAL GRANT

During fiscal year 2017, the Coalition received a grant commitment from a donor totaling \$500,000. The Coalition's receipt of this grant is conditional upon the Coalition satisfying a stipulation from the donor. The Coalition had met the condition for \$100,000 of this grant, which is included as temporarily restricted grants and contributions in accompanying combined statements of activities and changes in net assets. The balance of \$400,000 has not been reflected in the accompanying combined financial statements and will be recognized when the conditions are met.

During fiscal year 2018, the Coalition received a grant commitment from a donor totaling \$100,000. The Coalition's receipt of this grant is conditional upon the Coalition satisfying a stipulation from the donor. The Coalition had met the condition for \$35,000 of this grant, which is included as temporarily restricted grants and contributions in accompanying combined statements of activities and changes in net assets. The balance of \$65,000 has not been reflected in the accompanying combined financial statements and will be recognized when the conditions are met.

14. RELATED PARTY TRANSACTIONS

As of September 30, 2018 and 2017, 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.

A Board member of the Coalition is also a staff member of the organization that the Coalition utilizes for laboratory services. Total expenses incurred for the years ended September 30, 2018 and 2017, were \$89,362 and \$113,083, respectively.

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 \$4,860 for the year ended September 30, 2018. There were no costs for the year ended September 30, 2017.

15. RECLASSIFICATIONS

Certain amounts in the fiscal year 2017 combined financial statements have been reclassified to conform with the fiscal year 2018 presentation.

Combining Statement of Financial Position
September 30, 2018

Assets	Buzzards Bay Coalition, Inc. Total	Acushnet River Reserve, Inc. Unrestricted	Eliminations	Total
Current Assets:				
Cash	\$ 827,927	\$ -	\$ -	\$ 827,927
Accounts and contracts receivable	200,251	-	-	200,251
Current portion of pledges receivable	1,574,238	-	-	1,574,238
Other assets	71,521	-	-	71,521
Total current assets	2,673,937	-	-	2,673,937
Property and Equipment, net	7,046,639	-	-	7,046,639
Construction in Process	1,942,300	-	-	1,942,300
Other Assets:				
Pledges receivable, net	2,001,746	-	-	2,001,746
Investments	2,340,382	-	-	2,340,382
Conservation properties	6,806,415	143,598	-	6,950,013
Total other assets	11,148,543	143,598	-	11,292,141
Total assets	\$ 22,811,419	\$ 143,598	\$ -	\$ 22,955,017
Liabilities and Net Assets				
Current Liabilities:				
Current portion of notes payable	\$ 70,521	\$ -	\$ -	\$ 70,521
Accounts payable and accrued expenses	251,831	-	-	251,831
Deferred revenues	23,418	-	-	23,418
Total current liabilities	345,770	-	-	345,770
Notes Payable, net of current portion	314,061	-	-	314,061
Total liabilities	659,831	-	-	659,831
Net Assets:				
Unrestricted:				
Operating	(1,431,810)	-	-	(1,431,810)
Property and equipment	14,864,885	143,598	-	15,008,483
Board designated	98,166	-	-	98,166
Total unrestricted	13,531,241	143,598	-	13,674,839
Temporarily restricted	4,425,435	-	-	4,425,435
Permanently restricted	4,194,912	-	-	4,194,912
Total net assets	22,151,588	143,598	-	22,295,186
Total liabilities and net assets	\$ 22,811,419	\$ 143,598	\$ -	\$ 22,955,017

Combining Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2018

	Buzzards Bay Coalition, Inc.			Acushnet River Reserve, Inc.			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Eliminations	Total
Support and Revenue:							
Grants and contributions	\$ 1,259,551	\$ 2,290,670	\$ -	\$ 3,550,221	\$ -	\$ -	\$ 3,550,221
Government contracts	519,122	-	-	519,122	-	-	519,122
Fundraising events	518,439	-	-	518,439	-	-	518,439
In-kind goods and services	262,454	-	-	262,454	-	-	262,454
Membership fees	107,041	-	-	107,041	-	-	107,041
Investment income appropriated for operations	84,560	-	-	84,560	-	-	84,560
Rental income	33,237	-	-	33,237	-	-	33,237
Miscellaneous income	9,501	-	-	9,501	-	-	9,501
Net assets released from purpose restrictions	813,696	(813,696)	-	-	-	-	-
Net assets released from time restriction	121,234	(121,234)	-	-	-	-	-
Total support and revenue	<u>3,728,835</u>	<u>1,355,740</u>	<u>-</u>	<u>5,084,575</u>	<u>-</u>	<u>-</u>	<u>5,084,575</u>
Expenses:							
Program services	3,057,089	-	-	3,057,089	-	-	3,057,089
Fundraising and development	478,538	-	-	478,538	-	-	478,538
General and administrative	308,003	-	-	308,003	-	-	308,003
Total expenses	<u>3,843,630</u>	<u>-</u>	<u>-</u>	<u>3,843,630</u>	<u>-</u>	<u>-</u>	<u>3,843,630</u>
Changes in net assets from operations	<u>(114,795)</u>	<u>1,355,740</u>	<u>-</u>	<u>1,240,945</u>	<u>-</u>	<u>-</u>	<u>1,240,945</u>
Other Revenues (Expenses):							
Donated property	4,203,447	-	-	4,203,447	-	-	4,203,447
Capital grants	-	2,650,552	-	2,650,552	-	-	2,650,552
Endowment contributions	-	-	1,065,000	1,065,000	-	-	1,065,000
Forgiveness of note payable	-	250,000	-	250,000	-	-	250,000
Investment return	9,838	234,331	-	244,169	-	-	244,169
Net assets released from capital restrictions	4,598,250	(4,598,250)	-	-	-	-	-
Investment income appropriated for operations	-	(84,560)	-	(84,560)	-	-	(84,560)
Total other revenues (expenses)	<u>8,811,535</u>	<u>(1,547,927)</u>	<u>1,065,000</u>	<u>8,328,608</u>	<u>-</u>	<u>-</u>	<u>8,328,608</u>
Changes in net assets	<u>8,696,740</u>	<u>(192,187)</u>	<u>1,065,000</u>	<u>9,569,553</u>	<u>-</u>	<u>-</u>	<u>9,569,553</u>
Net Assets:							
Beginning of year	<u>4,834,501</u>	<u>4,617,622</u>	<u>3,129,912</u>	<u>12,582,035</u>	<u>143,598</u>	<u>-</u>	<u>12,725,633</u>
End of year	<u>\$ 13,531,241</u>	<u>\$ 4,425,435</u>	<u>\$ 4,194,912</u>	<u>\$ 22,151,588</u>	<u>\$ 143,598</u>	<u>\$ -</u>	<u>\$ 22,295,186</u>