



AND AFFILIATE

**COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Contents
September 30, 2019 and 2018

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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., which comprise the combined statements of financial position as of September 30, 2019 and 2018, 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, 2019 and 2018, 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.

AAFCPAs, Inc.

Westborough, Massachusetts
January 23, 2020

BUZZARDS BAY COALITION, INC. AND AFFILIATECombined Statements of Financial Position
September 30, 2019 and 2018

Assets	2019	2018
Current Assets:		
Cash	\$ 725,823	\$ 827,927
Accounts and contracts receivable	206,661	200,251
Current portion of pledges receivable	3,537,690	1,574,238
Other assets	107,619	71,521
Real estate held for sale	2,010,642	-
Total current assets	<u>6,588,435</u>	<u>2,673,937</u>
Property and Equipment, net	<u>9,139,046</u>	<u>6,826,487</u>
Construction in Process	<u>1,990,909</u>	<u>2,162,452</u>
Other Assets:		
Pledges receivable, net	1,262,563	2,001,746
Investments	2,733,186	2,340,382
Conservation properties	<u>8,347,726</u>	<u>6,950,013</u>
Total other assets	<u>12,343,475</u>	<u>11,292,141</u>
Total assets	<u>\$ 30,061,865</u>	<u>\$ 22,955,017</u>
Liabilities and Net Assets		
Current Liabilities:		
Lines of credit	\$ 2,146,740	\$ -
Current portion of notes payable	210,721	70,521
Accounts payable and accrued expenses	319,151	251,831
Deferred revenues	<u>156,722</u>	<u>23,418</u>
Total current liabilities	2,833,334	345,770
Notes Payable, net of current portion	<u>312,276</u>	<u>314,061</u>
Total liabilities	<u>3,145,610</u>	<u>659,831</u>
Net Assets:		
Without donor restrictions	18,159,696	13,674,839
With donor restrictions	<u>8,756,559</u>	<u>8,620,347</u>
Total net assets	<u>26,916,255</u>	<u>22,295,186</u>
Total liabilities and net assets	<u>\$ 30,061,865</u>	<u>\$ 22,955,017</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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and contributions	\$ 1,543,500	\$ 3,197,510	\$ 4,741,010	\$ 1,366,592	\$ 2,290,670	\$ 3,657,262
Government contracts	1,514,986	-	1,514,986	519,122	-	519,122
Fundraising events	290,470	-	290,470	518,439	-	518,439
In-kind goods and services	146,867	-	146,867	262,454	-	262,454
Investment income appropriated for operations	95,678	-	95,678	84,560	-	84,560
Rental income	35,415	-	35,415	33,237	-	33,237
Miscellaneous income	4,189	-	4,189	9,501	-	9,501
Net assets released from purpose restrictions	1,867,724	(1,867,724)	-	813,696	(813,696)	-
Net assets released from time restriction	1,883,557	(1,883,557)	-	121,234	(121,234)	-
Total support and revenue	<u>7,382,386</u>	<u>(553,771)</u>	<u>6,828,615</u>	<u>3,728,835</u>	<u>1,355,740</u>	<u>5,084,575</u>
Expenses:						
Program services	3,411,846	-	3,411,846	3,057,089	-	3,057,089
Fundraising and development	631,455	-	631,455	478,538	-	478,538
General and administrative	358,660	-	358,660	308,003	-	308,003
Total expenses	<u>4,401,961</u>	<u>-</u>	<u>4,401,961</u>	<u>3,843,630</u>	<u>-</u>	<u>3,843,630</u>
Changes in net assets from operations	<u>2,980,425</u>	<u>(553,771)</u>	<u>2,426,654</u>	<u>(114,795)</u>	<u>1,355,740</u>	<u>1,240,945</u>
Other Revenues (Expenses):						
Capital grants	-	1,594,734	1,594,734	-	2,650,552	2,650,552
Endowment contributions	-	455,000	455,000	-	1,065,000	1,065,000
Contribution income - merger	3,770	136,767	140,537	-	-	-
Investment return	3,563	117,204	120,767	9,838	234,331	244,169
Net assets released from capital restrictions	1,518,024	(1,518,024)	-	4,598,250	(4,598,250)	-
Donated property	-	-	-	4,203,447	-	4,203,447
Forgiveness of note payable	-	-	-	-	250,000	250,000
Loss on disposal of property and equipment	(20,925)	-	(20,925)	-	-	-
Investment income appropriated for operations	-	(95,698)	(95,698)	-	(84,560)	(84,560)
Total other revenues (expenses)	<u>1,504,432</u>	<u>689,983</u>	<u>2,194,415</u>	<u>8,811,535</u>	<u>(482,927)</u>	<u>8,328,608</u>
Changes in net assets	<u>4,484,857</u>	<u>136,212</u>	<u>4,621,069</u>	<u>8,696,740</u>	<u>872,813</u>	<u>9,569,553</u>
Net Assets:						
Beginning of year	<u>13,674,839</u>	<u>8,620,347</u>	<u>22,295,186</u>	<u>4,978,099</u>	<u>7,747,534</u>	<u>12,725,633</u>
End of year	<u>\$ 18,159,696</u>	<u>\$ 8,756,559</u>	<u>\$ 26,916,255</u>	<u>\$ 13,674,839</u>	<u>\$ 8,620,347</u>	<u>\$ 22,295,186</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 4,621,069	\$ 9,569,553
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	304,123	227,864
Change in reserve for uncollectible pledges	40,166	33,218
Change in discount of pledges receivable	(48,666)	22,933
Loss on impairment on conservation properties	45,267	88,391
Donated property	-	(4,203,447)
Capital grants	(1,594,734)	(2,650,552)
Cash resulting from merger	(26,497)	-
Unrealized gain on investments	(46,361)	(197,768)
Loss on disposal of property and equipment	20,925	-
Endowment contributions	(455,000)	(1,065,000)
Forgiveness of note payable	-	(250,000)
Changes in operating assets and liabilities:		
Accounts and contracts receivable	(6,410)	(54,404)
Pledges receivable	(1,215,769)	(216,127)
Other assets	(36,098)	3,386
Real estate held for sale	(2,010,642)	-
Accounts payable and accrued expenses	(54,296)	136,809
Deferred revenues	133,304	(137,263)
Net cash provided by (used in) operating activities	<u>(329,619)</u>	<u>1,307,593</u>
Cash Flows from Investing Activities:		
Purchase of investments	(346,443)	(356,455)
Cash paid for construction in process	(1,625,265)	(1,749,383)
Acquisition of property and equipment	(719,183)	(2,628,597)
Acquisition of conservation properties	(1,442,980)	(1,091,895)
Cash resulting from merger	26,497	-
Net cash used in investing activities	<u>(4,107,374)</u>	<u>(5,826,330)</u>
Cash Flows from Financing Activities:		
Lines of credit	2,146,740	(250,000)
Proceeds from notes payable	140,000	173,600
Payments on notes payable	(1,585)	(211,997)
Capital grants received	1,594,734	2,650,552
Endowment contributions	455,000	1,065,000
Net cash provided by financing activities	<u>4,334,889</u>	<u>3,427,155</u>
Net Change in Cash	(102,104)	(1,091,582)
Cash:		
Beginning of year	<u>827,927</u>	<u>1,919,509</u>
End of year	<u>\$ 725,823</u>	<u>\$ 827,927</u>
Supplemental Disclosure of Non-Cash Transactions:		
Cash paid for interest	<u>\$ 36,323</u>	<u>\$ 15,744</u>
Construction in process funded through accounts payable	<u>\$ 121,616</u>	<u>\$ -</u>
Construction in process transferred to property and equipment	<u>\$ 1,722,348</u>	<u>\$ -</u>
Forgiveness of note payable	<u>\$ -</u>	<u>\$ 250,000</u>

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Combined Statements of Functional Expenses
For the Years Ended September 30, 2019 and 2018

	2019				2018			
	Program Services	Fundraising and Development	General and Administrative	Total Expenses	Program Services	Fundraising and Development	General and Administrative	Total Expenses
Personnel and Related:								
Salaries	\$ 1,112,840	\$ 353,318	\$ 84,875	\$ 1,551,033	\$ 967,745	\$ 217,361	\$ 86,630	\$ 1,271,736
Employee benefits	166,079	41,478	8,996	216,553	124,923	29,057	10,007	163,987
Payroll taxes	76,324	24,986	23,820	125,130	77,401	17,385	6,929	101,715
Contract labor	-	-	114,092	114,092	-	-	93,000	93,000
Total personnel and related	<u>1,355,243</u>	<u>419,782</u>	<u>231,783</u>	<u>2,006,808</u>	<u>1,170,069</u>	<u>263,803</u>	<u>196,566</u>	<u>1,630,438</u>
Occupancy:								
Depreciation	247,547	28,288	28,288	304,123	197,881	16,313	13,670	227,864
Utilities	41,368	3,887	3,887	49,142	20,434	2,157	1,991	24,582
Interest expense	31,216	-	5,107	36,323	15,744	-	-	15,744
Facility maintenance	26,282	4,913	4,913	36,108	22,525	2,696	2,489	27,710
Rent	15,845	802	-	16,647	29,259	-	-	29,259
Total occupancy	<u>362,258</u>	<u>37,890</u>	<u>42,195</u>	<u>442,343</u>	<u>285,843</u>	<u>21,166</u>	<u>18,150</u>	<u>325,159</u>
Operations:								
Land protection costs	626,509	-	-	626,509	393,192	-	-	393,192
Contractual services	427,309	1,532	-	428,841	481,786	5,020	21,904	508,710
Legal services	172,141	-	-	172,141	276,672	-	4,682	281,354
Lab analysis	88,969	-	-	88,969	89,362	-	-	89,362
Program supplies	82,699	4,600	973	88,272	58,226	4,805	4,650	67,681
Printing and postage	35,353	24,449	8,342	68,144	31,207	23,851	3,679	58,737
Events	27,616	28,423	1,416	57,455	40,294	40,293	-	80,587
Insurance	40,120	9,137	2,746	52,003	33,149	4,736	1,093	38,978
Loss on impairment of conservation properties	45,267	-	-	45,267	88,391	-	-	88,391
Meetings and events	7,383	18,531	18,078	43,992	8,223	33,662	13,786	55,671
Software maintenance	18,533	18,533	2,633	39,699	16,557	16,557	9,945	43,059
Bad debt	-	38,451	-	38,451	-	33,218	-	33,218
Office equipment and supplies	27,851	5,851	2,082	35,784	24,351	7,575	1,008	32,934
Travel	29,617	3,640	2,400	35,657	21,792	3,563	2,214	27,569
Accounting and audit	3,635	63	25,058	28,756	1,586	25	20,623	22,234
IT services	20,717	4,363	1,360	26,440	10,067	1,801	416	12,284
Membership dues	21,605	261	543	22,409	4,004	199	369	4,572
Telephone	17,888	2,008	721	20,617	8,628	950	219	9,797
Bank and credit card fees	74	12,440	3,692	16,206	-	14,448	4,189	18,637
Payroll services	-	-	10,007	10,007	6,933	1,557	621	9,111
Miscellaneous	1,059	1,501	4,631	7,191	6,757	1,309	3,889	11,955
Total operations	<u>1,694,345</u>	<u>173,783</u>	<u>84,682</u>	<u>1,952,810</u>	<u>1,601,177</u>	<u>193,569</u>	<u>93,287</u>	<u>1,888,033</u>
Total expenses	<u>\$ 3,411,846</u>	<u>\$ 631,455</u>	<u>\$ 358,660</u>	<u>\$ 4,401,961</u>	<u>\$ 3,057,089</u>	<u>\$ 478,538</u>	<u>\$ 308,003</u>	<u>\$ 3,843,630</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, 2019 and 2018

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 and Vineyard Sound ecosystem for all through education, conservation, research, and advocacy. The Coalition is supported primarily through 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.

Adoption of New Accounting Standard

During fiscal year 2019, the Organization adopted FASB's Accounting Standards Updated (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standard (Continued)

This ASU modified the current guidance over several criteria, of which the following affected the Organization's combined financial statements:

- Net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets (see below and page 8).
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the combined statement of financial position date (see Note 15).
- A more detailed explanation of the methods used to allocate costs among program and supporting services (see page 12).

The adoption of this ASU did not impact the Organization's net asset classes, results of operations, or cash flows for the year ended June 30, 2018. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit disclosures about liquidity and availability of resources for fiscal year 2018 combined financial statements, which the Organization has elected to omit.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization. Net assets without donor restrictions 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 \$111,567 and \$108,004 as of September 30, 2019 and 2018, respectively, and are included in net assets without donor restrictions in the accompanying combined statements of financial position.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent amounts received or committed by donors with time or purpose restrictions that have not yet been met. Net assets with donor restrictions were available for the following purposes at September 30:

	<u>2019</u>	<u>2018</u>
Endowments	\$ 3,742,175	\$ 3,173,135
Generations Campaign	3,105,489	3,097,001
Land Revolving Loan Fund	1,021,777	1,021,777
Appreciation on donor-restricted endowments (see Note 4)	401,395	379,889
Watershed Protection Projects	343,731	754,050
Advocacy and Public Education to Reduce Pollution in New Bedford Harbor	103,493	101,384
Other restricted program support	<u>38,499</u>	<u>93,111</u>
Total	<u>\$ 8,756,559</u>	<u>\$ 8,620,347</u>

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions (Continued)

Endowments

Endowments 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 Organization's charitable mission (see Note 4).

Generations Campaign

In fiscal year 2016, on the eve of the Organization's 30th anniversary, the Organization launched the 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.

Land Revolving Loan 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.

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, 2019 and 2018.

In order to fund the purchase of conservation properties, the Organization may borrow from the Land Revolving Loan Fund with authorization from the Board of Directors. As of September 30, 2019 and 2018, the Organization has borrowed \$628,687 and \$545,887, respectively, from the Land Revolving Loan Fund.

Appreciation on Donor-Restricted Endowments

These funds are the accumulated unspent realized and unrealized appreciation of the net assets with donor restrictions (see below).

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.

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.

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions (Continued)

Other Restricted Program Support

The Organization 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 Organization's mission.

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, 2019 and 2018.

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 \$153,613 and \$113,447 at September 30, 2019 and 2018, respectively.

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.

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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 \$95,698 and \$84,560 for the years ended September 30, 2019 and 2018, respectively, and are 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.

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Return Allocations and Spending Policy (Continued)

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, 2019 and 2018. 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 support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2019 and 2018, the Organization received donated goods, property, and services from various individuals 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.

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

	<u>2019</u>	<u>2018</u>
Legal services	\$ 138,372	\$ 244,472
Fundraising events	<u>8,495</u>	<u>17,982</u>
	<u>\$ 146,867</u>	<u>\$ 262,454</u>

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

During fiscal year 2018, the Organization 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 Organization 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 Organization 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 was \$4,203,447 and is reflected as donated property in the accompanying combined financial statements for the year ended September 30, 2018.

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.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a square footage basis; and program supplies, printing and postage, insurance, travel, office equipment and supplies and telephone, which are allocated based on usage studies conducted annually.

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.

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.

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 23, 2020, which is the date the combined financial statements were available to be issued. See Note 17 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>2019</u>	<u>2018</u>
Equities:		
Mutual funds:		
Large blend	\$ 1,626,512	\$ 1,525,234
Short-term bonds	637,878	125,632
Other	313,311	339,693
Foreign large blend	121,956	124,541
Money market fund	<u>33,529</u>	<u>225,282</u>
	<u>\$ 2,733,186</u>	<u>\$ 2,340,382</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.

4. ENDOWMENTS

Endowments consist of the following funds at September 30:

	<u>2019</u>	<u>2018</u>
General	\$ 1,026,459	\$ 902,419
Bay Science Fund	1,575,716	1,165,716
Building Maintenance Fund	500,000	500,000
Land Stewardship Fund	<u>640,000</u>	<u>605,000</u>
Total Endowments Restricted in Perpetuity (see page 7)	3,742,175	3,173,135
Appreciation on donor-restricted endowments	<u>401,395</u>	<u>379,889</u>
Total Endowments with donor restrictions	<u>\$ 4,143,570</u>	<u>\$ 3,553,024</u>

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2019 and 2018

4. ENDOWMENTS (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.

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

The 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 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 fiscal years 2019 and 2018, a donor earmarked an additional \$35,000 and \$500,000, respectively, to the Land Stewardship Fund.

The Organization must pay back the General Fund annually and must also pay quarterly interest at 2.5% on the outstanding principal balance. The Organization paid \$50,000 back to the General Endowment during fiscal years 2019 and 2018.

A reconciliation of endowment activity is as follows:

	<u>Without Donor Restrictions Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total Endowment</u>
Endowment net assets, September 30, 2017	\$ 98,166	\$ 2,338,253	\$ 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>(84,560)</u>
Endowment net assets, September 30, 2018	108,004	3,553,024	3,661,028
Investment return	3,563	117,204	120,767
Contributions	-	455,000	455,000
Contribution from merger (see Note 16)	-	114,040	114,040
Investment income appropriated for operations	<u>-</u>	<u>(95,698)</u>	<u>(95,698)</u>
Endowment net assets, September 30, 2019	<u>\$ 111,567</u>	<u>\$ 4,143,570</u>	<u>\$ 4,255,137</u>

BUZZARDS BAY COALITION, INC. AND AFFILIATENotes to Combined Financial Statements
September 30, 2019 and 2018

5. PLEDGES RECEIVABLE

Pledges receivable are due as follows at September 30:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 3,537,690	\$ 1,574,238
Due in two to five years	<u>1,465,750</u>	<u>2,213,433</u>
	5,003,440	3,787,671
Less - discount	49,574	98,240
Less - allowance	<u>153,613</u>	<u>113,447</u>
Total pledges	4,800,253	3,575,984
Less - current portion	<u>3,537,690</u>	<u>1,574,238</u>
Total pledges, net	<u>\$ 1,262,563</u>	<u>\$ 2,001,746</u>

The pledges have been discounted using a 2.5% and 3% discount rate as of September 30, 2019 and 2018, respectively.

6. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROCESS

Property and equipment consist of the following at September 30:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 9,305,306	\$ 6,699,818
Furniture, fixtures and equipment	758,388	791,268
Land	836,500	836,500
Vehicles	142,625	137,525
Computer software	<u>168,653</u>	<u>155,241</u>
	11,211,472	8,620,352
Less - accumulated depreciation	<u>2,072,426</u>	<u>1,793,865</u>
	<u>\$ 9,139,046</u>	<u>\$ 6,826,487</u>

Construction in process at September 30, 2019, consisted of costs incurred for the construction of the Onset Bay Center facility at a total cost of \$1,990,909. Construction in process at September 30, 2018, consisted of costs incurred for the construction of a science and field operations facility in Marion as well as predevelopment costs related to the Onset Bay Facility totaling \$2,162,452.

The construction of the Marion facility was completed in February 2019 and placed into service at a total cost of \$2,405,723. The construction of the Onset facility is expected to be completed by June 2020 at an expected cost of \$3,650,000.

BUZZARDS BAY COALITION, INC. AND AFFILIATENotes to Combined Financial Statements
September 30, 2019 and 2018**7. CONSERVATION PROPERTIES, RESTRICTIONS AND IMPAIRMENT**

Conservation properties held by the Organization consist of the following as of September 30:

<u>Conservation Properties</u>	<u>Town</u>	<u>Acreage</u>	<u>Acquired/Deposit</u>	<u>2019</u>	<u>2018</u>
Riverside Auto	Wareham	1.6	September 17, 2019	\$ 182,047	\$ -
Burgess Point Lot B6	Acushnet	.7	May 24, 2019	111,633	-
Hawes	Acushnet	1.6	January 2, 2019	338,500	-
Winship	Wareham	1.38	October 26, 2018	-	-
Burgess Point Lot B1 & 2	Wareham	3.01	October 26, 2018	249,689	-
Tucker	Fairhaven	3.5	May 10, 2018	3,500	3,500
Machado East	Acushnet	30.71	August 10, 2018	337,289	337,289
	/Fairhaven				
Broad Marsh	Wareham	45.26	May 23, 2018	22,098	22,098
Burgess Point Lot B3 & 5	Wareham	5.07	August 17, 2018	305,528	305,528
Shattuck	Westport	4.17	June 22, 2018	12,000	12,000
GFRLC Lands	Fall River	87.5	July 24, 2018	821,800	821,800
Wheeler Forest	Falmouth	30	August 14, 2018	3,310,000	3,310,000
Habitat for Humanity	Rochester	1.50	August 21, 2017	-	4,535
Hamlin Crossing	Acushnet	9.00	August 21, 2018	3,000	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	1,000
Keating Woods	Acushnet	21.66	March 17, 2017	3,794	25,299
Staples	Wareham	.67	March 15, 2017	52,647	52,647
Jaros	Acushnet	9.00	December 20, 2016	155,395	155,395
Wood	Westport	8.86	November 9, 2016	167,150	167,150
Burgess Point Shores	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)	Mattapoissett	7.95	June 27, 2016	-	-
Tinkham Property (S)	Mattapoissett	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	Mattapoissett	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	4,194	27,960
Horseshoe Mill	Wareham	10.00	June 20, 2012	90,000	90,000
Town Line	Mattapoissett	63.00	February 29, 2012	22,899	22,899
Decas Bogs	Mattapoissett	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	Mattapoissett	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	770,650	205,000
Total		<u>777.24</u>		<u>\$ 8,347,726</u>	<u>\$ 6,950,013</u>

The Organization 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 Organization 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 Organization recognized \$45,267 and \$88,391 of impairment on conservation properties for the years ended September 30, 2019 and 2018, respectively.

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2019 and 2018

7. CONSERVATION PROPERTIES, RESTRICTIONS AND IMPAIRMENT (Continued)

The following is a listing of conservation restrictions held by the Organization as of September 30, 2019:

	<u>Property</u>	<u>Town</u>	<u>Acreage</u>	<u>Acquired</u>
1)	Soehring/Coffin Trust	Westport	29	June 27, 2019
2)	E&J Powel	Dartmouth	29	January 15, 2019
3)	Ocean View Farm North	Dartmouth	55	August 10, 2017
4)	Ocean View Farm South	Dartmouth	59	August 10, 2017
5)	Roy Hawkes	Rochester/ Mattapoisett	164	June 30, 2017
6)	Decas-Winship	Wareham	4.40	August 18, 2016
7)	Decas-Lydias Island	Wareham	1.25	August 18, 2016
8)	Tinkhamtown Woodlands	Mattapoisett	115.00	June 30, 2016
9)	Weweantic Ridge	Wareham	22.00	October 28, 2015
10)	Weeden Road	Fairhaven	32.00	December 11, 2014
11)	Shaw Farm	Fairhaven	122.00	December 11, 2014
12)	Nasketucket Fields	Fairhaven	29.00	June 27, 2014
13)	Quahog Hill	Fairhaven	13.50	June 26, 2014
14)	Shearer	Falmouth	7.00	June 24, 2014
15)	Wankinquoah Rod and Gun Club	Middleborough	287.00	November 20, 2013
16)	North Woods	Mattapoisett	35.00	September 26, 2013
17)	Quissett Harbor 1	Falmouth	4.93	September 26, 2013
18)	Quissett Harbor 2	Falmouth	3.60	September 26, 2013
19)	Sanford South	Middleboro	30.00	June 28, 2013
20)	Peter's Creek Reserve	Dartmouth	29.00	April 22, 2013
21)	Westgate	Wareham	48.54	February 26, 2013
22)	Lloyd Woods	Dartmouth	26.50	November 19, 2012
23)	Old Aucoot	Mattapoisett	307.00	March 2, 2012
24)	Dufficy-Lawrence	Rochester	7.50	December 22, 2011
25)	Old Haskell Farm	Rochester	14.50	December 22, 2011
26)	Rentumis	Rochester	54.20	December 9, 2011
27)	Tripps Mill Brook 2	Mattapoisett	42.67	March 11, 2011
28)	Fitzgerald/New Boston Rd	Fairhaven	67.18	July 16, 2010
29)	Viveiros Dairy (Lot 3)	Fairhaven	36.50	February 26, 2010
30)	Mahoney	Marion	238.00	December 28, 2009
31)	Gurney	Rochester	17.50	December 23, 2009
32)	MacPhail	Rochester	12.50	December 23, 2009
33)	Flume Pond	Falmouth	28.00	December 18, 2008
34)	Shipyard Farm	Fairhaven	53.00	February 22, 2008
35)	Red Barn Farm	Rochester	60.00	December 24, 2007
36)	Gaumont	Rochester	7.00	December 24, 2007
37)	Garfield	Dartmouth	18.00	December 3, 2007
38)	Douglass	Fairhaven	16.45	October 2, 2007
39)	Viveiros Dairy (Lot 2)	Fairhaven	11.00	June 6, 2006
40)	Nulands Neck	Fairhaven	101.00	December 28, 2005
41)	Sperry Farm	Rochester	13.50	December 28, 2005
42)	Field Farm	Mattapoisett	64.00	November 24, 2004
43)	Marsh Island North	Fairhaven	<u>14.25</u>	September 29, 2003
	Total acreage		<u>2,330.47</u>	

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2019 and 2018

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 \$17,600 and \$16,400 for the years ended September 30, 2019 and 2018, respectively, 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's conservation restriction holdings are not reflected in the accompanying combined financial statements as either assets or liabilities.

8. LINES OF CREDIT

Operating Line of Credit

The Organization 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 (4.78% and 4.93% at September 30, 2019 and 2018, respectively). There were borrowings of \$250,000 outstanding at September 30, 2019. There were no borrowings outstanding at September 30, 2018. This line of credit agreement automatically renews annually in January. The outstanding balance was repaid subsequent to year-end.

Conservation Properties Line of Credit

In July 2019, the Organization entered into a revolving line of credit agreement with a bank, which allows for maximum borrowings up to \$3,000,000. Borrowings under this agreement are due on demand and interest is payable monthly on outstanding borrowings at the *Wall Street Journal's* prime rate plus .25% per annum (5% at September 30, 2019), but under no circumstances to be less than 5% per annum. There were borrowings of \$1,896,432 at September 30, 2019. The line of credit is secured by specific properties and assets of the Organization. The Organization had certain non-financial covenants as specified in the agreement which it was in compliance with at September 30, 2019.

9. NOTES PAYABLE

Notes payable consist of the following at September 30:

Buzzards Bay Coalition, Inc.	<u>2019</u>	<u>2018</u>
4.75% note payable with a 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.	\$ 167,997	\$ 169,582

BUZZARDS BAY COALITION, INC. AND AFFILIATENotes to Combined Financial Statements
September 30, 2019 and 2018**9. NOTES PAYABLE (Continued)**

Buzzards Bay Coalition, Inc. (Continued)	<u>2019</u>	<u>2018</u>
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 Organization had certain non-financial covenants as specified in the agreement which it was in compliance with at September 30, 2019 and 2018.	150,000	150,000
3% unsecured note payable to an individual. Principal and interest payments were due and payable on December 31, 2019. Accrued interest was \$1,150 at September 30, 2019. Outstanding principal and interest were repaid subsequent to year-end.	115,000	-
3% unsecured note payable to an individual. Principal and interest payments were due and payable on September 30, 2019. Accrued interest was \$2,700 at September 30, 2019. In November 2018, the loan amount increased to \$90,000 and the interest rate increased from 2% to 3%. Outstanding principal and interest were repaid subsequent to year-end.	<u>90,000</u>	<u>65,000</u>
	522,997	384,582
Less - current portion	<u>210,721</u>	<u>70,521</u>
	<u>\$ 312,276</u>	<u>\$ 314,061</u>

Future principal payments are as follows at September 30, 2019:

2020	\$ 210,721
2021	\$ 5,999
2022	\$ 6,290
2023	\$ 6,595
2024	\$ 6,916
Thereafter	\$ 290,326

10. RETIREMENT PLAN

The Organization maintains a 401(k) profit sharing plan for employees who have reached 21 years of age and worked for the Organization for over one year or completed at least 1,000 hours of service. Under the plan, the Organization may make discretionary contributions to the plan. In addition, the Organization 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 Organization. The contributions for the years ended September 30, 2019 and 2018, were \$77,139 and \$62,261, respectively, which are included in employee benefits in the accompanying combined statements of functional expenses. The Organization's contributions are vested at a 25% rate per year, becoming fully vested after year four.

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2019 and 2018

11. CONCENTRATION OF CREDIT RISK

The Organization 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 Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Two donors accounted for approximately 59% and 46% of the net pledges receivable balance as of September 30, 2019 and 2018, respectively.

12. OPERATING LEASES

The Organization had a ten-year lease agreement for a facility in Falmouth, Massachusetts that was set to expire in November 2023. Under this agreement, the Organization was required to make monthly payments of approximately \$2,410. This agreement provided for annual increases based on the Consumer Price Index through the expiration of the lease. The Organization terminated its lease early, which was effective on February 28, 2019.

13. CONDITIONAL GRANT

During fiscal year 2017, the Organization received a grant commitment from a donor totaling \$500,000. The Organization's receipt of this grant is conditional upon the Organization satisfying a stipulation from the donor. The Organization had met the condition for \$200,000 of this grant as of September 30, 2019, which is included as grants and contributions with donor restrictions in the accompanying combined statements of activities and changes in net assets. The balance of \$300,000 has not been reflected in the accompanying combined financial statements and will be recognized when the conditions are met.

During fiscal year 2019, the Organization received a grant commitment from a donor totaling \$100,000. The Organization's receipt of this grant is conditional upon satisfying a stipulation from the donor. The Organization had met the condition for \$33,000 of this grant as of September 30, 2019, which is included as grants and contributions with donor restrictions in the accompanying combined statements of activities and changes in net assets. The balance of \$67,000 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, 2019 and 2018, the Organization 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 Organization is also a staff member of the organization that the Organization utilizes for laboratory services. Total expenses incurred for the years ended September 30, 2019 and 2018, were \$88,969 and \$89,362, respectively.

The Organization 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 \$10,321 and \$4,860 for the years ended September 30, 2019 and 2018, respectively.

BUZZARDS BAY COALITION, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2019 and 2018

15. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year from the combined statement of financial position date for general operating expenses are as follows as of September 30, 2019:

Cash	\$ 725,823
Accounts and contracts receivable	206,661
Current portion of pledges receivable	<u>3,537,690</u>
Total financial assets	4,470,174
Less - donor-imposed restrictions	<u>(3,740,230)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 729,944</u>

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

16. CONTRIBUTION INCOME - MERGER

Effective November 26, 2018, the Westport Fisherman's Alliance (WFA) (a Massachusetts corporation, not-for-profit) merged with the Coalition, with the Coalition being the surviving corporation after the merger. As a result of the merger, all property leases, licenses and other contractual rights of WFA were transferred to the Coalition, as well as all liabilities, obligations and duties of WFA. The merger was recorded on the Coalition's combined financial statements at fair value at the date of the merger. The Coalition recorded \$140,537 of contribution income pertaining to the difference between the fair market value of the assets acquired and liabilities assumed. The below table summarizes the components of contribution income as a result of the merger. The total is reflected as contribution income - merger in the accompanying combined statement of activities and changes in net assets.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Transfer of cash	\$ 3,770	\$ 22,727	\$ 26,497
Transfer of investments	<u>-</u>	<u>114,040</u>	<u>114,040</u>
Contribution income - merger	<u>\$ 3,770</u>	<u>\$ 136,767</u>	<u>\$ 140,537</u>

17. REAL ESTATE HELD FOR SALE

During fiscal year 2019, the Organization purchased a property with two separate land components with the intention of selling them. In November 2019, the Organization sold one parcel for \$732,052. The Organization intends to sell the other parcel of property in fiscal year 2020 as well. Both parcels of land are reflected as conservation property held for sale in the accompanying combined statement of financial position at September 30, 2019.

18. RECLASSIFICATIONS

Certain amounts in the fiscal year 2018 combined financial statements have been reclassified to conform with the fiscal year 2019 presentation.