

**BLUE WATER BALTIMORE, INC.**

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

**BLUE WATER BALTIMORE, INC.**

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## Independent Auditors' Report

Board of Directors  
Blue Water Baltimore, Inc.  
Baltimore, Maryland

### **Opinion**

We have audited the accompanying financial statements of Blue Water Baltimore, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Water Baltimore, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

## Independent Auditors' Report (continued)

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Blue Water Baltimore, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue Water Baltimore, Inc. 's ability to continue as a going concern for a reasonable period of time.

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

*Weyrich, Cronin & Serra, LLC*

Hunt Valley, Maryland  
December 1, 2021

**BLUE WATER BALTIMORE, INC.**Statements of Financial Position  
December 31, 2020 and 2019ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash	\$ 1,267,826	\$ 318,815
Contributions and grants receivable	224,610	141,759
Accounts receivable	247,771	172,512
Inventory	16,274	19,472
Prepaid expenses	34,194	39,362
Other current assets	98	1,849
	<u>1,790,773</u>	<u>693,769</u>
NET PROPERTY AND EQUIPMENT - AT COST	<u>52,631</u>	<u>72,256</u>
TOTAL ASSETS	<u>\$ 1,843,404</u>	<u>\$ 766,025</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 230,521	\$ 28,565
Accrued expenses	69,123	75,998
Current portion of deferred taxes	18,064	- 0 -
Line of credit	- 0 -	82,341
Current portion of loans payable	8,832	11,635
Current portion of capital lease payable	4,384	3,261
Other liabilities	2,500	2,500
	<u>333,424</u>	<u>204,300</u>
LONG-TERM DEBT:		
Deferred taxes	18,063	- 0 -
Loans payable	- 0 -	5,696
Capital lease payable	- 0 -	4,384
	<u>18,063</u>	<u>10,080</u>
NET ASSETS:		
Without donor restrictions	737,236	112,360
With donor restrictions	754,681	439,285
	<u>1,491,917</u>	<u>551,645</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,843,404</u>	<u>\$ 766,025</u>

See accompanying notes to financial statements

**BLUE WATER BALTIMORE, INC.**

Statements of Activities and Changes in Net Assets  
For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions and grants	\$ 1,426,237	\$ 395,226	\$ 1,821,463	\$ 1,117,589	\$ 221,322	\$ 1,338,911
In-kind contributions	100,865	- 0 -	100,865	123,537	- 0 -	123,537
Government grants	487,712	- 0 -	487,712	304,163	27,512	331,675
Special events	74,795	- 0 -	74,795	104,463	- 0 -	104,463
Rain barrel, plant, and nursery sales	269,695	- 0 -	269,695	387,877	- 0 -	387,877
Fees for service	407,525	- 0 -	407,525	418,039	- 0 -	418,039
Other income - PPP forgiveness	292,775	- 0 -	292,775	- 0 -	- 0 -	- 0 -
Other revenue	29,756	- 0 -	29,756	40,272	- 0 -	40,272
Interest income	29	- 0 -	29	2	- 0 -	2
Gain on disposal of property and equipment	- 0 -	- 0 -	- 0 -	500	- 0 -	500
Net assets released from restrictions	79,830	(79,830)	- 0 -	200,540	(200,540)	- 0 -
<b>Total Support and Revenue</b>	<b>3,169,219</b>	<b>315,396</b>	<b>3,484,615</b>	<b>2,696,982</b>	<b>48,294</b>	<b>2,745,276</b>
<b>EXPENSES:</b>						
Program services:						
Advocacy	103,142	- 0 -	103,142	68,949	- 0 -	68,949
Education and outreach	113,274	- 0 -	113,274	103,960	- 0 -	103,960
Environmental construction	171,182	- 0 -	171,182	391,032	- 0 -	391,032
Greening	403,671	- 0 -	403,671	459,611	- 0 -	459,611
Nursery and trees	250,689	- 0 -	250,689	366,319	- 0 -	366,319
Stormwater reduction	351,625	- 0 -	351,625	408,975	- 0 -	408,975
Waterkeeper	195,699	- 0 -	195,699	278,164	- 0 -	278,164
	1,589,282	- 0 -	1,589,282	2,077,010	- 0 -	2,077,010
Supporting services:						
General and administrative	782,376	- 0 -	782,376	565,900	- 0 -	565,900
Fundraising	172,685	- 0 -	172,685	206,532	- 0 -	206,532
	955,061	- 0 -	955,061	772,432	- 0 -	772,432
<b>Total Expenses</b>	<b>2,544,343</b>	<b>- 0 -</b>	<b>2,544,343</b>	<b>2,849,442</b>	<b>- 0 -</b>	<b>2,849,442</b>
<b>CHANGE IN NET ASSETS</b>	<b>624,876</b>	<b>315,396</b>	<b>940,272</b>	<b>(152,460)</b>	<b>48,294</b>	<b>(104,166)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>112,360</b>	<b>439,285</b>	<b>551,645</b>	<b>264,820</b>	<b>390,991</b>	<b>655,811</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 737,236</b>	<b>\$ 754,681</b>	<b>\$ 1,491,917</b>	<b>\$ 112,360</b>	<b>\$ 439,285</b>	<b>\$ 551,645</b>

See accompanying notes to financial statements

**BLUE WATER BALTIMORE, INC.**

Statement of Functional Expenses  
For the Year Ended December 31, 2020

	Program Services							Supporting Services				
	Advocacy	Education and Outreach	Environmental Construction	Greening	Nursery and Trees	Stormwater Reduction	Waterkeeper	Total	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries	\$ 30,558	\$ 86,268	\$ 108,048	\$ 95,217	\$ 100,434	\$ 43,035	\$ 119,296	\$ 582,856	\$ 452,603	\$ 110,204	\$ 562,807	\$ 1,145,663
Payroll taxes	2,139	6,039	7,563	6,665	7,030	3,012	8,351	40,799	34,681	7,714	42,395	83,194
Other benefits	3,789	10,697	13,398	11,807	12,454	5,336	14,793	72,274	55,960	13,665	69,625	141,899
	36,486	103,004	129,009	113,689	119,918	51,383	142,440	695,929	543,244	131,583	674,827	1,370,756
Advertising	- 0 -	172	- 0 -	185	30	- 0 -	220	607	2,385	4,210	6,595	7,202
Bad debts	- 0 -	75	- 0 -	- 0 -	- 0 -	3,570	- 0 -	3,645	67,891	- 0 -	67,891	71,536
Business expenses	650	100	19	1,240	895	4	500	3,408	941	1,499	2,440	5,848
Cost of goods sold - trees and plants	- 0 -	- 0 -	- 0 -	- 0 -	98,401	- 0 -	- 0 -	98,401	- 0 -	- 0 -	- 0 -	98,401
Education and training	- 0 -	- 0 -	- 0 -	610	369	30	- 0 -	1,009	2,628	612	3,240	4,249
In-kind services	62,100	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	62,100	28,800	9,965	38,765	100,865
Insurance	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	4,322	4,322	28,172	- 0 -	28,172	32,494
Interest	- 0 -	- 0 -	- 0 -	102	9,500	- 0 -	- 0 -	9,602	7,217	4,370	11,587	21,189
Miscellaneous	103	- 0 -	- 0 -	735	948	10	517	2,313	480	105	585	2,898
Occupancy	2,562	5,123	17,927	20,488	8,963	17,927	12,805	85,795	33,294	8,963	42,257	128,052
Postage and delivery	- 0 -	- 0 -	- 0 -	- 0 -	32	- 0 -	133	165	735	1,527	2,262	2,427
Printing and reproduction	- 0 -	- 0 -	- 0 -	369	207	- 0 -	- 0 -	576	479	1,970	2,449	3,025
Professional fees	- 0 -	1,770	315	190,315	100	261,473	21,202	475,175	30,975	4,215	35,190	510,365
Supplies	209	509	323	45,284	4,036	11,967	4,268	66,596	11,690	731	12,421	79,017
Travel and meetings	499	1,293	- 0 -	456	1,195	743	2,000	6,186	820	1,069	1,889	8,075
Utilities	- 0 -	140	582	1,044	1,768	740	40	4,314	12,236	- 0 -	12,236	16,550
Vehicle and equipment expense	- 0 -	22	19,276	24,890	2,461	47	4,587	51,283	3,461	- 0 -	3,461	54,744
	66,123	9,204	38,442	285,718	128,905	296,511	50,594	875,497	232,204	39,236	271,440	1,146,937
Depreciation	533	1,066	3,731	4,264	1,866	3,731	2,665	17,856	6,928	1,866	8,794	26,650
	<u>\$ 103,142</u>	<u>\$ 113,274</u>	<u>\$ 171,182</u>	<u>\$ 403,671</u>	<u>\$ 250,689</u>	<u>\$ 351,625</u>	<u>\$ 195,699</u>	<u>\$ 1,589,282</u>	<u>\$ 782,376</u>	<u>\$ 172,685</u>	<u>\$ 955,061</u>	<u>\$ 2,544,343</u>

See accompanying notes to financial statements

**BLUE WATER BALTIMORE, INC.**

Statement of Functional Expenses  
For the Year Ended December 31, 2019

	Program Services							Supporting Services				
	Advocacy	Education and Outreach	Environmental Construction	Greening	Nursery and Trees	Stormwater Reduction	Waterkeeper	Total	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries	\$ 39,994	\$ 72,578	\$ 226,283	\$ 185,355	\$ 124,938	\$ 77,579	\$ 157,638	\$ 884,365	\$ 208,233	\$ 109,955	\$ 318,188	\$ 1,202,553
Payroll taxes	3,142	5,702	17,776	14,569	9,820	6,098	12,390	69,497	16,367	8,642	25,009	94,506
Other benefits	4,669	1,809	24,747	13,042	16,385	14,093	18,863	93,608	73,408	(3,886)	69,522	163,130
	47,805	80,089	268,806	212,966	151,143	97,770	188,891	1,047,470	298,008	114,711	412,719	1,460,189
Advertising	69	265	- 0 -	- 0 -	431	20	29	814	947	1,882	2,829	3,643
Business expenses	184	563	920	1,468	1,065	1,382	100	5,682	1,182	2,327	3,509	9,191
Cost of goods sold - trees and plants	- 0 -	- 0 -	- 0 -	- 0 -	171,455	- 0 -	- 0 -	171,455	- 0 -	- 0 -	- 0 -	171,455
Education and training	- 0 -	- 0 -	1,000	- 0 -	1,335	185	15	2,535	3,174	128	3,302	5,837
In-kind services	6,875	- 0 -	- 0 -	340	- 0 -	65	40	7,320	97,164	19,040	116,204	123,524
Insurance	- 0 -	- 0 -	3,345	15,600	- 0 -	- 0 -	3,518	22,463	7,637	- 0 -	7,637	30,100
Interest	- 0 -	- 0 -	43	18	10,429	- 0 -	- 0 -	10,490	10,009	4,238	14,247	24,737
Miscellaneous	167	- 0 -	75	111	1,972	184	676	3,185	539	235	774	3,959
Occupancy	3,613	7,227	25,294	28,907	12,647	25,294	18,067	121,049	46,974	12,647	59,621	180,670
Postage and delivery	- 0 -	- 0 -	26	- 0 -	- 0 -	- 0 -	2	28	722	825	1,547	1,575
Printing and reproduction	60	200	10	510	- 0 -	- 0 -	1,490	2,270	1,125	3,159	4,284	6,554
Professional fees	5,178	12,260	22,912	37,120	1,077	269,007	35,246	382,800	47,009	38,817	85,826	468,626
Supplies	2,118	903	29,913	127,052	7,948	9,742	5,421	183,097	20,115	3,339	23,454	206,551
Travel and meetings	2,150	1,079	1,251	1,262	1,610	1,278	4,701	13,331	6,320	3,200	9,520	22,851
Utilities	163	240	974	853	1,428	80	280	4,018	12,434	- 0 -	12,434	16,452
Vehicle and equipment expense	- 0 -	- 0 -	32,495	28,870	1,795	- 0 -	16,854	80,014	5,172	- 0 -	5,172	85,186
	20,577	22,737	118,258	242,111	213,192	307,237	86,439	1,010,551	260,523	89,837	350,360	1,360,911
Depreciation	567	1,134	3,968	4,534	1,984	3,968	2,834	18,989	7,369	1,984	9,353	28,342
	<u>\$ 68,949</u>	<u>\$ 103,960</u>	<u>\$ 391,032</u>	<u>\$ 459,611</u>	<u>\$ 366,319</u>	<u>\$ 408,975</u>	<u>\$ 278,164</u>	<u>\$ 2,077,010</u>	<u>\$ 565,900</u>	<u>\$ 206,532</u>	<u>\$ 772,432</u>	<u>\$ 2,849,442</u>

See accompanying notes to financial statements



## BLUE WATER BALTIMORE, INC.

### Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 940,272	\$ (104,166)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	26,650	28,342
Gain on disposal of property and equipment	- 0 -	(500)
(Increase) decrease in current assets:		
Contributions and grants receivable	(82,851)	(55,931)
Accounts receivable	(75,259)	213,169
Inventory	3,198	20,181
Prepaid expenses	5,168	1,547
Other current assets	1,751	(1,257)
Increase (decrease) in current liabilities:		
Accounts payable	201,956	(182,451)
Accrued expenses	(6,875)	(40,468)
Deferred taxes	36,127	- 0 -
Other liabilities	- 0 -	2,500
	1,050,137	(119,034)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of property and equipment	- 0 -	500
Purchase of property and equipment	(7,025)	- 0 -
	(7,025)	500
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Advances from line of credit	83,334	211,182
Principal payments on line of credit	(165,675)	(128,841)
Principal payments of loans payable	(8,499)	(11,136)
Principal payments on capital lease obligation	(3,261)	(2,426)
	(94,101)	68,779
<b>NET INCREASE (DECREASE) IN CASH</b>	949,011	(49,755)
<b>CASH AT BEGINNING OF YEAR</b>	318,815	368,570
<b>CASH AT END OF YEAR</b>	\$ 1,267,826	\$ 318,815
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	\$ 21,189	\$ 24,737
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:</b>		
Non-cash in-kind income and expenses	\$ 9,965	\$ 19,498
Contributed services	\$ 90,900	\$ 104,039

See accompanying notes to financial statements

## **BLUE WATER BALTIMORE, INC.**

Notes to Financial Statements  
December 31, 2020 and 2019

### 1. Organization and Summary of Significant Accounting Policies

**Nature of Operations** - Blue Water Baltimore, Inc. (the Organization) is a grassroots, volunteer-based environmental non-profit organization. The Organization's mission is to restore the quality of Baltimore's rivers, streams and harbor to foster a healthy environment, a strong economy, and thriving communities. The Organization's main sources of revenue are government and private foundation grants, membership dues, donations from the general public, and program service revenues.

**Basis of Accounting** - The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect receivables, payables, and other assets and liabilities. Revenue is recognized when earned and expenses when incurred.

**Basis of Presentation** - The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent the portion of net assets that is not subject to donor-imposed restrictions. Such net assets are available for use at the discretion of management and/or the Board of Directors for general operating purposes. The Board of Directors may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net assets with donor restrictions represent the portion of net assets that is subject to donor-imposed restrictions. Such restrictions may specify a purpose for which, or time in which, resources can be used. Some net assets with donor restrictions include stipulations that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, and disclosures at the date of the financial statements and certain reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

## BLUE WATER BALTIMORE, INC.

Notes to Financial Statements  
December 31, 2020 and 2019

### 1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition - The Organization benefits from several different revenue streams. The disaggregation of revenue for the years ended December 31, 2020 and 2019 is included in the chart below:

Revenue Type	Timing of Revenue Recognition	2020	2019
Contributions and grants	Upon receipt	\$ 1,821,463	\$ 1,338,911
In-kind contributions	Upon receipt	100,865	123,537
Government grants	Upon receipt	487,712	331,675
Sales			
Rain barrel sales	Point in time	180	1,334
Plant and tree sales	Point in time	194,727	36,896
Nursery sales	Point in time	74,788	349,647
Fees for service	After service is performed	407,525	418,039
Special events	Date of event	74,795	104,463
Interest income	Period interest is earned	29	2
Other revenue	Period of lease	29,756	40,272
Other income - PPP forgiveness	After condition is satisfied	292,775	- 0 -
Gain on disposal of property and equipment	Date of disposal	- 0 -	500
		<u>\$ 3,484,615</u>	<u>\$ 2,745,276</u>

Contributions and grants - Contributions and grants received are recorded as revenue with or without donor restrictions depending on the existence and nature of any such restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (when a 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 statements of activities and changes in net assets as net assets released from restrictions. Contributions and support that are restricted by donors are recorded as revenue without donor restrictions if the restriction is satisfied in the same year as the contribution is received. Revenue under grants and contributions is recognized when unconditional promises to give are made by donors or when conditions are substantially met.

When grants or other fees are conditional, wherein the Organization has to perform services in order to earn the income, revenue is recognized when the services are performed. Accordingly, refundable advances are recorded on these types of grants when funds are received but revenue has not been earned.

Donated Services (In-kind contributions) - The Organization receives a significant amount of donated services from unpaid volunteers who assist in program services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services meeting these criteria are reflected in the accompanying financial statements as in-kind support and are offset by like amounts included in expense.

## **BLUE WATER BALTIMORE, INC.**

Notes to Financial Statements  
December 31, 2020 and 2019

### 1. Organization and Summary of Significant Accounting Policies (continued)

**Special Events** - The Organization operates a special event known as the Blue Water Bash. Revenue related to this special event is collected in the same period as the event takes place. Therefore, revenue is recognized in the period it is received. The performance obligation is satisfied on the date of the event.

**Sales** - The Organization records sales revenue at the point of sale (transfer of goods). Cost of sales include all direct material, labor, and those indirect costs related to job performance, such as payroll taxes, supplies, and other indirect costs. There are no shipping costs associated with sales. General and administrative costs are expensed as incurred. The Organization satisfies the performance obligation when ownership of goods is transferred to the customer at the time of sale.

**Fees for Service** - Fees for service revenue represents fees charged for consulting, construction management, and other services rendered to religious institutions, companies, and other organizations. These arrangements are considered contracts and are recognized as earned. The performance obligation is satisfied when the services on the purchase order have been provided.

**Other Revenue** - The Organization receives rental revenue from two tenants in 2019 and one tenant in 2020. Revenue from rental properties is recognized over the lease period.

**Contributions and Grants Receivable** – Contributions and grants receivable represent amounts due from unrelated third parties and are recorded at their net realizable value. The Organization provides an allowance for doubtful accounts, as needed, for amounts deemed uncollectible. The allowance is based on historical experience and management's analysis of accounts receivable. Revenue is recognized in accordance with the revenue recognition policy.

**Accounts Receivable** - Accounts receivable are uncollateralized obligations and generally require payment upon receipt of the invoice. Accounts receivable are stated at invoice amounts and are presented in the statements of financial position net of an allowance for doubtful accounts. Payments are applied to the specific invoices noted on the remittance advice, or, if unspecified, to the earliest unpaid invoices. Revenue from contracts with customers, and rental income that has been earned but not yet received make up the accounts receivable balance. Revenue is recognized in accordance with the revenue recognition policy. There are no unbilled receivables as of December 31, 2020 and 2019.

**Allowance for Doubtful Accounts** - The Organization provides an allowance for doubtful accounts, as needed, for amounts deemed uncollectible. The allowance is based on historical experience and management's analysis of accounts receivable. No allowance for uncollectible accounts is provided because management does not deem it necessary based on historical collection experience.

**Inventory** - Inventory consists of trees and plants purchased or produced for resale and are valued at the lower of cost or market with estimated cost determined on a first-in, first-out (FIFO) basis.

# BLUE WATER BALTIMORE, INC.

Notes to Financial Statements  
December 31, 2020 and 2019

## 1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment - Property and equipment are stated at cost, or if donated, at the fair value at date of gift. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The Organization capitalizes property additions over \$1,000 and with a useful life of a year or more. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized. The cost or fair market value of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. The following represents the estimated useful lives:

<u>Category</u>	<u>Years</u>
Buildings and building improvements	39
Furniture	5
Equipment	3
Vehicles	3-5

Valuation of Long-Lived Assets - Generally accepted accounting standards require that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Refundable Advances - The Organization receives grant monies that are due to be returned in the event that certain conditions are not met. The Organization recognizes grant revenue based on a pro-rata allocation of non-federal match to date, compared to non-federal match required over the grant period. Accordingly, a portion of the grant monies are deferred based on the match and recognized in the grant period in which the conditions are met. There were no funds received in advance as of December 31, 2020 or 2019.

Income Taxes - The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) as an organization, other than a private foundation, as described in Section 509(a). The Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2017.

## BLUE WATER BALTIMORE, INC.

Notes to Financial Statements  
December 31, 2020 and 2019

### 1. Organization and Summary of Significant Accounting Policies (continued)

Conservation Easements - The Organization is party to a conservation easement. This easement is not reflected in the financial statements of the Organization because it bears no monetary value to the Organization.

Functional allocation of expenses - Expenses are presented by both function and natural classification in the statements of functional expenses. Expenses that are directly identifiable with a particular function are charged to the program or supporting service benefited. Other expenses may benefit more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and occupancy, which are allocated based on program effort in relation to total expenses.

Advertising Costs - The Organization expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. Advertising expense was \$7,202 and \$3,643 for the years ended December 31, 2020 and 2019, respectively.

Reclassifications - Certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform to the current period presentation.

### 2. Contributions and Grants Receivable

Contributions and grants receivable of \$224,610 and \$141,759 as of December 31, 2020 and 2019, respectively, represent amounts due from private organizations or individuals and local government agencies under grant agreements and are deemed fully collectible by management. Collection of all contributions and grants receivable is expected within one year.

### 3. Net Property and Equipment - At Cost

Property and equipment at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 53,590	\$ 53,590
Furniture	56,513	56,513
Equipment	90,665	83,640
Vehicles	<u>134,059</u>	<u>134,059</u>
	334,827	327,802
Less: accumulated depreciation	<u>282,196</u>	<u>255,546</u>
Net property and equipment	<u>\$ 52,631</u>	<u>\$ 72,256</u>

**BLUE WATER BALTIMORE, INC.**Notes to Financial Statements  
December 31, 2020 and 2019

## 4. Long-Term Debt

Long-term debt at December 31 consisted of the following current liabilities:

	<u>2020</u>	<u>2019</u>
Auto loan payable in current monthly installments of \$603, including interest of 4.75% and matures in May 2021. The loan is collateralized by the related automobile.	\$ 4,697	\$ 9,761
Auto loan payable in current monthly installments of \$415, including interest of 4.75% and matures in July 2021. The loan is collateralized by the related automobile.	<u>4,135</u>	<u>7,570</u>
	8,832	17,331
Less: current portion	<u>8,832</u>	<u>11,635</u>
	<u>\$ -0-</u>	<u>\$ 5,696</u>

## 5. Line of Credit

The Organization has a line of credit from M&T Bank of \$400,000 to fund operational expenses. The line is collateralized by the Organization's bank accounts with M&T Bank. Interest at the rate of the bank's prime rate plus 3.5% (6.75% and 8.25% at December 31, 2020 and 2019, respectively), is payable monthly on outstanding advances. The line of credit may be canceled by either party at any time. The line of credit balance outstanding as of December 31, 2020 and 2019 was \$-0- and \$82,341, respectively.

## 6. Capital Lease Obligation

During 2016, the Organization entered into a capital lease for new copiers under a 60-month lease, meeting the criteria for capital lease treatment. The lease obligation consists of a monthly payment of \$588 including interest, fees, and maintenance, collateralized by the related office equipment.

The cost of equipment under the capital lease was \$13,219 as of December 31, 2020. The accumulated depreciation was \$10,796 and \$8,152 as of December 31, 2020 and 2019, respectively. The balances are included in the statements of financial position in net property and equipment – at cost. Annual depreciation expense totaled \$2,644 for both 2020 and 2019.

**BLUE WATER BALTIMORE, INC.**

Notes to Financial Statements  
December 31, 2020 and 2019

6. Capital Lease Obligation (continued)

Future minimum lease payments at December 31, 2020 are as follows:

Year ending December 31,2021	\$	5,127
Less amount representing interest and fees		<u>(743)</u>
Present value of net minimum lease payments		<u>4,384</u>
Less: current portion		<u>(4,384)</u>
	\$	<u><u>-0-</u></u>

7. Office Lease Obligation

In January 2017, the Organization entered into a lease agreement for office space with an annual base rent of \$100,000, or \$8,333 per month, with a 2% escalation clause. The Organization is also responsible for administrative expenses such as management, real estate taxes, insurance, and other lease related expenses. In addition, in February 2017, the Organization entered into a sublease agreement to lease out a portion of this office space with an annual base rent of \$50,000, or \$4,167 per month, with a 2% escalation clause. Occupancy of the space began in April 2017. The lease is for 10 years with a one-time option to terminate at the end of the 5th lease year. The sublease was for 3 years with an option for an additional 2-year term. In April 2020, the annual base rent was reduced to \$52,020, or \$4,335 per month, with a 2% escalation clause, with the intent to break the lease as soon as reasonably practical.

During the year ended December 31, 2018, it was determined that the tenant had stopped paying on the sublease and ultimately vacated the space during 2019. In an effort to collect on the outstanding rent, the Organization filed a complaint in Baltimore City. In April 2019, the matter proceeded to court and a judgement was entered in favor of the Organization in the amount of \$78,141. The balance owed to the Organization as of December 31, 2019 was \$71,141 and was included in accounts receivable in the statement of financial position. During 2020, the former tenant declared bankruptcy, and the remaining balance owed on this judgement of \$71,141 was determined to be uncollectible. This amount is reflected as bad debt expense in the statement of functional expenses for the year ended December 31, 2020. Total bad debt expense for the years ended December 31, 2020 and 2019 was \$71,536 and \$-0-, respectively.

In August 2019, the Organization entered into two new subleases for portions of the office space. Rent due under these leases was \$2,180 per month through October 31, 2020 and \$500 per month through July 31, 2020, respectively. Both subleases expired during 2020 and were not renewed.



**BLUE WATER BALTIMORE, INC.**

Notes to Financial Statements  
December 31, 2020 and 2019

7. Office Lease Obligation (continued)

Future minimum rent payments are as follows:

Year ending December 31, 2021	\$	52,800
2022		53,856
2023		54,933
2024		56,032
2025		57,153
Thereafter		<u>72,942</u>
Total	\$	<u>347,716</u>

For the years ended December 31, 2020 and 2019 total rent expense included in occupancy expense in the statements of functional expenses was \$92,243 and \$128,064, respectively, and total sublease rental income included in other revenue in the statements of activities and changes in net assets was \$26,534 and \$39,978.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2020 and 2019 are to be used for the following purposes:

	<u>2020</u>	<u>2019</u>
<u>Restrictions as to Purpose:</u>		
Administrative Executive Coaching	\$ -0-	\$ 10,500
Advocacy	157,826	53,673
Education and Outreach	146,734	139,431
Greening	154,421	108,705
Stormwater Reduction	166,222	2,097
Support Services	61,216	-0-
Waterkeeper	<u>68,262</u>	<u>124,879</u>
Total	<u>\$ 754,681</u>	<u>\$ 439,285</u>

The Organization satisfied the following purpose restrictions related to its net assets with donor restrictions during the years ended December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Advocacy	\$ 4,777	\$ 47,793
Education and Outreach	-0-	3,995
Greening	18,436	53,894
Stormwater Reduction	-0-	12,323
Waterkeeper	<u>56,617</u>	<u>82,535</u>
Total	<u>\$ 79,830</u>	<u>\$ 200,540</u>

## BLUE WATER BALTIMORE, INC.

Notes to Financial Statements  
December 31, 2020 and 2019

### 9. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	<u>2020</u>	<u>2019</u>
Financial assets at year end	\$ 1,740,305	\$ 634,935
Less those unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose or time restrictions	<u>754,681</u>	<u>439,285</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 985,624</u>	<u>\$ 195,650</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, to help management meet unanticipated liquidity needs, the Organization has a committed line of credit of \$400,000, of which \$-0- and \$82,341 has been drawn upon as of December 31, 2020 and 2019, respectively.

### 10. Pending Litigation

The Organization is a plaintiff or co-plaintiff in several legal matters regarding environmental issues. The proceedings do not involve actual or likely monetary claims against the Organization. Legal expenses incurred and paid by the Organization and included in professional fees in the statements of functional expenses amounted to \$1,860 and \$1,540 for the years ended December 31, 2020 and 2019, respectively. A substantial portion of litigation costs have been handled on a pro-bono basis by the legal team. During December 31, 2020 and 2019, the Organization recognized costs of \$62,100 and \$6,875, respectively, for pro-bono legal services quantifiable as attributable to the Organization. No accruals have been made for a gain contingency because the outcomes of the cases are uncertain.

Additionally, as discussed in Note 7, the Organization filed a complaint in Baltimore City against a former tenant in effort to collect on outstanding rents. Pro-bono legal services provided in connection with this matter of \$68,364 were recognized for the year ended December 31, 2019.

### 11. Retirement Plan

The Organization sponsors a Simple Individual Retirement Account (IRA) Plan for the benefit of its full-time employees. Eligible employees may make contributions to the Plan. The Organization matches the first 3% of employees' salaries. Employer contributions to the Plan for the years ended December 31, 2020 and 2019 were \$29,663 and \$26,322, respectively, and are reported as salaries and other benefits expenses in the statements of functional expenses. All contributions to the Plan are 100% vested at the time of contribution.

## **BLUE WATER BALTIMORE, INC.**

Notes to Financial Statements  
December 31, 2020 and 2019

### 12. Concentrations of Credit Risk

In the ordinary course of business, the Organization's cash balances may exceed the FDIC insurance limits. The Organization continually reviews credit concentrations as part of its asset and liability management.

### 13. Contingencies

In March 2020, significant mitigation efforts began taking effect in the United States in an attempt to curtail the spread of the coronavirus (COVID-19) pandemic. Such efforts have included travel restrictions, business closures, and event cancellations. Significant economic disruptions have occurred. Even though the financial effect on the Organization is not significant at the time the financial statements are issued management cannot reasonably estimate the related financial impact and duration of the situation in the future. The Organization believes it has sufficient cash reserves to sustain operations and to continue operating in the event of continued disruptions. The Organization monitors the situation on an ongoing basis and continues efforts to reduce its impact on the operations and financial resources.

### 14. Paycheck Protection Program

In April 2020, as a result of mitigating efforts to reduce the spread of coronavirus, which included the closure of all non-essential businesses, a reduction in cash flow to cover operating expenses was anticipated. As a result, the Organization applied for and received a \$292,775 loan under the Paycheck Protection Program (PPP). The loan was for a term of two years at a fixed rate of interest of 1% per annum. Payments on this loan were deferred for a period of ten months. This loan qualified for forgiveness after twenty four weeks, after all criteria for forgiveness were satisfied. The loan had been forgiven in full in November 2020 and the loan forgiveness income is recognized as other income in the statement of activities and changes in net assets for the year ended December 31, 2020.

### 15. Deferred Taxes

Due to the CARES Act, the Organization has elected to defer for up to two years the deposit and payment of its share of the social security tax on employee wages. Amounts normally due between March 27, 2020 and December 31, 2020, can be deferred with 50 percent required to be paid by December 31, 2021, and the remaining 50 percent by December 31, 2022. The deferral only applies to social security taxes and does not apply to Medicare taxes or tax withholdings from employees. Total deferred taxes liability due at December 31, 2020 was \$36,127.

### 16. Subsequent Events

In January 2021, the Organization applied for and received a second PPP loan in the amount of \$292,777, under the same terms as the original loan. The Organization had incurred \$292,777 of eligible expenses to satisfy forgiveness criteria; therefore, the Organization expects full forgiveness of the loan.

**BLUE WATER BALTIMORE, INC.**

Notes to Financial Statements  
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16. Subsequent Events (continued)

In October 2021, the Organization filed a Notice of Intent to File Citizen Suit for Violations of the Clean Water Act against the City of Baltimore. The proceedings do not involve actual or likely monetary claims for the Organization and no accrual has been made for a gain contingency because the outcome of the case is uncertain. Potential future legal expenses are unknown.

Management has evaluated subsequent events through December 1, 2021, the date which the financial statements were available to be issued.