

BLUE WATER BALTIMORE, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Wojcik, Cronin & Sorsa, LLC

Hunt Valley, Maryland
August 22, 2022

BLUE WATER BALTIMORE, INC.Statements of Financial Position
December 31, 2021 and 2020ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash	\$ 1,257,002	\$ 1,267,826
Contributions and grants receivable	255,960	224,610
Accounts receivable	280,102	247,771
Inventory	17,014	16,274
Prepaid expenses	19,695	34,194
Other current assets	855	98
Total Current Assets	<u>1,830,628</u>	<u>1,790,773</u>
NET PROPERTY AND EQUIPMENT - AT COST	<u>50,088</u>	<u>52,631</u>
OTHER ASSETS:		
Contributions and grants receivable	<u>75,000</u>	<u>- 0 -</u>
Total Other Assets	<u>75,000</u>	<u>- 0 -</u>
TOTAL ASSETS	<u>\$ 1,955,716</u>	<u>\$ 1,843,404</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 34,249	\$ 230,521
Accrued expenses	93,689	69,123
Current portion of deferred taxes	18,063	18,064
Current portion of loans payable	- 0 -	8,832
Current portion of capital lease payable	3,316	4,384
Other liabilities	<u>2,500</u>	<u>2,500</u>
Total Current Liabilities	<u>151,817</u>	<u>333,424</u>
LONG-TERM DEBT:		
Deferred taxes	- 0 -	18,063
Capital lease payable	<u>13,731</u>	<u>- 0 -</u>
Total Long-Term Debt	<u>13,731</u>	<u>18,063</u>
NET ASSETS:		
Without donor restrictions	1,308,931	737,236
With donor restrictions	<u>481,237</u>	<u>754,681</u>
Total Net Assets	<u>1,790,168</u>	<u>1,491,917</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,955,716</u>	<u>\$ 1,843,404</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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions and grants	\$ 1,247,842	\$ 89,248	\$ 1,337,090	\$ 1,426,237	\$ 395,226	\$ 1,821,463
In-kind contributions	172,998	- 0 -	172,998	100,865	- 0 -	100,865
Government grants	122,817	46,915	169,732	487,712	- 0 -	487,712
Special events	69,758	- 0 -	69,758	74,795	- 0 -	74,795
Rain barrel, plant, and nursery sales	463,006	- 0 -	463,006	269,695	- 0 -	269,695
Fees for service	375,916	- 0 -	375,916	407,525	- 0 -	407,525
Other income - PPP forgiveness	292,777	- 0 -	292,777	292,775	- 0 -	292,775
Other revenue	33,562	- 0 -	33,562	29,756	- 0 -	29,756
Interest income	556	- 0 -	556	29	- 0 -	29
Net assets released from restrictions	409,607	(409,607)	- 0 -	79,830	(79,830)	- 0 -
Total Support and Revenue	3,188,839	(273,444)	2,915,395	3,169,219	315,396	3,484,615
EXPENSES:						
Program services:						
Advocacy	167,506	- 0 -	167,506	103,142	- 0 -	103,142
Education and outreach	128,403	- 0 -	128,403	113,274	- 0 -	113,274
Environmental construction	0	- 0 -	0	171,182	- 0 -	171,182
Greening	561,286	- 0 -	561,286	403,671	- 0 -	403,671
Nursery and trees	389,807	- 0 -	389,807	250,689	- 0 -	250,689
Stormwater reduction	199,312	- 0 -	199,312	351,625	- 0 -	351,625
Waterkeeper	238,558	- 0 -	238,558	195,699	- 0 -	195,699
	1,684,872	- 0 -	1,684,872	1,589,282	- 0 -	1,589,282
Supporting services:						
General and administrative	715,574	- 0 -	715,574	782,376	- 0 -	782,376
Fundraising	216,698	- 0 -	216,698	172,685	- 0 -	172,685
	932,272	- 0 -	932,272	955,061	- 0 -	955,061
Total Expenses	2,617,144	- 0 -	2,617,144	2,544,343	- 0 -	2,544,343
CHANGE IN NET ASSETS	571,695	(273,444)	298,251	624,876	315,396	940,272
NET ASSETS AT BEGINNING OF YEAR	737,236	754,681	1,491,917	112,360	439,285	551,645
NET ASSETS AT END OF YEAR	\$ 1,308,931	\$ 481,237	\$ 1,790,168	\$ 737,236	\$ 754,681	\$ 1,491,917

See accompanying notes to financial statements

BLUE WATER BALTIMORE, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services							Supporting Services			
	Advocacy	Education and Outreach	Green	Nursery and Trees	Stormwater Reduction	Waterkeeper	Total	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries	\$ 33,561	\$ 106,081	\$ 267,883	\$ 144,250	\$ 124,925	\$ 166,085	\$ 842,785	\$ 187,823	\$ 150,085	\$ 337,908	\$ 1,180,693
Payroll taxes	1,534	4,848	12,243	6,593	5,710	7,591	38,519	42,861	18,011	60,872	99,391
Other benefits	512	14,288	24,714	14,999	15,783	18,726	89,022	46,148	10,679	56,827	145,849
	35,607	125,217	304,840	165,842	146,418	192,402	970,326	276,832	178,775	455,607	1,425,933
Advertising	- 0 -	- 0 -	164	15	40	- 0 -	219	2,831	1,712	4,543	4,762
Business expenses	600	- 0 -	1,920	695	- 0 -	500	3,715	627	15,173	15,800	19,515
Cost of goods sold - trees and plants	- 0 -	- 0 -	- 0 -	188,158	- 0 -	- 0 -	188,158	- 0 -	- 0 -	- 0 -	188,158
Education and training	- 0 -	- 0 -	- 0 -	451	- 0 -	- 0 -	451	5,616	- 0 -	5,616	6,067
In-kind services	130,510	- 0 -	8,172	- 0 -	- 0 -	- 0 -	138,682	28,800	5,516	34,316	172,998
Insurance	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	4,732	4,732	32,300	- 0 -	32,300	37,032
Interest	- 0 -	- 0 -	1,615	11,768	- 0 -	- 0 -	13,383	3,228	4,673	7,901	21,284
Miscellaneous	- 0 -	- 0 -	134	605	- 0 -	23	762	3,554	131	3,685	4,447
Occupancy	- 0 -	- 0 -	- 0 -	7,500	- 0 -	- 0 -	7,500	115,510	- 0 -	115,510	123,010
Postage and delivery	91	- 0 -	266	- 0 -	- 0 -	1,616	1,973	5	1,464	1,469	3,442
Printing and reproduction	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	35	35	516	2,133	2,649	2,684
Professional fees	- 0 -	- 0 -	86,186	300	21,885	12,385	120,756	174,000	2,270	176,270	297,026
Supplies	70	663	129,137	3,961	10,257	11,977	156,065	32,948	809	33,757	189,822
Travel and meetings	81	250	1,574	1,314	5	1,494	4,718	4,827	1,028	5,855	10,573
Utilities	120	1,420	2,453	2,550	3,016	1,039	10,598	18,978	1,520	20,498	31,096
Vehicle and equipment expense	- 0 -	- 0 -	21,412	5,155	11,719	10,222	48,508	9,456	- 0 -	9,456	57,964
	131,472	2,333	253,033	222,472	46,922	44,023	700,255	433,196	36,429	469,625	1,169,880
Depreciation	427	853	3,413	1,493	5,972	2,133	14,291	5,546	1,494	7,040	21,331
	<u>\$ 167,506</u>	<u>\$ 128,403</u>	<u>\$ 561,286</u>	<u>\$ 389,807</u>	<u>\$ 199,312</u>	<u>\$ 238,558</u>	<u>\$ 1,684,872</u>	<u>\$ 715,574</u>	<u>\$ 216,698</u>	<u>\$ 932,272</u>	<u>\$ 2,617,144</u>

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
	<u>36,486</u>	<u>103,004</u>	<u>129,009</u>	<u>113,689</u>	<u>119,918</u>	<u>51,383</u>	<u>142,440</u>	<u>695,929</u>	<u>543,244</u>	<u>131,583</u>	<u>674,827</u>	<u>1,370,756</u>
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
	<u>66,123</u>	<u>9,204</u>	<u>38,442</u>	<u>285,718</u>	<u>128,905</u>	<u>296,511</u>	<u>50,594</u>	<u>875,497</u>	<u>232,204</u>	<u>39,236</u>	<u>271,440</u>	<u>1,146,937</u>
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.

Statements of Cash Flows For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 298,251	\$ 940,272
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Forgiveness of debt obligation - PPP loan	(292,777)	(292,775)
Depreciation	21,331	26,650
(Increase) decrease in current assets:		
Contributions and grants receivable	(106,350)	(82,851)
Accounts receivable	(32,331)	(75,259)
Inventory	(740)	3,198
Prepaid expenses	14,499	5,168
Other current assets	(757)	1,751
Increase (decrease) in current liabilities:		
Accounts payable	(196,272)	201,956
Accrued expenses	24,566	(6,875)
Deferred taxes	(18,064)	36,127
Net cash provided by (used in) operating activities	(288,644)	757,362
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,199)	(7,025)
Net cash used in investing activities	(1,199)	(7,025)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances from line of credit	- 0 -	83,334
Refundable advance	292,777	292,775
Principal payments on line of credit	- 0 -	(165,675)
Principal payments of loans payable	(8,832)	(8,499)
Principal payments on capital lease obligation	(4,926)	(3,261)
Net cash provided by financing activities	279,019	198,674
NET INCREASE (DECREASE) IN CASH	(10,824)	949,011
CASH AT BEGINNING OF YEAR	1,267,826	318,815
CASH AT END OF YEAR	\$ 1,257,002	\$ 1,267,826
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 21,284	\$ 21,189
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of equipment through capital lease	\$ 17,589	\$ - 0 -
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Non-cash in-kind income and expenses	\$ - 0 -	\$ 9,965
Contributed services	\$ 172,998	\$ 90,900

See accompanying notes to financial statements

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

1. Organization and Summary of Significant Accounting Policies

Nature of Operations - Blue Water Baltimore, Inc. (the Organization) is 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.

Revenue Recognition - The Organization benefits from several different revenue streams. The disaggregation of revenue for the years ended December 31, 2021 and 2020 is included in the chart below:

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

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

<u>Revenue Type</u>	<u>Timing of Revenue Recognition</u>	<u>2021</u>	<u>2020</u>
Contributions and grants	Upon receipt	\$ 1,337,090	\$ 1,821,463
In-kind contributions	Upon receipt	172,998	100,865
Government grants	Upon receipt	169,732	487,712
Sales			
Rain barrel sales	Point in time	30	180
Plant and tree sales	Point in time	459,347	194,727
Nursery sales	Point in time	3,629	74,788
Fees for service	After service is performed	375,916	407,525
Special events	Date of event	69,758	74,795
Interest income	Period interest is earned	556	29
Other revenue	Period of lease	33,562	29,756
Other income - PPP forgiveness	After condition is satisfied	<u>292,777</u>	<u>292,775</u>
		<u>\$ 2,915,395</u>	<u>\$ 3,484,615</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.

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.

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

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

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 received rental revenue from one tenant in 2020. Revenue from rental property is recognized over the lease period.

The Organization follows Financial Accounting Standards Board Topic 958-605, *Revenue Recognition for Not-for-Profit Entities*, in accounting for its Paycheck Protection Program (PPP) loan. The loan is effectively accounted for as a conditional grant (see Note 14).

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, 2021 and 2020.

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, 2021 and 2020

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, 2021 or 2020.

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

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

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 2018.

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 \$- and \$0 for the years ended December 31, 2021 and 2020, 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 \$330,960 and \$224,610 as of December 31, 2021 and 2020, respectively, represent amounts due from private organizations or individuals and local government agencies under grant agreements and are deemed fully collectible by management. Contributions and grants receivable consist of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 255,960	\$ 224,610
Receivable in two to five years	<u>75,000</u>	<u>- 0 -</u>
Total grants and contributions receivable	<u>\$ 330,960</u>	<u>\$ 224,610</u>

No discount for present value was recorded for contributions and grants receivable for the years ending December 31, 2021 and 2020 as the amounts are deemed immaterial.

BLUE WATER BALTIMORE, INC.Notes to Financial Statements
December 31, 2021 and 2020

3. Net Property and Equipment - At Cost

Property and equipment at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 53,590	\$ 53,590
Furniture	56,513	56,513
Equipment	67,003	90,665
Vehicles	<u>132,059</u>	<u>134,059</u>
	309,165	334,827
Less: accumulated depreciation	<u>259,077</u>	<u>282,196</u>
Net property and equipment	<u>\$ 50,088</u>	<u>\$ 52,631</u>

4. Long-Term Debt

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

	<u>2021</u>	<u>2020</u>
Auto loan payable in current monthly installments of \$603, including interest of 4.75% (matured in May 2021). The loan is collateralized by the related automobile.	\$ -0-	\$ 4,697
Auto loan payable in current monthly installments of \$415, including interest of 4.75% (matured in July 2021). The loan is collateralized by the related automobile.	<u>-0-</u>	<u>4,135</u>
Less: current portion	<u>-0-</u>	<u>8,832</u>
	<u>\$ -0-</u>	<u>\$ -0-</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% at December 31, 2021 and 2020), 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, 2021 and 2020 was \$-0-.

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

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 \$13,219 and \$10,796 as of December 31, 2021 and 2020, respectively. The balances are included in the statements of financial position in net property and equipment – at cost. Annual depreciation expense totaled \$2,423 and \$2,644 for 2021 and 2020, respectively.

In November 2021, the Organization entered into a capital lease for a new copier under a 60-month lease, meeting the criteria for capital lease treatment. The lease obligation consists of a monthly payment of \$380 including interest, fees, and maintenance, collateralized by the related office equipment.

The cost of equipment under the capital lease was \$17,589 as of December 31, 2021. The accumulated depreciation was \$880 and \$-0- as of December 31, 2021 and 2020, respectively. The balances are included in the statements of financial position in net property and equipment – at cost. Annual depreciation expense totaled \$880 and \$-0- for 2021 and 2020, respectively.

Future minimum lease payments at December 31, 2021 are as follows:

Year ending December 31,	2022	\$	3,810
	2023		3,810
	2024		3,810
	2025		3,810
	2026		3,175
Less: amount representing interest and fees			<u>1,368</u>
Present value of net minimum lease payments			<u>17,047</u>
Less: current portion			<u>3,316</u>
		\$	<u><u>13,731</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.

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

7. Office Lease Obligation (continued)

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. 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, 2021 and 2020 was \$-0- and \$71,536, 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.

In April 2020, the annual base rent was revised 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.

In November 2021, the Organization agreed on the lease extension. The new terms call for a monthly base rent payment of \$5,000 and maintenance fee of \$1,667 starting February 1, 2022 for 24 months, with an option to terminate the lease with 6 months' notice after month 12 of the lease. Base rent and fees escalate 3% annually.

Future minimum rent payments are as follows:

Year ending December 31,	2022	\$	66,670
	2023		82,004
	2024		<u>14,146</u>
	Total	\$	<u><u>162,820</u></u>

For the years ended December 31, 2021 and 2020 total rent expense included in occupancy expense in the statements of functional expenses was \$81,718 and \$92,243, respectively, and total sublease rental income included in other revenue in the statements of activities and changes in net assets was \$25,183 and \$26,534, respectively.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2021 and 2020 are to be used for the following purposes:

BLUE WATER BALTIMORE, INC.Notes to Financial Statements
December 31, 2021 and 2020

8. Net Assets with Donor Restrictions (continued)

	<u>2021</u>	<u>2020</u>
Purpose restrictions, available for spending:		
Advocacy	\$ 56,555	\$ 157,826
Education and Outreach	83,944	146,734
Greening	11,723	154,421
Stormwater Reduction	167,738	166,222
Support Services	54,932	61,216
Waterkeeper	106,345	68,262
	<u>481,237</u>	<u>754,681</u>
Total	<u>\$ 481,237</u>	<u>\$ 754,681</u>

The Organization satisfied the following purpose restrictions related to its net assets with donor restrictions during the years ended December 31, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Advocacy	\$ 101,270	\$ 4,777
Education and Outreach	97,068	- 0 -
Greening	142,698	18,436
Stormwater Reduction	30,067	- 0 -
Support Services	6,284	- 0 -
Waterkeeper	32,220	56,617
	<u>409,607</u>	<u>79,830</u>
Total	<u>\$ 409,607</u>	<u>\$ 79,830</u>

9. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Financial assets at year end	\$ 1,868,919	\$ 1,740,305
Less those unavailable for general expenditures within one year, due to:		
Long term contributions and grants receivable	75,000	- 0 -
Restricted by donors with purpose or time restrictions	481,237	754,681
	<u>481,237</u>	<u>754,681</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,312,682</u>	<u>\$ 985,624</u>

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

9. Liquidity and Availability of Financial Assets (continued)

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- has been drawn upon as of December 31, 2021 and 2020.

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 \$3,640 and \$1,860 for the years ended December 31, 2021 and 2020, respectively. A substantial portion of litigation costs have been handled on a pro-bono basis by the legal team. During December 31, 2021 and 2020, the Organization recognized costs of \$51,405 and \$62,100, respectively, for pro-bono legal services quantifiable as attributable to the Organization. Amounts are included in in-kind contributions and in-kind services in the statements of activities and changes in net assets and functional expenses, respectively. No accruals have been made for a gain contingency because the outcomes of the cases are uncertain.

In December 2021, the Organization filed a 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. The parties previously agreed to temporarily pause the litigation with the hope of developing a settlement agreement. After four months of negotiations no agreement was reached, and the pause on litigation was lifted. The litigation costs included in in-kind contributions and in-kind services in the statement of activities and changes in net assets and functional expenses, respectively, have been handled on a pro-bono basis by the legal team and totaled \$79,105 for the year ended December 31, 2021. Potential future legal expenses are unknown.

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, 2021 and 2020 were \$24,057 and \$29,663, 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.

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.

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2021 and 2020

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.

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 recognized forgiveness income as other income in the statement of activities and changes in net assets for the year ended December 31, 2021. The loan had been forgiven in full in July 2022.

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, 2021 and 2020 was \$18,063 and \$36,127, respectively.

16. Subsequent Events

In February 2022, the Organization entered into a leasing arrangement for construction equipment for a total monthly payment of \$565 for 24 months. The equipment has a purchase option of \$37,905 at the end of the lease.

Management has evaluated subsequent events through August 22, 2022, the date which the financial statements were available to be issued.