

BLUE WATER BALTIMORE, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

BLUE WATER BALTIMORE, INC.

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statement of Functional Expenses for the Year Ended December 31, 2023	5
Statement of Functional Expenses for the Year Ended December 31, 2022	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 21



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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter

Adjustment to Prior Period Financial Statements

As described in Note 14, it was determined that accounts receivable and related revenues were understated by \$54,739 and other assets were understated by \$2,998. Additionally, in-kind revenues and expenses were understated by \$281,340. Accordingly, the financial statements as of and for the year ended December 31, 2022 have been restated. Our opinion is not modified with respect to that matter.

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.

Independent Auditors' Report (continued)

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.

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 auditors' 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 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.

Weylich, Cronin & Sorsa, LLC

Hunt Valley, Maryland
June 3, 2024

BLUE WATER BALTIMORE, INC.Statements of Financial Position
December 31, 2023 and 2022ASSETS

	2023	Restated 2022
CURRENT ASSETS:		
Cash	\$ 1,197,596	\$ 1,249,359
Contributions and grants receivable	561,134	438,804
Accounts receivable	35,333	120,820
Inventory	33,494	41,344
Prepaid expenses	21,007	22,707
Other current assets	1,700	895
Total Current Assets	<u>1,850,264</u>	<u>1,873,929</u>
NET PROPERTY AND EQUIPMENT - AT COST	<u>133,383</u>	<u>46,965</u>
OTHER ASSETS:		
Contributions and grants receivable	80,000	- 0 -
Right-of-use assets	30,144	72,030
Capitalized website costs, net	4,997	2,998
Total Other Assets	<u>115,141</u>	<u>75,028</u>
TOTAL ASSETS	<u>\$ 2,098,788</u>	<u>\$ 1,995,922</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 156,452	\$ 49,613
Accrued expenses	114,476	101,999
Loans payable, current portion	17,300	- 0 -
Finance lease liability	3,533	3,422
Operating leases liability	14,629	66,578
Total Current Liabilities	<u>306,390</u>	<u>221,612</u>
LONG-TERM DEBT:		
Loans payable	68,648	- 0 -
Finance lease liability	6,776	10,309
Operating leases liability	14,438	6,277
Total Long-Term Debt	<u>89,862</u>	<u>16,586</u>
NET ASSETS:		
Without donor restrictions	1,061,879	1,333,645
With donor restrictions	640,657	424,079
Total Net Assets	<u>1,702,536</u>	<u>1,757,724</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,098,788</u>	<u>\$ 1,995,922</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, 2023 and 2022

	2023			Restated 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions and grants	\$ 1,555,397	\$ 533,437	\$ 2,088,834	\$ 1,650,899	\$ 209,756	\$ 1,860,655
In-kind services	214,693	- 0 -	214,693	449,358	- 0 -	449,358
Government grants	290,887	13,276	304,163	333,112	5,750	338,862
Special events	51,589	- 0 -	51,589	82,315	- 0 -	82,315
Rain barrel, plant, and nursery sales	586,416	- 0 -	586,416	499,080	- 0 -	499,080
Fees for service	196,647	- 0 -	196,647	334,573	- 0 -	334,573
Other revenue	44,886	- 0 -	44,886	12,544	- 0 -	12,544
Interest income	31,462	- 0 -	31,462	1,729	- 0 -	1,729
Net assets released from restrictions	330,135	(330,135)	- 0 -	272,664	(272,664)	- 0 -
Total Support and Revenue	3,302,112	216,578	3,518,690	3,636,274	(57,158)	3,579,116
EXPENSES:						
Program services:						
Advocacy	237,910	- 0 -	237,910	525,153	- 0 -	525,153
Education and outreach	168,930	- 0 -	168,930	78,748	- 0 -	78,748
Community forestry	782,023	- 0 -	782,023	755,332	- 0 -	755,332
Nursery and trees	487,550	- 0 -	487,550	452,729	- 0 -	452,729
Green stormwater infrastructure	399,330	- 0 -	399,330	347,856	- 0 -	347,856
Waterkeeper	291,313	- 0 -	291,313	292,462	- 0 -	292,462
	2,367,056	- 0 -	2,367,056	2,452,280	- 0 -	2,452,280
Supporting services:						
General and administrative	1,015,518	- 0 -	1,015,518	890,146	- 0 -	890,146
Fundraising	214,220	- 0 -	214,220	269,134	- 0 -	269,134
	1,229,738	- 0 -	1,229,738	1,159,280	- 0 -	1,159,280
Total Expenses	3,596,794	- 0 -	3,596,794	3,611,560	- 0 -	3,611,560
CHANGE IN NET ASSETS BEFORE OTHER INCOME	(294,682)	216,578	(78,104)	24,714	(57,158)	(32,444)
OTHER INCOME						
Gains on disposal	22,916	- 0 -	22,916	- 0 -	- 0 -	- 0 -
CHANGE IN NET ASSETS	(271,766)	216,578	(55,188)	24,714	(57,158)	(32,444)
NET ASSETS AT BEGINNING OF YEAR	1,333,645	424,079	1,757,724	1,308,931	481,237	1,790,168
NET ASSETS AT END OF YEAR	\$ 1,061,879	\$ 640,657	\$ 1,702,536	\$ 1,333,645	\$ 424,079	\$ 1,757,724

See accompanying notes to financial statements

BLUE WATER BALTIMORE, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services						Supporting Services			Grand Total	
	Advocacy	Education and Outreach	Community Forestry	Nursery and Trees	Green Stormwater Infrastructure	Waterkeeper	Total	General and Administrative	Fundraising		Total
Salaries	\$ 23,502	\$ 136,236	\$ 287,663	\$ 169,743	\$ 151,137	\$ 173,110	\$ 941,391	\$ 564,214	\$ 128,597	\$ 692,811	\$ 1,634,202
Payroll taxes	1,832	10,621	22,426	13,233	11,782	13,495	73,389	44,456	10,025	54,481	127,870
Other benefits	2,453	14,219	30,024	17,716	15,775	18,068	98,255	59,519	13,422	72,941	171,196
	27,787	161,076	340,113	200,692	178,694	204,673	1,113,035	668,189	152,044	820,233	1,933,268
Advertising	- 0 -	- 0 -	555	50	- 0 -	- 0 -	605	4,766	3,335	8,101	8,706
Business expenses	- 0 -	160	- 0 -	1,098	- 0 -	1,100	2,358	3,832	50	3,882	6,240
Cost of goods sold											
- trees and plants	- 0 -	- 0 -	- 0 -	244,653	- 0 -	- 0 -	244,653	- 0 -	- 0 -	- 0 -	244,653
Education and training	- 0 -	135	1,990	555	- 0 -	- 0 -	2,680	12,961	225	13,186	15,866
In-kind services	203,886	- 0 -	3,748	- 0 -	- 0 -	- 0 -	207,634	449	6,610	7,059	214,693
Insurance	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	5,824	5,824	38,424	- 0 -	38,424	44,248
Miscellaneous	- 0 -	- 0 -	59	2,029	26	100	2,214	552	101	653	2,867
Occupancy	200	840	2,636	8,731	843	1,080	14,330	108,953	694	109,647	123,977
Postage and delivery	- 0 -	- 0 -	15	10	- 0 -	2,442	2,467	111	272	383	2,850
Printing and reproduction	- 0 -	- 0 -	2,072	- 0 -	- 0 -	- 0 -	2,072	1,447	1,674	3,121	5,193
Professional fees	5,102	1,000	259,547	159	186,062	37,638	489,508	91,258	12,030	103,288	592,796
Rebates	150	- 0 -	1,780	- 0 -	- 0 -	- 0 -	1,930	2,350	- 0 -	2,350	4,280
Supplies	60	1,834	111,553	5,864	12,764	22,685	154,760	26,910	2,661	29,571	184,331
Travel and meetings	69	2,573	2,114	1,324	59	2,871	9,010	7,041	27,905	34,946	43,956
Utilities	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	32,113	- 0 -	32,113	32,113
Vehicle and equipment expense	- 0 -	- 0 -	44,832	4,083	11,323	9,600	69,838	724	88	812	70,650
	237,254	167,618	771,014	469,248	389,771	288,013	2,322,918	1,000,080	207,689	1,207,769	3,530,687
Amortization	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	999	- 0 -	999	999
Depreciation	656	1,312	5,247	2,296	9,182	3,279	21,972	8,526	2,296	10,822	32,794
Interest	- 0 -	- 0 -	5,762	16,006	377	21	22,166	5,913	4,235	10,148	32,314
Total Expenses	\$ 237,910	\$ 168,930	\$ 782,023	\$ 487,550	\$ 399,330	\$ 291,313	\$ 2,367,056	\$ 1,015,518	\$ 214,220	\$ 1,229,738	\$ 3,596,794

See accompanying notes to financial statements

BLUE WATER BALTIMORE, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2022
Restated

	Program Services						Supporting Services			Grand Total	
	Advocacy	Education and Outreach	Community Forestry	Nursery and Trees	Green Stormwater Infrastructure	Waterkeeper	Total	General and Administrative	Fundraising		Total
Salaries	\$ 75,704	\$ 43,872	\$ 261,322	\$ 166,102	\$ 153,923	\$ 175,472	\$ 876,395	\$ 485,775	\$ 167,127	\$ 652,902	\$ 1,529,297
Payroll taxes	5,678	3,290	19,599	12,458	11,544	13,160	65,729	41,189	13,601	54,790	120,519
Other benefits	8,221	4,764	28,376	18,037	16,715	19,055	95,168	46,550	18,148	64,698	159,866
	89,603	51,926	309,297	196,597	182,182	207,687	1,037,292	573,514	198,876	772,390	1,809,682
Advertising	- 0 -	- 0 -	- 0 -	107	- 0 -	- 0 -	107	3,653	4,000	7,653	7,760
Business expenses	703	- 0 -	45	790	- 0 -	517	2,055	3,605	1,318	4,923	6,978
Cost of goods sold											
- trees and plants	- 0 -	- 0 -	- 0 -	219,189	- 0 -	- 0 -	219,189	- 0 -	- 0 -	- 0 -	219,189
Education and training	2,618	- 0 -	608	834	- 0 -	2,284	6,344	9,068	828	9,896	16,240
In-kind services	419,369	- 0 -	- 0 -	- 0 -	- 0 -	8,772	428,141	14,400	6,817	21,217	449,358
Insurance	- 0 -	- 0 -	3,330	- 0 -	- 0 -	4,325	7,655	27,583	- 0 -	27,583	35,238
Miscellaneous	- 0 -	- 0 -	965	370	209	9	1,553	9,026	441	9,467	11,020
Occupancy	480	560	1,903	8,895	1,120	1,440	14,398	116,828	1,200	118,028	132,426
Postage and delivery	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	2,543	2,543	289	1,469	1,758	4,301
Printing and reproduction	- 0 -	37	2,947	- 0 -	- 0 -	- 0 -	2,984	2,325	2,437	4,762	7,746
Professional fees	8,000	25,000	264,243	- 0 -	145,399	25,458	468,100	66,827	24,324	91,151	559,251
Rebates	3,075	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	3,075	- 0 -	- 0 -	- 0 -	3,075
Supplies	130	298	114,680	7,550	5,505	18,944	147,107	20,528	797	21,325	168,432
Travel and meetings	900	376	1,324	925	- 0 -	2,937	6,462	1,965	20,760	22,725	29,187
Utilities	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	31,118	- 0 -	31,118	31,118
Vehicle and equipment expense	- 0 -	- 0 -	53,757	2,593	9,587	16,169	82,106	3,352	- 0 -	3,352	85,458
	524,878	78,197	753,099	437,850	344,002	291,085	2,429,111	884,081	263,267	1,147,348	3,576,459
Depreciation	275	551	2,203	964	3,854	1,377	9,224	3,580	964	4,544	13,768
Interest	- 0 -	- 0 -	30	13,915	- 0 -	- 0 -	13,945	2,485	4,903	7,388	21,333
Total Expenses	\$ 525,153	\$ 78,748	\$ 755,332	\$ 452,729	\$ 347,856	\$ 292,462	\$ 2,452,280	\$ 890,146	\$ 269,134	\$ 1,159,280	\$ 3,611,560

See accompanying notes to financial statements

BLUE WATER BALTIMORE, INC.

Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	Restated 2022
	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (55,188)	\$ (32,444)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	33,793	13,768
Amortization of right-of-use assets	(1,902)	825
Gains on disposal	(22,916)	- 0 -
(Increase) decrease in current assets:		
Contributions and grants receivable	(202,330)	(107,844)
Accounts receivable	85,487	159,282
Inventory	7,850	(24,330)
Prepaid expenses	1,700	(3,012)
Other current assets	(805)	(40)
Increase (decrease) in current liabilities:		
Accounts payable	106,839	15,364
Accrued expenses	12,477	8,310
Deferred tax liability	- 0 -	(18,063)
Other liabilities	- 0 -	(2,500)
Net cash provided by (used in) operating activities	<u>(34,995)</u>	<u>9,316</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	6,000	- 0 -
Proceeds from theft of operating right-of-use asset	16,916	- 0 -
Purchase of property and equipment	(119,212)	(10,645)
Acquisition of other assets	(2,998)	(2,998)
Net cash used in investing activities	<u>(99,294)</u>	<u>(13,643)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable	96,868	- 0 -
Principal payments of loans payable	(10,920)	- 0 -
Principal payments on finance lease obligation	(3,422)	(3,316)
Net cash provided by (used in) financing activities	<u>82,526</u>	<u>(3,316)</u>
NET DECREASE IN CASH	(51,763)	(7,643)
CASH AT BEGINNING OF YEAR	<u>1,249,359</u>	<u>1,257,002</u>
CASH AT END OF YEAR	<u>\$ 1,197,596</u>	<u>\$ 1,249,359</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 32,314	\$ 21,333
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of right-of-use assets	\$ 27,834	\$ 129,044
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:		
Contributed services	\$ 214,693	\$ 449,358

See accompanying notes to financial statements

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2023 and 2022

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.

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.

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.

Financial Statement 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.

Contributions and Grants Receivable - Contributions and grants receivable represent amounts due from unrelated third parties and are recorded at their net realizable value. Receivables with due dates extending beyond one year are discounted to the present value of the estimated future cash flows. Revenue is recognized in accordance with the revenue recognition policy. The Organization provides an allowance, 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.

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2023 and 2022

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

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 credit losses. 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, 2023 and 2022.

Allowance for Credit Losses - The Organization provides an allowance for credit losses, 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.

Property and Equipment - Property and equipment are stated at cost, if purchased, or at fair market value at the date of the gift, if donated. 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.

Expenditures for maintenance and repairs are charged against operations as expended. Renewals and betterments that materially extend the life of the assets are capitalized. The Organization's policy is to capitalize all property expenditures and renewals and betterments greater than \$1,000 with a useful life of a year or more. 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>
Leasehold improvements	10
Furniture	5
Equipment	3
Vehicles	3 - 5

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2023 and 2022

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

Capitalized Website Costs - Costs associated with the development of the Organization's website are recorded at costs and will be capitalized as an asset. These costs are amortized on the straight-line basis over the expected life or estimated period of benefit. Management determines whether these assets have been impaired in accordance with financial accounting standards. As of December 31, 2023, management does not believe any capitalized website costs have been impaired.

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.

Compensated Absences - Employees are permitted to carry over unused vacation and sick hours each year. Employees receive payment for the full amount of any accrued vacation time at termination for any reason but no payment for accrued sick time. Accordingly, the Organization has established a liability, reflected as a component of accrued payroll on the statement of financial position. Compensated absences based on unused benefit time as of December 31, 2023 and 2022 totaled \$48,593 and \$42,205, respectively.

Leases - The Organization calculates its operating lease right-of-use asset and operating lease liability using its incremental borrowing rate and terms under the lease agreements. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized. The Organization amortizes the operating lease right-of-use asset over the lease term.

Revenue Recognition - The Organization benefits from several different revenue streams. The disaggregation of revenue for the years ended December 31, 2023 and 2022 is included in the chart below:

<u>Revenue Type</u>	<u>Timing of Revenue Recognition</u>	<u>2023</u>	<u>Restated 2022</u>
Contributions and grants	Period earned	\$ 2,088,834	\$ 1,860,655
In-kind services	Upon receipt	214,693	449,358
Government grants	Period earned	304,163	338,862
Special events	Date of the event	51,589	82,315
Sales			
Plant and tree sales	Point in time	586,416	499,080
Fees for service	After service is performed	196,647	334,573
Other revenue	Period earned	44,886	12,544
Gains on disposal	Point in time	22,916	- 0 -
Interest income	Period interest is earned	31,462	1,729
		<u>\$ 3,541,606</u>	<u>\$ 3,579,116</u>

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2023 and 2022

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

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.

Contributed 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.

Contributions of Nonfinancial Assets - Occasionally, the Organization receives donations of nonfinancial assets. The Organization's policy is to use the assets in carrying out the Organization's programs.

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.

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, 2023 and 2022

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

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 \$8,706 and \$7,760 for the years ended December 31, 2023 and 2022, respectively.

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 2020.

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 \$641,134 and \$438,804 as of December 31, 2023 and 2022, respectively, represent amounts due from private organizations or individuals and local government agencies under grant agreements and are deemed fully collectible by management.

During the year ended December 31, 2023 it was determined that receivables as of December 31, 2022 were understated by \$54,739. Accordingly, the amounts below have been restated by that amount.

Contributions and grants receivable consist of the following as of December 31, 2023 and 2022:

	2023	Restated 2022
Receivable in less than one year	\$ 561,134	\$ 438,804
Receivable in two to five years	80,000	- 0 -
Total grants and contributions receivable	<u>\$ 641,134</u>	<u>\$ 438,804</u>

No discount for present value was recorded for contributions and grants receivable for the years ending December 31, 2023 and 2022 as the amounts are deemed immaterial.

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2023 and 2022

3. Net Property and Equipment - At Cost

Property and equipment at December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 53,590	\$ 53,590
Furniture	56,513	56,513
Equipment	70,202	67,003
Vehicles	<u>232,095</u>	<u>141,282</u>
	412,400	318,388
Less: accumulated depreciation	<u>279,017</u>	<u>271,423</u>
Net property and equipment	<u>\$ 133,383</u>	<u>\$ 46,965</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$32,794 and \$13,768, respectively.

4. 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% (8.5% and 7.5% at December 31, 2023 and 2022, 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, 2023 and 2022 was \$-0-.

5. Loans Payable

In March 2023, the Organization entered into a loan payable in the amount of \$59,000 to finance the purchase of a Ford F-550 vehicle asset (the F-550). The loan is secured by the F-550. Monthly payments of principal and interest of \$1,185 are due over a period of sixty months. The interest rate is 7.5% and the balance outstanding as of December 31, 2023 is \$50,651.

In July 2023, the Organization entered into a loan payable in the amount of \$37,868 to finance the purchase of a Ford F-250 vehicle asset (the F-250). The loan is secured by the F-250. Monthly payments of principal and interest of \$779 are due over a period of sixty months. The interest rate is 8.5% and the balance outstanding as of December 31, 2023 is \$35,297.

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2023 and 2022

5. Loans Payable (continued)

Annual maturities of loans payable area as follows:

	Loan Collateralized By Ford F550	Loan Collateralized By Ford F250
Year ending December 31:		
2024	\$ 10,740	\$ 6,560
2025	11,585	7,150
2026	12,497	7,792
2027	13,480	8,492
2028	2,349	5,303
	50,651	35,297
Less: current portion	(6,560)	(10,740)
Total long-term debt, less current portion	<u>44,091</u>	<u>24,557</u>

6. Leasing Activities

In November 2021, the Organization leased a new copier under a non-cancelable finance lease with a term of 60 months. The monthly payments for the lease are \$318 and are collateralized by the equipment. The lease expires in October of 2026. The assets included in property and equipment and liabilities under this finance lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over its estimated productive life. Amortization of the asset under finance lease is included in depreciation expense in the statements of activities and changes in net assets.

In January 2017, the Organization entered into an operating 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 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 a 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.

In February 2022, the Organization entered into two operating leases for construction equipment for a total monthly payment of \$565 for 24 months. The leases expire in February 2024.

BLUE WATER BALTIMORE, INC.Notes to Financial Statements
December 31, 2023 and 2022

6. Leasing Activities (continued)

In August 2023, the Organization entered into an agreement to lease office space for a five-year period starting around December 2024. The exact date of the lease term start is unknown due to it being dependent upon the completion of the construction of the new office. Upon lease start, a security deposit of \$10,456 will be due and the monthly lease payment amount will be \$5,228.

In August of 2023, the Organization entered into an agreement to lease office space starting December 2023 and ending on the date that the lease outlined above begins. Therefore, the exact term of the lease is unknown. The monthly lease payment will be \$3,026 for the lease's duration. Payments on this lease began subsequent to year end.

The following summarizes the line items in the statements of financial position which include amounts for operating and finance leases as of December 31:

	<u>2023</u>	<u>2022</u>
Operating Leases		
Operating lease right-of-use assets	<u>\$ 30,144</u>	<u>\$ 72,030</u>
Current operating lease liabilities	\$ 14,629	\$ 66,578
Long-term operating lease liabilities	<u>14,438</u>	<u>6,277</u>
Total operating lease liabilities	<u>\$ 29,067</u>	<u>\$ 72,855</u>
Finance Lease		
Property and equipment	\$ 17,589	\$ 17,589
Accumulated depreciation	<u>(7,916)</u>	<u>(4,398)</u>
Property and equipment, net	<u>\$ 9,673</u>	<u>\$ 13,191</u>
Current finance lease liabilities	\$ 3,533	\$ 3,422
Long-term finance lease liabilities	<u>6,776</u>	<u>10,309</u>
Total finance lease liabilities	<u>\$ 10,309</u>	<u>\$ 13,731</u>

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2023 and 2022

6. Leasing Activities (continued)

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

	<u>2023</u>	<u>2022</u>
Weighted Average Remaining Lease Term		
Operating Leases	2.3 years	1.1 years
Finance Lease	2.8 years	3.8 years
Weighted Average Discount Rate		
Operating Leases	5.0%	5.0%
Finance Lease	3.2%	3.2%

The maturities of lease liabilities as of December 31, 2023 were as follows:

	<u>Operating</u>	<u>Finance</u>
December 31, 2024	\$ 15,557	\$ 3,810
2025	9,969	3,810
2026	<u>4,985</u>	<u>3,175</u>
Total lease payments	30,511	10,795
Less: interest	<u>(1,444)</u>	<u>(486)</u>
Present value of lease liabilities	<u>\$ 29,067</u>	<u>\$ 10,309</u>

The following summarizes the line items in the statements of activities and changes in net assets, which include the components of lease expense for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Operating leases costs:		
Operating lease expense included in program service expenses	\$ 11,070	\$ 5,647
Operating lease expense included in supporting service expenses	<u>59,748</u>	<u>55,825</u>
Total operating lease costs	<u>\$ 70,818</u>	<u>\$ 61,472</u>

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2023 and 2022

6. Leasing Activities (continued)

Finance lease costs:

Amortization of lease asset included in program service expenses	\$ 2,357	\$ 2,357
Amortization of lease asset included in supporting service expenses	1,161	1,161
Interest on finance lease liability included in general and administrative expenses	<u>388</u>	<u>495</u>
Total finance lease costs	<u>\$ 3,906</u>	<u>\$ 4,013</u>

The following summarizes cash flow information related to leases for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurements of operating leases liability:	\$ 72,720	\$ 60,647
Cash paid for amounts included in the measurements of finance lease liability:		
Operating cash flow from finance lease	388	495
Financing cash flow from finance lease	3,422	3,316
Lease assets obtained in exchange for lease obligations:		
Operating leases	27,834	129,044
Finance lease	- 0 -	- 0 -

7. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2023 and 2022 represent the following:

	<u>2023</u>	<u>2022</u>
Purpose restrictions, available for spending:		
Advocacy	\$ 10,000	\$ 46,144
Education and Outreach	9,064	43,710
Community Forestry	288,646	188,555
Green Stormwater Infrastructure	78,047	119,230
Support Services	20,479	15,850
Waterkeeper	<u>234,421</u>	<u>10,590</u>
Total	<u>\$ 640,657</u>	<u>\$ 424,079</u>

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2023 and 2022

7. Net Assets with Donor Restrictions (continued)

Net assets with donor restrictions were released by satisfying the specified purposes during the years ended December 31, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Advocacy	\$ 46,144	\$ 10,412
Education and Outreach	40,463	40,984
Community Forestry	188,555	35,326
Green Stormwater Infrastructure	44,383	51,105
Support Services	- 0 -	39,082
Waterkeeper	<u>10,590</u>	<u>95,755</u>
Total	<u>\$ 330,135</u>	<u>\$ 272,664</u>

8. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2023 and 2022, 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>2023</u>	<u>Restated 2022</u>
Financial assets at year end	\$ 1,875,763	\$ 1,809,878
Less those unavailable for general expenditures within one year, due to:		
Long term contributions and grants receivable	(80,000)	- 0 -
Restricted by donors with purpose or time restrictions	<u>(640,657)</u>	<u>(424,079)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,155,106</u>	<u>\$ 1,385,799</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- has been drawn upon as of December 31, 2023 and 2022.

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2023 and 2022

9. Pending Litigations

The Organization is a plaintiff or co-plaintiff in several other legal matters regarding environmental issues. The proceedings do not involve actual or likely monetary claims against the Organization. No legal expenses incurred and paid by the Organization are included in professional fees in the statements of functional expenses for the years ended December 31, 2023 and 2022, respectively. A substantial portion of litigation costs have been handled on a pro-bono basis by the legal team. No accruals have been made for a gain contingency because the outcomes of the cases are uncertain. Potential future legal expenses are unknown.

In December 2021, the Organization filed a Citizen Suit for Violations of the Clean Water Act against the City of Baltimore. 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 case was resolved via a Consent Decree in November 2023. The consent decree resulted in a total settlement payment of \$400,000 to the various parties involved including \$40,000 retained by the Organization.

During the years ended December 31, 2023 and 2022, the Organization recognized the total of \$203,886 and \$419,369, 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.

10. 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, 2023 and 2022 were \$30,677 and \$29,957, 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.

11. 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, 2023 and 2022

12. Contributed Services

During the year ended December 31, 2023 it was determined that contributed legal services for the year ended December 31, 2022 were understated by \$281,340. Accordingly, the amounts below have been restated by that amount.

Contributed services received by the Organization during the years December 31, 2023 and 2022, valued at the current fair market rates at standard industry pricing for similar services, consist of the following:

	2023	Restated 2022
Accounting services	\$ 449	\$ 14,400
Legal fees	203,886	419,369
Special events	6,610	6,817
Other	3,748	8,772
	<u>\$ 214,693</u>	<u>\$ 449,358</u>

13. Restatement of Previously Issued Financial Statements

During the year ended December 31, 2023, it was determined that a receivable related to a cost reimbursement grant was not recorded when related costs were incurred during the year ended December 31, 2022. Additionally, costs related to website development were expensed instead of capitalized during the year ended December 31, 2022. Accordingly, the prior period financial statements have been restated to include an additional \$54,739 in contributions and grants receivable, \$2,998 in capitalized website costs as of December 31, 2022 and reflect a corresponding increase in government grant revenue of \$54,739 and a \$2,998 decrease in professional fees for the year ended December 31, 2022. The cumulative effect increased net assets without donor restrictions by \$57,737 as of December 31, 2022.

The Organization also received \$281,340 of in-kind legal services for which in-kind service revenue and related in-kind expenses were not recorded. The prior period financial statements have also been restated to include the \$281,340 in additional in-kind service revenue and expenses for the year ended December 31, 2022. This had no impact on net assets with or without donor restrictions as of December 31, 2022.

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2023 and 2022

14. Theft of Leased Equipment

During the year ended December 31, 2023, equipment used by the Organization under an operating lease agreement was stolen from the Organization. The Organization's insurance covered the loss incurred by the lessor, and the lessor paid the Organization a portion of the insurance receipt in proportion to the remaining term of the lease agreement. The total payment received by the Organization was \$16,916 and has been reflected as a component of gains on disposal in the statements of activities and changes in net assets.

15. Subsequent Events

Management has evaluated subsequent events through June 3, 2024, the date which the financial statements were available to be issued.