

Galveston Bay Foundation, Inc.

Financial Statements
and Independent Auditors' Report
for the year ended December 31, 2024

Galveston Bay Foundation, Inc.

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Independent Auditors' Report

To the Board of Directors of
Galveston Bay Foundation, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Galveston Bay Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2024, and the changes in its net assets and its cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Foundation 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.

Emphasis of Matter

As discussed in Note 2, beginning net assets for the year ended December 31, 2023 were restated. Our opinion is not modified with respect to this 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.

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 the Foundation's ability to continue as a going concern for one year after the date that 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 and *Government 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.

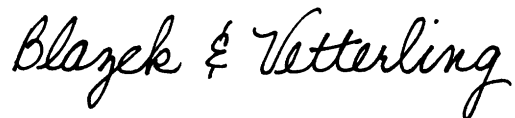
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 the Foundation'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 the Foundation'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.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2025 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



June 2, 2025

Galveston Bay Foundation, Inc.

Statement of Financial Position as of December 31, 2024

ASSETS

Current assets:

Cash and cash equivalents (<i>Note 4</i>)	\$ 7,380,659
Prepays and other receivables	102,596
Contributions and grants receivable (<i>Note 5</i>)	2,205,128
Contributed use of property (<i>Note 6</i>)	<u>83,712</u>

Total current assets 9,772,095

Cash and cash equivalents held for board-designated operating reserves (<i>Note 4</i>)	650,000
Cash and cash equivalents held for board-designated capital reserves (<i>Note 4</i>)	900,000
Contributed use of property – long-term portion (<i>Note 6</i>)	186,990
Cash and cash equivalents restricted for capital campaign (<i>Note 4</i>)	7,077,940
Contributions receivable for capital campaign, net (<i>Note 5</i>)	724,075
Property, net (<i>Note 6</i>)	28,928,512
Conservation easements (<i>Note 7</i>)	<u> </u>

TOTAL ASSETS \$ 48,239,612

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and other accrued liabilities	\$ 418,143
Construction payable	323,646
Refundable advances	47,619
Notes payable – current portion (<i>Note 8</i>)	<u>117,185</u>

Total current liabilities 906,593

Notes payable – long-term portion (*Note 8*) 4,436,018

Total liabilities 5,342,611

Commitments (*Note 6*)

Net assets:

Without donor restrictions	28,275,729
With donor restrictions (<i>Note 10</i>)	<u>14,621,272</u>

Total net assets 42,897,001

TOTAL LIABILITIES AND NET ASSETS \$ 48,239,612

See accompanying notes to financial statements.

Galveston Bay Foundation, Inc.

Statement of Activities for the year ended December 31, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Contributions and grants:			
Grant revenue (<i>Note 11</i>)		\$ 8,766,623	\$ 8,766,623
Other contributions	\$ 932,768	4,824,895	5,757,663
Donated conservation easements (<i>Notes 7 and 9</i>)	284,707		284,707
Nonfinancial contributions (<i>Note 9</i>)	1,825,081		1,825,081
Special events	1,216,658	93,590	1,310,248
Special event nonfinancial contributions (<i>Note 9</i>)	21,365		21,365
Costs of direct donor benefits	(543,471)		(543,471)
Program fees and other income	<u>803,828</u>	<u>38,606</u>	<u>842,434</u>
Total operating revenue	4,540,936	13,723,714	18,264,650
Net assets released from restrictions:			
Program expenditures	10,094,275	(10,094,275)	
Capital campaign expenditures	<u>72,591</u>	<u>(72,591)</u>	
Total	<u>14,707,802</u>	<u>3,556,848</u>	<u>18,264,650</u>
OPERATING EXPENSES:			
Program services:			
Conservation (<i>Note 7</i>)	9,630,291		9,630,291
Education	745,400		745,400
Research	306,463		306,463
Advocacy	<u>85,448</u>		<u>85,448</u>
Total program services	10,767,602		10,767,602
Supporting services:			
Management and general	701,887		701,887
Fundraising	<u>1,129,881</u>		<u>1,129,881</u>
Total operating expenses	<u>12,599,370</u>		<u>12,599,370</u>
CHANGES IN NET ASSETS FROM OPERATIONS	2,108,432	3,556,848	5,665,280
OTHER CHANGES IN NET ASSETS:			
Capital property additions	1,934,860	(1,934,860)	
Capital campaign contributions	<u></u>	<u>1,925,685</u>	<u>1,925,685</u>
CHANGES IN NET ASSETS	4,043,292	3,547,673	7,590,965
Net assets, beginning of year (<i>Note 2</i>)	<u>24,232,437</u>	<u>11,073,599</u>	<u>35,306,036</u>
Net assets, end of year	<u>\$ 28,275,729</u>	<u>\$ 14,621,272</u>	<u>\$ 42,897,001</u>

See accompanying notes to financial statements.

Galveston Bay Foundation, Inc.

Statement of Functional Expenses for the year ended December 31, 2024

EXPENSES	CONSERVATION	EDUCATION	RESEARCH	ADVOCACY	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salary and related expenses	\$ 777,895	\$ 514,310	\$ 211,255	\$ 67,359	\$ 1,570,819	\$ 464,590	\$ 798,077	\$ 2,833,486
Contracted materials and services	7,951,001	57,335	30,538	771	8,039,645	20,203	39,775	8,099,623
Conservation easement	321,666				321,666			321,666
Supplies and materials	138,189	38,716	10,893	1,005	188,803	20,996	55,148	264,947
Occupancy	190,419	13,355	3,477	1,646	208,897	6,762	7,788	223,447
Depreciation	94,345	22,745	7,743	3,933	128,766	25,618	22,079	176,463
Interest expense		39,545			39,545			39,545
Insurance	33,853	28,094	5,282	2,683	69,912	31,238	12,309	113,459
Travel, meals, and entertainment	41,784	12,026	18,902	1,520	74,232	2,104	9,709	86,045
Legal and accounting services	17,273				17,273	56,327	3,382	76,982
Special event supplies	15,106	10,177	801		26,084	11,135	33,604	70,823
Licenses, permits, and fees	4,180				4,180	5,487	54,922	64,589
Professional and technical Services	118	182	10	10	320	51,787	30	52,137
Membership dues and subscriptions	13,650	610		4,789	19,049	1,004	9,056	29,109
Conferences and workshops	17,528	4,209	883		22,620	3,187	1,278	27,085
External communications and advertising	1,277	1,788	449	1,621	5,135		20,597	25,732
Grants for land and conservation easements	10,000		14,664		24,664			24,664
Printing and copying	959	2,049	661	109	3,778		20,079	23,857
Postage and shipping	12	3	37	2	54	950	20,629	21,633
Other	1,036	256	868		2,160	499	21,419	24,078
Total Expenses	<u>\$ 9,630,291</u>	<u>\$ 745,400</u>	<u>\$ 306,463</u>	<u>\$ 85,448</u>	<u>\$10,767,602</u>	<u>\$ 701,887</u>	<u>\$ 1,129,881</u>	12,599,370
Costs of direct donor benefits								<u>543,471</u>
Total								<u>\$13,142,841</u>

See accompanying notes to financial statements.

Galveston Bay Foundation, Inc.

Statement of Cash Flows for the year ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ 7,590,965
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	176,463
Contributed use of property	83,712
Contributed land	(1,800,000)
Capital campaign contributions	(1,925,685)
Changes in operating assets and liabilities:	
Prepays and other receivables	(74,248)
Contributions and grants receivable (excluding capital campaign)	(514,827)
Accounts payable and other accrued liabilities	(332,281)
Refundable advances	(12,952)
Net cash provided by operating activities	<u>3,191,147</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property	<u>(3,411,793)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from capital campaign contributions	3,567,045
Proceeds on notes payable	4,000,000
Payments on notes payable	<u>(8,965)</u>
Net cash provided by financing activities	<u>7,558,080</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS	7,337,434
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Cash and cash equivalents, beginning of year	<u>8,671,165</u>
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Cash and cash equivalents, end of year	<u>\$ 16,008,599</u>
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Reconciliation of cash balances:

Cash and cash equivalents	\$ 7,380,659
Cash and cash equivalents held for board-designated operating reserves	650,000
Cash and cash equivalents held for board-designated capital reserves	900,000
Cash and cash equivalents restricted for capital campaign	<u>7,077,940</u>
Total cash	<u>\$ 16,008,599</u>

Supplemental disclosure of cash flow information:

Interest paid	\$119,834
Interest capitalized	\$95,123

See accompanying notes to financial statements.

Galveston Bay Foundation, Inc.

Notes to Financial Statements for the year ended December 31, 2024

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The Galveston Bay Foundation (the Foundation) is a local conservation organization working to preserve and enhance Galveston Bay. Programs in land conservation, habitat restoration, environmental education, advocacy, and research help ensure Galveston Bay remains a healthy and productive place for generations to come.

Conservation programs work to preserve, protect, and restore important coastal habitats that provide critical ecosystem services and have suffered loss or degradation. The Foundation works closely with numerous partners in land acquisition, land stewardship, habitat restoration, and habitat enhancement activities across the Bay. As an accredited land trust, the Foundation protects natural areas by acquiring real estate and partnering with landowners to establish conservation easements on private lands. In 2024, the Foundation acquired five new properties thereby adding 420 acres of conservation easements on 17,609 acres of land around Galveston Bay to ensure it is conserved in perpetuity. Program income is generated where appropriate from grazing and hunting leases and bailing of hay. Habitat restoration activities work to ensure healthy habitats for productive and sustainable populations of native species. Restoration sites all around Galveston Bay focus on protection of eroding shorelines; restoration of wetlands, oyster reef, coastal prairies, and bird rookery; and removal of marine debris. The Foundation maintains a native plant nursery to provide stock for habitat restoration work around Galveston Bay and offers native plants sales within the community. The Foundation also collected over 200 tons of oyster shells from local restaurants to return to the bay to build oyster shell breakwaters and provide habitat for oyster spat.

Education and outreach programs aim to connect our community to Galveston Bay and inspire lifelong stewardship through diverse programs, training, tools, and events that reach tens of thousands of people each year. The Foundation's youth education programs connected over 15,000 students in 2024 in the classroom and in the field with hands-on STEM curriculum and resources. The Foundation also offers rain barrel installation workshops and distributed 281 rain barrels to the public last year. Ongoing public outreach campaigns and initiatives target segments of the population to increase awareness of the importance of Galveston Bay and address specific issues of concern.

Advocacy programs aim to give a voice to Galveston Bay, by taking an inclusive and collaborative approach to protect the health and well-being of the bay. The Foundation attempts to balance the multiple uses of Galveston Bay so that the long-term interests of the Bay itself are not compromised. Through initiatives such as the Galveston Bay Report Card (released in partnership with the Houston Advanced Research Center) and the Galveston Bay Action Network (GBAN) pollution reporting app, the Foundation provides tools to enable the public to take positive actions for Galveston Bay. The Foundation's Government Affairs and Public Policy Manager cultivates relationships with elected officials and agency leadership at all levels to advance the Foundation's policy and programmatic goals, providing staff with the expertise to carry out legislative and advocacy strategies to advance the mission of the organization.

Research programs monitor trends affecting Galveston Bay's most valuable coastal resources. Current efforts monitor dolphin populations (in partnership with the Environmental Institute of Houston), marine debris, and water quality at sites around Galveston Bay. These efforts are collaborative, involving research partners throughout the region and beyond. Several utilize trained citizen scientists to augment professional monitoring data. Findings are widely communicated through data portals, public presentations, and scientific publications. Most monitoring efforts are ongoing in an effort to collect large datasets spanning many years, though some are initiated to allow the Foundation to respond to specific incidents impacting the bay. Beyond the research efforts the Foundation takes on, it also regularly advocates for the allocation of research dollars to the region to ensure the health of Galveston Bay and its users.

Volunteers are critical to the success of the Foundation. They leverage our in-house resources and contribute to the hands-on delivery of important program goals, activities, and events. Also, through volunteer engagement, the Foundation can foster a community of lifelong stewards of Galveston Bay and inspire actions that benefit the health

of the Bay. In 2024, more than 2,000 volunteers served over 11,000 hours of time to assist with marine debris cleanups, land stewardship, oyster reef building and citizen science research in dolphin monitoring and water quality monitoring.

Federal income tax status – The Foundation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1).

Operating measure – The operating activities of the Foundation exclude revenue and expenses related to donor-restricted capital contributions and expenditures for long-term purposes, such as property acquisitions, debt reduction, and construction.

Contributions and grants receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the contributions are received. An allowance for contributions and grants receivable is provided when it is believed accounts may not be collected in full. It is the Foundation's policy to write off receivables against the allowance when management determines the receivable will not be collected.

Property is reported at cost or, in the case of donated property, at estimated fair value at the time of the donation. Property, excluding land and artwork, is depreciated using the straight-line method over the estimated useful lives of the assets, generally from 3 to 20 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Contributions and grants are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the Foundation is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as refundable contributions.

A portion of the Foundation's contributions are derived from cost-reimbursement federal, state, and other government grant contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when the Foundation has incurred expenditures in compliance with specific contract grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances.

Nonfinancial contributions (in-kind) – Contributed materials, services and use of facilities are recognized as contributions at fair value when an unconditional commitment is received from the donor. The related expense is recognized as contributed materials, services and facilities are used. Contributions of services are recognized when services received (a) create or enhance nonfinancial 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.

A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recorded in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles. During the years ended December 31, 2024 and 2023, these volunteers provided donated hours of approximately 11,304 and 11,084, respectively.

Special events revenue includes contributions and ticket sales which represent the amounts paid by donors, sponsors, and attendees of a fundraising event. Ticket sales include elements of both contributions and exchange transactions and are recognized when an event occurs. Direct donor benefits represent the costs of goods and services provided in exchange for the amount paid by event attendees. Amounts received for future events are reported in the statement of financial position as refundable advances until earned.

Conservation easements represent rights to restrict the use, access, and development of certain properties. In conformity with the practice followed by many land trusts, conservation easements purchased or donated are not recorded as assets in the statement of financial position. The Foundation believes the conservation easements do not have a future value as the property interest held by the Foundation provides no affirmative rights beyond the obligation to monitor and enforce the terms of the easements. Costs incurred in obtaining easements are expensed as incurred. Contributed easements and purchased easements acquired are recognized at the estimated fair value of the easement on the date of donation as conservation contributions and expense in the statement of activities.

Program fees include educational workshops and camps and are recognized as revenue at a point in time when the related services are provided or performance obligations are met. Amounts received in advance are reported as deferred revenue. There are no contract assets or deferred liabilities for the last two years.

Advertising costs – Advertising costs are expensed as incurred.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation of buildings and improvements and occupancy costs are allocated based on square footage and employee estimated time and effort. Information technology costs are allocated based on estimates of time and cost specific technology utilized.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the reported amounts of revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – RESTATEMENT OF BEGINNING NET ASSETS

Beginning net assets have been restated to correctly reflect net assets with donor restrictions. Net assets with donor restrictions at December 31, 2023 were increased by approximately \$1,000,000 and total net assets increased by the same amount, to correctly recognize donor-restricted contribution commitments in the prior year.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31, 2024 comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 16,008,599
Contributions and grants receivable, net	<u>2,929,203</u>
Total financial assets	18,937,802
Less financial assets not available for general expenditure:	
Board-designated operating reserves	(650,000)
Board-designated capital reserves	(900,000)
Donor-restricted for stewardship and legal defense funds	(450,155)
Cash and contributions receivable for capital campaign	(7,802,015)
Other donor-restricted funds not expected to be expended in coming year	<u>(2,874,915)</u>
Total financial assets available for general expenditure	<u>\$ 6,260,717</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers expenditures (excluding capital asset expenditures) related to its ongoing activities to preserve and protect Galveston Bay, including land conservation, habitat restoration, environmental education, outreach, advocacy and research, as well as the conduct of services undertaken to support those activities, to be general expenditures. As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

The Foundation's Board of Directors has designated a portion of its resources without donor restrictions to be set aside as an operating reserve for unexpected financial needs. These funds remain available to be spent at the discretion of the Board of Directors. In addition, when the Foundation accepts a conservation easement, it also requests a donor contribution to the stewardship, administrative, and legal defense funds to support necessary costs to monitor, enforce and defend the Foundation's easement in perpetuity, as they arise.

The Foundation is conducting a capital expansion campaign, *Charting the Course for Galveston Bay*, to raise \$24.6 million for the construction of a new headquarters and nature center in Kemah, Texas. The Foundation has recognized approximately \$20 million in cash and contributions receivable through December 31, 2024. In addition, there is \$1 million in conditional promises to give not yet recognized because the conditions set by the donor have not been met.

NOTE 4 – CASH AND CASH EQUIVALENTS

At December 31, 2024 and 2023, the Foundation has bank deposits in cash management accounts with a securities brokerage firm and local nationally chartered banks. At times, deposits in a single banking institution exceed the \$250,000 Federal Deposit Insurance Corporation insurance limits. Cash equivalents are securities maturing in 3 months or less.

Cash and cash equivalents at December 31, 2024 are as follows:

Demand deposits	\$ 6,692,406
Certificates of deposit	4,875,947
U. S. Treasury bills	<u>4,440,246</u>
Total cash and cash equivalents	<u>\$ 16,008,599</u>

As required by an agreement with the Texas Commission on Environmental Quality (the Commission), the Foundation is required to maintain funds which are contributed by respondents in enforcement actions brought by the Commission in a separate interest-bearing account used exclusively for such funds. These funds total \$17,943 at December 31, 2024.

NOTE 5 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at December 31, 2024 are as follows:

Receivable from government contract grants	\$ 1,994,873
Contributions receivable from others	<u>953,794</u>
Total contributions and grants receivable	2,948,667
Less: Contributions and grants receivable for operating purposes	<u>(2,205,128)</u>
Total contributions receivable for capital campaign	743,539
Less: Allowance for uncollectible receivables	(16,160)
Discount to present value ranging from 0.27% to 2.20%	<u>(3,304)</u>
Contributions receivable for capital campaign, net	<u>\$ 724,075</u>

Contributions and grants receivable at December 31, 2024 are expected to be collected as follows:

Less than one year	\$ 2,928,667
One to five years	<u>20,000</u>
Total contributions and grants receivable	<u>\$ 2,948,667</u>

Conditional contributions:

The Foundation received a conditional grant totaling \$5,000,000 for the construction of the new Kemah headquarters and nature center. The grant is conditioned upon certain stages of land development and construction occurring. As of December 31, 2024, approximately \$4,000,000 has been received and recognized as the conditions have been met, and approximately \$1,000,000 remains conditioned upon the stages of the next phase of construction and has not been recorded in these financial statements.

The Foundation received conditional grants totaling \$1,135,300 for land acquisitions and easements and other conditional gifts totaling \$390,000 to support the Foundation that have not been recognized at December 31, 2024, because the conditions have not been met.

The Foundation has been awarded cost reimbursement government grant awards of approximately \$14,051,000 for conservation easement purchases, habitat restoration, and other projects that the Foundation hopes to complete in the next three years. These conditional grants have not been recognized at December 31, 2024 because qualifying expenditures have not yet been incurred.

NOTE 6 – PROPERTY

Property owned and used by the Foundation at December 31, 2024 consists of the following:

Nondepreciable assets:	
Land for headquarters and nature center	\$ 5,329,870
Land held for conservation purposes	18,140,524
Construction in progress	2,995,642
Contributed artwork	<u>9,400</u>
Depreciable assets:	
Building	2,626,136
Furniture and equipment	<u>616,031</u>
Total property	29,717,603
Less: Accumulated depreciation	<u>(789,091)</u>
Property, net	<u>\$ 28,928,512</u>

Land held for conservation

Land held for conservation purposes includes 26 tracts of land totaling 9,103 acres at December 31, 2024 and 22 tracts of land totaling 9,041 acres at December 31, 2023.

Land held for conservation purposes also includes 1,299 acres totaling \$4,802,380 at December 31, 2024 and 1,276 acres totaling \$3,622,380 at December 31, 2023 that were purchased with federal funds. Under the terms of these agreements, the federal agency maintains an interest in the property, and the Foundation must inform the passthrough agencies before selling the land and must repay the grant if the amount is not reinvested in similar conservation land.

Contributed use of property

The Foundation entered into two agreements for the use of property for the oyster restoration project at \$10 a year until June 30, 2028, and for the use of property at the Ecocenter for \$1 a year until December 31, 2027. The fair value of the contributed use of the property is reported in the statement of financial position as contributed use of property and is amortized over the life of the agreements. The amortization of the contributed use of this property is reported in program occupancy expense in the statement of functional expenses.

Construction commitment

The Foundation entered into a construction commitment with a general contractor for the new Kemah headquarters and nature center of approximately \$12,400,000. The unrecognized balance of these commitments at December 31, 2024 was approximately \$11,460,000.

NOTE 7 – CONSERVATION EASEMENTS

In 2024, the Foundation received a donated conservation easement on West Bay Mitigation Bank, a 321-acre tract in Galveston County, valued at \$284,707.

In addition to the land held for conservation purposes disclosed in Note 6, the Foundation also secures conservation easements on properties it does not own. The Foundation holds conservation easements on 20 tracts of land totaling 6,450 acres at December 31, 2024. The Foundation monitors these easements in the normal course of its operations and costs are expensed as incurred.

The Foundation is committed to monitoring the conservation easements on the properties in order to ensure that the terms of the conservation easements are not violated. If any violation of these easements is deemed to have occurred, the Foundation will take the appropriate steps to remedy the situation.

NOTE 8 – NOTES PAYABLE

Notes payable at December 31, 2024 consists of the following:

Note payable agreement with a private foundation for construction of Galveston Bay headquarters; annual interest (4% at December 31, 2024 and subject to adjustment in years 2029 and 2034). Interest due quarterly until July 1, 2025 at which time principal and interest payments are due monthly until maturity in June 2039; secured by a deed of trust on the property.	\$ 4,000,000
Note payable from a bank refinanced loan for purchase of a 17-acre tract of land and building for Trinity Bay nature center; fixed interest rate of 6.75%; principal and accrued interest due in lump sum at maturity on September 19, 2033; secured by a deed of trust on the property.	<u>553,203</u>
Total notes payable	<u>\$ 4,553,203</u>

Interest of \$95,123 was capitalized in 2024. Interest of \$39,545 and \$29,654 was expensed in 2024 and 2023, respectively.

Principal payments at December 31, 2024 are due to be paid as follows:

2025	\$ 117,185
2026	232,348
2027	242,124
2028	251,834
2029	262,934
Thereafter	<u>3,446,778</u>
Total	<u>\$ 4,553,203</u>

NOTE 9 – CONTRIBUTED NONFINANCIAL ASSETS

The following nonfinancial contributions and grants at December 31, 2024 were recognized:

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	2024
Donated land for conservation	Utilized for conservation efforts	None	Fair value based on current values for similar land.	\$1,800,000
Donated conservation easements	Utilized for conservation efforts	None	Fair value based on current values for land with similar easements.	\$284,707
Auction items	Monetized in auction associated with fundraising events	None	Fair value using price received in auction.	\$21,365
Food	Utilized for fundraising events	None	Fair value using current prices for similar items.	\$16,298
Program supplies	Utilized for program activities	None	Fair value using current prices for similar items.	\$8,783
Total contributed nonfinancial assets				<u>\$2,131,153</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2024 are restricted as follows:

Subject to expenditure for specified purpose:	
<i>Charting the Course for Galveston Bay</i> capital campaign	\$ 10,474,011
Conservation – other	2,540,153
Stewardship and legal defense	450,155
Education	230,810
Advocacy	71,820
Research	65,814
Other	<u>51,730</u>
Total subject to expenditure for specified purpose	13,884,493
Subject to passage of time:	
Contributed use of facilities	270,702
Use in future years	55,000
Not subject to appropriation or expenditure:	
Land restricted for conservation	405,828
Other	<u>5,249</u>
Total net assets with donor restrictions	<u>\$ 14,621,272</u>

The land restricted for conservation was 503 acres given by donors to be maintained with deed conservation easements.

NOTE 11 – GRANT REVENUE

The Foundation is party to grants from federal, state, and local governmental agencies. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming, and related expenses would not be incurred. Funding sources of significant grants recognized include the following at December 31, 2024:

Federal awards:	
U. S. Environmental Protection Agency	\$ 708,896
U. S. Department of Commerce	293,158
U. S. Department of the Interior	191,111
U. S. Department of Transportation	<u>11,916</u>
Total federal awards	<u>1,205,081</u>
State awards:	
Texas General Land Office	7,162,567
Texas Commission on Environmental Quality	<u>92,455</u>
Total state awards	<u>7,255,022</u>
Other grants	<u>306,520</u>
Total grant revenue	<u>\$ 8,766,623</u>

The Foundation's government grants require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of noncompliance by the Foundation with the terms of the contracts. Management believes such disallowances, if any, would not be material to the Foundation's financial position or changes in net assets.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 2, 2025, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
