

**Galveston Bay Foundation, Inc.**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2019 and 2018

# Galveston Bay Foundation, Inc.

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of Galveston Bay Foundation, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

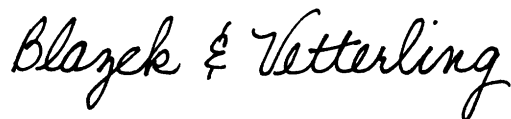
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Galveston Bay Foundation, Inc. as of December 31, 2019 and 2018 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.



June 26, 2020

## Galveston Bay Foundation, Inc.

Statements of Financial Position as of December 31, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash (Note 4)	\$ 1,931,303	\$ 115,131
Prepays and other receivables	45,402	37,551
Contributions and grants receivable (Note 5)	875,481	1,170,945
Contributed use of property (Note 6)	<u>55,831</u>	<u>33,534</u>
Total current assets	2,908,017	1,357,161
Cash held for board-designated reserves (Notes 4 and 10)	253,595	233,595
Cash restricted for capital campaign (Note 4)	1,374,658	338,281
Contributions receivable for capital campaign, net (Note 5)	1,888,456	2,966,060
Contributed use of property – long-term portion (Note 6)	128,429	83,835
Property, net (Note 6)	<u>10,056,056</u>	<u>8,222,393</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 16,609,211</u></b>	<b><u>\$ 13,201,325</u></b>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 320,004	\$ 159,289
Deferred revenue	14,820	117,228
Notes payable – current portion (Note 8)	<u>111,976</u>	<u>2,389,436</u>
Total current liabilities	446,800	2,665,953
Construction payable	284,958	
Funds held for others	130,260	130,260
Notes payable – long-term portion (Note 8)	<u>607,136</u>	<u>719,112</u>
Total liabilities	<u>1,469,154</u>	<u>3,515,325</u>
Net assets:		
Without donor restrictions (Note 9)	8,740,482	4,942,786
With donor restrictions (Note 10)	<u>6,399,575</u>	<u>4,743,214</u>
Total net assets	<u>15,140,057</u>	<u>9,686,000</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 16,609,211</u></b>	<b><u>\$ 13,201,325</u></b>

*See accompanying notes to financial statements.*

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## Galveston Bay Foundation, Inc.

Statement of Activities for the year ended December 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>OPERATING REVENUE:</b>			
Contributions:			
Grant revenue ( <i>Note 11</i> )		\$ 1,478,914	\$ 1,478,914
Other contributions	\$ 1,387,575	1,696,358	3,083,933
Donated conservation easement ( <i>Note 7</i> )	2,270,000		2,270,000
Special events	567,081		567,081
Costs of direct donor benefits	(171,547)		(171,547)
Program fees and other income	<u>188,052</u>		<u>188,052</u>
Total operating revenue	4,241,161	3,175,272	7,416,433
Net assets released from restrictions:			
Program expenditures	2,217,176	(2,217,176)	
Time-restricted	100,000	(100,000)	
Capital campaign expenditures	<u>286,537</u>	<u>(286,537)</u>	
Total	<u>6,844,874</u>	<u>571,559</u>	<u>7,416,433</u>
<b>OPERATING EXPENSES:</b>			
Program services:			
Conservation	2,646,148		2,646,148
Education	779,324		779,324
Research	492,821		492,821
Advocacy	<u>354,936</u>		<u>354,936</u>
Total program services	4,273,229		4,273,229
Supporting services:			
Management and general	467,787		467,787
Fundraising	<u>695,598</u>		<u>695,598</u>
Total operating expenses	<u>5,436,614</u>		<u>5,436,614</u>
CHANGES IN NET ASSETS FROM OPERATIONS	1,408,260	571,559	1,979,819
<b>OTHER CHANGES IN NET ASSETS:</b>			
Capital campaign contributions		3,474,238	3,474,238
Release from restrictions for debt repayment	<u>2,389,436</u>	<u>(2,389,436)</u>	
CHANGES IN NET ASSETS	3,797,696	1,656,361	5,454,057
Net assets, beginning of year	<u>4,942,786</u>	<u>4,743,214</u>	<u>9,686,000</u>
Net assets, end of year	<u>\$ 8,740,482</u>	<u>\$ 6,399,575</u>	<u>\$ 15,140,057</u>

*See accompanying notes to financial statements.*

## Galveston Bay Foundation, Inc.

Statement of Activities for the year ended December 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Contributions:			
Grant revenue ( <i>Note 11</i> )		\$ 3,320,824	\$ 3,320,824
Other contributions	\$ 1,367,382	1,017,651	2,385,033
Special events	473,635		473,635
Costs of direct donor benefits	(155,582)		(155,582)
Program fees and other income	<u>34,861</u>		<u>34,861</u>
Total operating revenue	1,720,296	4,338,475	6,058,771
Net assets released from restrictions:			
Program expenditures	4,392,205	(4,392,205)	
Time-restricted	25,727	(25,727)	
Capital campaign expenditures	<u>268,698</u>	<u>(268,698)</u>	
Total	<u>6,406,926</u>	<u>(348,155)</u>	<u>6,058,771</u>
OPERATING EXPENSES:			
Program services:			
Conservation	3,684,290		3,684,290
Education	780,932		780,932
Research	286,687		286,687
Advocacy	<u>398,902</u>		<u>398,902</u>
Total program services	5,150,811		5,150,811
Supporting services:			
Management and general	674,337		674,337
Fundraising	<u>691,018</u>		<u>691,018</u>
Total operating expenses	<u>6,516,166</u>		<u>6,516,166</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(109,240)	(348,155)	(457,395)
OTHER CHANGES IN NET ASSETS:			
Capital campaign contributions		1,756,877	1,756,877
Release from restrictions for debt payments	<u>1,693,004</u>	<u>(1,693,004)</u>	
CHANGES IN NET ASSETS	1,583,764	(284,282)	1,299,482
Net assets, beginning of year	<u>3,359,022</u>	<u>5,027,496</u>	<u>8,386,518</u>
Net assets, end of year	<u>\$ 4,942,786</u>	<u>\$ 4,743,214</u>	<u>\$ 9,686,000</u>

*See accompanying notes to financial statements.*

## Galveston Bay Foundation, Inc.

Statement of Functional Expenses for the year ended December 31, 2019

EXPENSES	CONSERVATION	EDUCATION	RESEARCH	ADVOCACY	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 414,293	\$ 382,030	\$ 110,546	\$ 213,416	\$ 1,120,285	\$ 310,429	\$ 362,164	\$ 1,792,878
Conservation easement donated	1,550,000				1,550,000			1,550,000
Contracted materials and services	440,076	67,035	326,907	28,479	862,497	697	13,913	877,107
Event fees and supplies	18,872	147,753	1,366	1,725	169,716	734	52,858	223,308
Occupancy	109,036	25,050	10,446	11,953	156,485	16,742	19,380	192,607
Professional and technical services	16	18,335		517	18,868	282	153,914	173,064
Supplies and materials	36,690	35,345	9,380	3,276	84,691	1,510	19,488	105,689
Advertising	519	6,265	486	67,901	75,171	246	7,281	82,698
Travel, meals and entertainment	23,950	20,385	6,595	14,359	65,289	650	7,553	73,492
Interest expense						73,193		73,193
Legal and accounting services	8,243	495	1,250	815	10,803	31,991	14,534	57,328
Insurance	10,468	15,192	1,544	1,725	28,929	18,865	2,338	50,132
Printing and publications	1,869	23,388	1,793	2,975	30,025		15,222	45,247
Depreciation	7,691	8,113	394	440	16,638	9,350	597	26,585
Partner support and grants	7,201		18,747		25,948			25,948
Membership dues and subscriptions	9,150	1,860		4,705	15,715	625	3,623	19,963
Conferences and workshops	4,975	1,876	2,045	2,425	11,321	725	1,509	13,555
Postage and shipping	97	794	577	21	1,489	458	3,806	5,753
Other	<u>3,002</u>	<u>25,408</u>	<u>745</u>	<u>204</u>	<u>29,359</u>	<u>1,290</u>	<u>17,418</u>	<u>48,067</u>
Total expenses	<u>\$ 2,646,148</u>	<u>\$ 779,324</u>	<u>\$ 492,821</u>	<u>\$ 354,936</u>	<u>\$ 4,273,229</u>	<u>\$ 467,787</u>	<u>\$ 695,598</u>	5,436,614
Costs of direct donor benefits								<u>171,547</u>
Total								<u>\$ 5,608,161</u>

*See accompanying notes to financial statements.*

## Galveston Bay Foundation, Inc.

Statement of Functional Expenses for the year ended December 31, 2018

EXPENSES	CONSERVATION	EDUCATION	RESEARCH	ADVOCACY	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 396,932	\$ 373,373	\$ 88,189	\$ 235,861	\$ 1,094,355	\$ 436,734	\$ 288,409	\$ 1,819,498
Contracted materials and services	2,976,946	62,834	160,947	70,973	3,271,700	15,349	7,094	3,294,143
Event fees and supplies	11,993	149,630	342	3,611	165,576	443	23,709	189,728
Occupancy	60,381	25,680	7,552	14,367	107,980	17,904	28,815	154,699
Professional and technical services		8,765	3,146		11,911	360	174,295	186,566
Supplies and materials	71,586	48,152	16,668	4,739	141,145	12,936	3,587	157,668
Advertising	1,242	27,127	50	35,206	63,625	153	84,747	148,525
Travel, meals and entertainment	16,301	16,532	3,611	14,999	51,443	253	6,180	57,876
Interest expense						111,793		111,793
Legal and accounting services	7,104				7,104	69,160		76,264
Insurance	15,142	10,464	520	936	27,062	5,211	1,181	33,454
Printing and publications	2,300	16,437	610	10,748	30,095		39,723	69,818
Depreciation	4,099	14,472	356	642	19,569	867	809	21,245
Partner support and grants	93,550		3,701		97,251			97,251
Membership dues and subscriptions	19,456	1,691		4,885	26,032	709	9,482	36,223
Conferences and workshops	2,505	857	347	1,925	5,634	1,785	629	8,048
Postage and shipping	3,198	304	150	10	3,662	444	13,865	17,971
Other	1,555	24,614	498		26,667	236	8,493	35,396
Total expenses	<u>\$ 3,684,290</u>	<u>\$ 780,932</u>	<u>\$ 286,687</u>	<u>\$ 398,902</u>	<u>\$ 5,150,811</u>	<u>\$ 674,337</u>	<u>\$ 691,018</u>	6,516,166
Costs of direct donor benefits								<u>155,582</u>
Total								<u>\$ 6,671,748</u>

*See accompanying notes to financial statements.*



## Galveston Bay Foundation, Inc.

Statements of Cash Flows for the years ended December 31, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 5,454,057	\$ 1,299,482
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Capital campaign contributions	(3,574,238)	(1,756,877)
Donated conservation easement	(720,000)	
Depreciation	26,585	21,245
Contributed use of property	(66,891)	(117,369)
Changes in operating assets and liabilities:		
Prepays and other receivables	(7,851)	(141,604)
Contributions and grants receivable (excluding capital campaign)	295,464	(111,974)
Accounts payable and other accrued liabilities	161,396	1,669
Accrued interest expense		(94,036)
Deferred revenue	(102,408)	(58,799)
Funds held for others		<u>260</u>
Net cash provided (used) by operating activities	<u>1,466,114</u>	<u>(958,003)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property	<u>(855,290)</u>	<u>(30,282)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from capital campaign contributions	4,551,842	1,832,096
Payments on notes payable	(2,290,117)	(2,423,111)
Proceeds from notes payable		<u>619,112</u>
Net cash provided by financing activities	<u>2,261,725</u>	<u>28,097</u>
NET CHANGE IN CASH	2,872,549	(960,188)
Cash, beginning of year	<u>687,007</u>	<u>1,647,195</u>
Cash, end of year	<u>\$ 3,559,556</u>	<u>\$ 687,007</u>
<i>Reconciliation of cash balances:</i>		
Cash	\$ 1,931,303	\$ 115,131
Cash held for board-designated reserves	253,595	233,595
Cash restricted for capital campaign	<u>1,374,658</u>	<u>338,281</u>
Total cash	<u>\$ 3,559,556</u>	<u>\$ 687,007</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$73,863	\$117,778

*See accompanying notes to financial statements.*

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## Galveston Bay Foundation, Inc.

Notes to Financial Statements for the years ended December 31, 2019 and 2018

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Galveston Bay Foundation, Inc. (the Foundation) is a local conservation organization working to preserve and protect 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 Galveston 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. Currently, the Foundation owns or holds conservation easements on over 8,000 acres of land around Galveston Bay to ensure it is conserved in perpetuity. In 2019, the Foundation closed on three new conservation properties – the 35-acre Angleton Prairie in Brazoria County and 3-acre Treasure Circle property in Galveston County, both through fee simple acquisition, and a 23-acre conservation easement at the San Jacinto Battleground in Harris County. Habitat restoration activities work to ensure healthy habitats for productive and sustainable populations of native species. Projects focus on shoreline protection; wetlands, oyster reef, and bird rookery restoration; and removal of marine debris. For its decades of contribution to the restoration of Galveston Bay wetlands, the Foundation received the 2019 Excellence in Ecological Restoration Award from the Texas Society for Ecological Restoration.

*Education* and outreach programs reach thousands of youth and adults each year. The goal of the program is to develop a knowledgeable constituency, ranging from school children to public officials, which recognizes the positive quality-of-life benefits that a healthy Galveston Bay system provides for the Houston-Galveston region. Youth-focused programs are offered both in the classroom and on Galveston Bay and aim to cultivate life-long stewards of Galveston Bay through environmental education experiences that nurture exploration and inquisition. Beyond youth education, public outreach initiatives consist of campaigns and events aimed at increasing the public’s awareness of the importance of Galveston Bay. Ongoing campaigns, such as the “Pump Don’t Dump” and “Seafood Consumption Advisory” campaigns, continue to educate targeted segments of the population on various issues of concern. The Foundation continued to host the annual signature education and outreach events, including the family friendly “Bay Day Festival,” a one-day celebration of Galveston Bay, and the popular “Bike Around the Bay” two-day bike ride that showcases the natural beauty of Galveston Bay while aiming to raise awareness and encourage area citizens to appreciate and visit Galveston Bay. Galveston Bay also offers rain barrel installation workshops and distributes rain barrels to the public.

*Research* programs focus on the monitoring of some of Galveston Bay’s most valuable coastal resources. Several programs utilize trained citizen scientists to augment professional monitoring data and aid in watershed planning. Most monitoring efforts are ongoing in an effort to collect large datasets spanning many years. Some, however, are initiated to allow response to incidents impacting Galveston Bay. Beyond the research efforts, the Foundation regularly advocates for the allocation of research dollars to the region to ensure the health of Galveston Bay and its users.

*Advocacy* programs position the Foundation as the guardian of Galveston Bay. The goal is to encourage and actively seek solutions to conflicts among the diverse users of Galveston Bay. The Foundation attempts to balance the multiple uses of Galveston Bay so that the long-term interests of Galveston Bay itself are not compromised. Through initiatives such as the Galveston Bay Report Card (released in partnership with the Houston Advanced Research Center), the Galveston Bay Action Network (GBAN) pollution reporting app, and the volunteer Wetland Permit Review Committee, the Foundation provides tools to enable the public to take positive actions for Galveston Bay.

The Foundation receives significant support from federal, state, and local grants and contracts in support of its education, conservation, research, and advocacy work. As most grant funding comes from federal sources, the majority requires non-federal, voluntary matching funds at a ratio of at least 1:1. The Foundation matches federal grant funding with state, local, and private funds, in-kind contributions, and volunteer participation, often at a much higher ratio than required.

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 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 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 restricted support. Conditional contributions, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

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 in the statement of financial position totaling \$14,820 at December 31, 2019.

In-kind contributions – Contributed materials, services and use of facilities or land 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, 2019 and 2018, these volunteers provided donated hours of approximately 11,700 and 8,900, respectively.

Program fees are recognized as revenue at a point in time when the related services are provided. Amounts received in advance are reported as deferred revenue.

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.

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 – ADOPTION OF ACCOUNTING STANDARDS UPDATES 2014-09 AND 2018-08**

The Foundation adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU and all subsequently clarifying ASU's replaced most existing revenue recognition guidance in generally accepted accounting principles. The ASU also required expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Foundation adopted the new standard effective January 1, 2019. Adoption of this ASU had no impact on total beginning net assets.

The Foundation adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. The Foundation adopted the new standard effective January 1, 2018. Adoption of this ASU had no impact on total beginning net assets but resulted in the reclassification of contributions receivable, grant receivable, and other receivables, to conform to current year presentation.

### 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 comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 3,559,556	\$ 687,007
Contributions and grants receivable	2,763,937	4,137,005
Other receivables	<u>1,100</u>	<u>17,393</u>
Total financial assets	6,324,593	4,841,405
Less financial assets not available for general expenditure:		
Funds held for others	(130,260)	(130,260)
Board-designated cash reserves	(253,595)	(233,595)
Donor-restricted for capital campaign	<u>(3,263,114)</u>	<u>(3,304,442)</u>
Total financial assets available for general expenditure	<u>\$ 2,677,624</u>	<u>\$ 1,173,108</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers expenditures (excluding capital campaign 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 has board-designated reserves of \$233,595 for conservation stewardship and legal easement defense needs and \$20,000 for general operating.

The Foundation is conducting a capital campaign, *Charting the Course for Galveston Bay*, to raise \$24.6 million for construction of a new headquarters in Kemah, Texas. The Foundation has recognized approximately \$10.5 million in cash and contributions receivable through December 31, 2019. In addition, there is \$3.1 million in conditional promises to give not yet recognized because the conditions have not been met.

### NOTE 4 – CASH

At December 31, 2019 and 2018, the Foundation had deposits of \$3,559,556 and \$623,724 in a cash management account with a securities brokerage firm. Those deposits were maintained in interest-bearing deposit accounts at various banks not to exceed \$250,000; however, at times, deposits in a single banking institution did exceed \$250,000 and were over the Federal Deposit Insurance Corporation insurance limits. All other cash balances are maintained in deposit accounts with a local nationally chartered bank.

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 \$26,116 and \$11,214 at December 31, 2019 and 2018.

## NOTE 5 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable are as follows:

	<u>2019</u>	<u>2018</u>
Contributions receivable from others	\$ 2,289,051	\$ 3,292,114
Receivable from government contract grants	<u>528,965</u>	<u>898,971</u>
Total contributions and grants receivable	2,818,016	4,191,085
Less: Contributions and grants receivable for operating purposes	<u>(875,481)</u>	<u>(1,170,945)</u>
Total contributions receivable for capital campaign	1,942,535	3,020,140
Less: Allowance for uncollectible	(19,000)	
Discount to present value ranging from 1.7% to 2.5%	<u>(35,079)</u>	<u>(54,080)</u>
Contributions receivable for capital campaign, net	<u>\$ 1,888,456</u>	<u>\$ 2,966,060</u>

Contributions and grants receivable at December 31, 2019 are expected to be collected as follows:

Less than one year	\$ 1,668,547
One to five years	<u>1,149,469</u>
Total contributions and grants receivable	<u>\$ 2,818,016</u>

At December 31, 2019, approximately 50% of outstanding contributions receivable is from one donor.

In 2016, the Foundation received a conditional grant from a local corporation in the amount of \$400,000 towards the purchase of land for the new headquarters and nature center in Kemah, Texas. The corporation provided these funds to the Foundation in the form of a note payable, which will be forgiven in \$100,000 annual installments each year beginning July 1, 2017, if the Foundation raises \$100,000 in capital campaign contributions each year (see Note 8). There is \$100,000 remaining as a conditional grant at December 31, 2019.

The Foundation received a conditional grant totaling \$5,000,000 for the construction of the new Kemah headquarters. The grant is conditioned upon certain stages of land development and construction occurring. As of December 31, 2019, \$2,000,000 has been received and recognized as the conditions have been met, and \$3,000,000 remains conditioned upon the next phase of construction. The Foundation has been awarded cost-reimbursement government grant awards of approximately \$22,437,000 that have not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred.

## NOTE 6 – PROPERTY

Property owned and used by the Foundation consists of the following:

	<u>2019</u>	<u>2018</u>
Nondepreciable assets:		
Land for headquarters and nature center	\$ 5,490,466	\$ 5,490,466
Land held for conservation purposes	3,083,915	2,157,091
Construction in progress	1,217,394	332,800
Contributed artwork	9,400	9,400
Depreciable assets:		
Building	200,126	200,126
Furniture and equipment	<u>191,782</u>	<u>142,951</u>
Total property	10,193,083	8,332,834
Less: Accumulated depreciation	<u>(137,027)</u>	<u>(110,441)</u>
Property, net	<u>\$ 10,056,056</u>	<u>\$ 8,222,393</u>

### *Land held for conservation*

Land held for conservation purposes includes 16 tracts of land totaling 3,513 acres at December 31, 2019 and 14 tracts of land totaling 3,475 acres at December 31, 2018.

Land held for conservation purposes includes 1,124 acres totaling \$1,072,945 at December 31, 2019 and 1,088 acres totaling \$866,946 at December 31, 2018 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 pass-through agencies before selling the land and must repay the grant if the amount is not reinvested in similar conservation land.

Land held for conservation purposes also includes 31 acres in Galveston County that is restricted in the amount of \$39,128. These acres were donated in 1991 with a donor and deed restriction for conservation. In addition, 449 acres in Galveston County are permanently restricted in the amount of \$66,100. This land was donated in 1998 with a donor and deed restriction for conservation and is permanently restricted as it is required to be held in perpetuity.

### *Contributed use of property*

The Foundation entered into two lease agreements for the use of property for the oyster restoration project at \$10 a year and for the use of property at the Ecocenter for \$1 a year until June 30, 2023. The fair market 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 leases. The amortization of the contributed use of this property is reported in occupancy expense in the statement of functional expenses.

### *Construction commitments*

At December 31, 2019, the Foundation has outstanding construction commitments of approximately \$1.48 million for the construction of the new headquarters.

## **NOTE 7 – CONSERVATION EASEMENTS**

During 2019, a 23-acre conservation easement at the San Jacinto Battleground in Harris County was donated to the Foundation. \$1,550,000 is included in contribution revenue and conservation expense for the estimated fair value of the development rights on this property.

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 13 tracts of land totaling 4,590 acres at December 31, 2019. 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 10 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
<i>Charting the Course for Galveston Bay</i> – capital campaign	\$ 4,435,507	\$ 3,637,242
Conservation – other	806,882	413,741
Conservation – land acquisition	400,000	
Education	287,250	109,359
Advocacy	71,426	49,066
Research	<u>3,773</u>	<u>105,960</u>
Total subject to expenditure for specified purpose	6,004,838	4,315,368
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until due	100,000	200,000
Contributed use of facilities	184,260	117,369
Not subject to appropriation or expenditure:		
Land restricted for conservation	105,228	105,228
Truck restricted for conservation	<u>5,249</u>	<u>5,249</u>
Total net assets with donor restrictions	<u>\$ 6,399,575</u>	<u>\$ 4,743,214</u>

**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:

	<u>2019</u>	<u>2018</u>
Federal awards:		
United States Fish and Wildlife Service, Department of the Interior	\$ 387,839	\$ 255,374
Office of Water, Environmental Protection Agency	171,903	193,944
National Oceanic and Atmospheric Administration, Department of Commerce	<u>163,973</u>	<u>228,376</u>
Total federal awards	723,715	677,694
Other grants:		
Harris County	233,813	56,817
National Resource Damage Assessment	198,306	53,319
National Fish and Wildlife Foundation	119,176	1,121,384
Houston Advanced Research Center	115,626	96,311
Texas Parks and Wildlife Department	77,393	383,107
Texas General Land Office		749,304
Other	<u>10,885</u>	<u>182,888</u>
Total grant revenue	<u>\$ 1,478,914</u>	<u>\$ 3,320,824</u>

## **NOTE 12 – SUBSEQUENT EVENTS**

On March 11, 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and on March 13, 2020, a national emergency was declared in the United States.

The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on developments such as the duration and spread of the outbreak and the impact on donors, granting agencies, and employees, all of which are uncertain and cannot be predicted. Therefore, while the Foundation expects this matter to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time. In April 2020, the Foundation received approximately \$325,000 under the federal payroll protection loan programs. Management expects loan forgiveness in 2021.

Management has evaluated subsequent events through June 26, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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