

**Galveston Bay Foundation, Inc.**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2020 and 2019

# 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. (the Foundation), which comprise the statements of financial position as of December 31, 2020 and 2019 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Foundation as of December 31, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2021 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.

*Blazek & Vetterling*

May 17, 2021

## Galveston Bay Foundation, Inc.

Statements of Financial Position as of December 31, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash (Note 3)	\$ 2,092,687	\$ 1,931,303
Prepays and other receivables	152,494	45,402
Contributions and grants receivable (Note 4)	986,032	875,481
Contributed use of property (Note 5)	<u>55,831</u>	<u>55,831</u>
Total current assets	3,287,044	2,908,017
Cash held for board-designated reserves (Notes 3 and 8)	230,000	253,595
Cash restricted for capital campaign (Note 3)	2,116,202	1,374,658
Contributions receivable for capital campaign, net (Note 4)	1,003,153	1,888,456
Contributed use of property – long-term portion (Note 5)	72,598	128,429
Property, net (Note 5)	<u>11,682,818</u>	<u>10,056,056</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 18,391,815</u></b>	<b><u>\$ 16,609,211</u></b>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 309,250	\$ 320,004
Refundable advances	41,092	14,820
Notes payable – current portion (Note 7)	<u>113,717</u>	<u>111,976</u>
Total current liabilities	464,059	446,800
Construction payable	7,144	284,958
Funds held for others	155,476	130,260
Notes payable – long-term portion (Note 7)	<u>593,420</u>	<u>607,136</u>
Total liabilities	<u>1,220,099</u>	<u>1,469,154</u>
Net assets:		
Without donor restrictions (Note 8)	11,794,694	8,740,482
With donor restrictions (Note 9)	<u>5,377,022</u>	<u>6,399,575</u>
Total net assets	<u>17,171,716</u>	<u>15,140,057</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 18,391,815</u></b>	<b><u>\$ 16,609,211</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, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Contributions:			
Grant revenue (Note 10)		\$ 5,513,366	\$ 5,513,366
Other contributions	\$ 1,851,322	1,072,324	2,923,646
Donated land (Note 6)	1,600,000		1,600,000
Special events	164,150		164,150
Costs of direct donor benefits	(24,711)		(24,711)
Program fees and other income	<u>176,864</u>		<u>176,864</u>
Total operating revenue	3,767,625	6,585,690	10,353,315
Net assets released from restrictions:			
Program expenditures	6,542,296	(6,542,296)	
Time-restricted	100,000	(100,000)	
Capital campaign expenditures	<u>168,823</u>	<u>(168,823)</u>	
Total	<u>10,578,744</u>	<u>(225,429)</u>	<u>10,353,315</u>
OPERATING EXPENSES:			
Program services:			
Conservation	7,260,117		7,260,117
Education	634,384		634,384
Advocacy	341,125		341,125
Research	<u>114,243</u>		<u>114,243</u>
Total program services	8,349,869		8,349,869
Supporting services:			
Management and general	415,598		415,598
Fundraising	<u>699,365</u>		<u>699,365</u>
Total operating expenses	<u>9,464,832</u>		<u>9,464,832</u>
CHANGES IN NET ASSETS FROM OPERATIONS	1,113,912	(225,429)	888,483
OTHER CHANGES IN NET ASSETS:			
Capital campaign contributions		1,143,176	1,143,176
Capital property additions	<u>1,940,300</u>	<u>(1,940,300)</u>	
CHANGES IN NET ASSETS	3,054,212	(1,022,553)	2,031,659
Net assets, beginning of year	<u>8,740,482</u>	<u>6,399,575</u>	<u>15,140,057</u>
Net assets, end of year	<u>\$ 11,794,694</u>	<u>\$ 5,377,022</u>	<u>\$ 17,171,716</u>

*See accompanying notes to financial statements.*

## 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 10)</i>		\$ 1,478,914	\$ 1,478,914
Other contributions	\$ 1,387,575	1,696,358	3,083,933
Donated conservation easement <i>(Note 6)</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
Advocacy	354,936		354,936
Research	<u>492,821</u>		<u>492,821</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 payments	<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 Functional Expenses for the year ended December 31, 2020

EXPENSES	CONSERVATION	EDUCATION	ADVOCACY	RESEARCH	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 487,979	\$ 422,791	\$ 266,229	\$ 69,205	\$ 1,246,204	\$ 301,185	\$ 457,453	\$ 2,004,842
Support and grants to conservation partners	3,844,019			6,321	3,850,340			3,850,340
Conservation easement consideration	1,600,000				1,600,000			1,600,000
Contracted materials and services	1,090,644	31,053	39,116	25,392	1,186,205	1,800	10,129	1,198,134
Supplies and materials	70,124	46,580	795	3,146	120,645	4,571	32,733	157,949
Occupancy	83,003	24,019	7,213	3,561	117,796	7,759	12,749	138,304
Professional and technical services		365			365	270	95,937	96,572
Depreciation	24,043	21,958	6,323	2,899	55,223	13,661	11,560	80,444
Insurance	18,135	20,894	4,969	2,236	46,234	19,259	7,042	72,535
Legal and accounting services	14,736				14,736	33,326	10,131	58,193
Event fees and supplies	2,253	39,526	5,892		47,671	20	7,734	55,425
Printing and publications	2,323	14,010	870	180	17,383	381	14,195	31,959
Interest expense						31,634		31,634
Membership dues and subscriptions	9,050	200	6,150	212	15,612	367	5,602	21,581
Travel, meals and entertainment	5,776	3,021	2,131	487	11,415	335	2,976	14,726
Conferences and workshops	3,955	627	1,108	129	5,819		1,247	7,066
Postage and shipping	56	769	7	13	845	594	5,102	6,541
External communications and advertising	798	1,106	270	38	2,212		2,833	5,045
Other	3,223	7,465	52	424	11,164	436	21,942	33,542
Total expenses	<u>\$ 7,260,117</u>	<u>\$ 634,384</u>	<u>\$ 341,125</u>	<u>\$ 114,243</u>	<u>\$ 8,349,869</u>	<u>\$ 415,598</u>	<u>\$ 699,365</u>	9,464,832
Costs of direct donor benefits								<u>24,711</u>
Total								<u>\$ 9,489,543</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	ADVOCACY	RESEARCH	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 414,293	\$ 382,030	\$ 213,416	\$ 110,546	\$ 1,120,285	\$ 310,429	\$ 362,164	\$ 1,792,878
Partner support and grants	7,201			18,747	25,948			25,948
Conservation easement donated	1,550,000				1,550,000			1,550,000
Contracted materials and services	440,076	67,035	28,479	326,907	862,497	697	13,913	877,107
Supplies and materials	36,690	35,345	3,276	9,380	84,691	1,510	19,488	105,689
Occupancy	109,036	25,050	11,953	10,446	156,485	16,742	19,380	192,607
Professional and technical services	16	18,335	517		18,868	282	153,914	173,064
Depreciation	7,691	8,113	440	394	16,638	9,350	597	26,585
Insurance	10,468	15,192	1,725	1,544	28,929	18,865	2,338	50,132
Legal and accounting services	8,243	495	815	1,250	10,803	31,991	14,534	57,328
Event fees and supplies	18,872	147,753	1,725	1,366	169,716	734	52,858	223,308
Printing and publications	1,869	23,388	2,975	1,793	30,025		15,222	45,247
Interest expense						73,193		73,193
Membership dues and subscriptions	9,150	1,860	4,705		15,715	625	3,623	19,963
Travel, meals and entertainment	23,950	20,385	14,359	6,595	65,289	650	7,553	73,492
Conferences and workshops	4,975	1,876	2,425	2,045	11,321	725	1,509	13,555
Postage and shipping	97	794	21	577	1,489	458	3,806	5,753
External communications and advertising	519	6,265	67,901	486	75,171	246	7,281	82,698
Other	3,002	25,408	204	745	29,359	1,290	17,418	48,067
Total expenses	<u>\$ 2,646,148</u>	<u>\$ 779,324</u>	<u>\$ 354,936</u>	<u>\$ 492,821</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.

Statements of Cash Flows for the years ended December 31, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 2,031,659	\$ 5,454,057
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Capital campaign contributions	(1,143,176)	(3,574,238)
Donated conservation easement		(720,000)
Depreciation	80,444	26,585
Contributed use of property	55,831	(66,891)
Changes in operating assets and liabilities:		
Prepays and other receivables	(107,092)	(7,851)
Contributions and grants receivable (excluding capital campaign)	(110,551)	295,464
Accounts payable and other accrued liabilities	(10,754)	161,396
Refundable advances	26,272	(102,408)
Funds held for others	<u>25,216</u>	<u>          </u>
Net cash provided by operating activities	<u>847,849</u>	<u>1,466,114</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property	(2,000,104)	(855,290)
Proceeds from truck insurance	<u>15,084</u>	<u>          </u>
Net cash used by investing activities	<u>(1,985,020)</u>	<u>(855,290)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from capital campaign contributions	2,028,479	4,551,842
Payments on notes payable	<u>(11,975)</u>	<u>(2,290,117)</u>
Net cash provided by financing activities	<u>2,016,504</u>	<u>2,261,725</u>
<b>NET CHANGE IN CASH</b>	879,333	2,872,549
Cash, beginning of year	<u>3,559,556</u>	<u>687,007</u>
Cash, end of year	<u>\$ 4,438,889</u>	<u>\$ 3,559,556</u>
<i>Reconciliation of cash balances:</i>		
Cash	\$ 2,092,687	\$ 1,931,303
Cash held for board-designated reserves	230,000	253,595
Cash restricted for capital campaign	<u>2,116,202</u>	<u>1,374,658</u>
Total cash	<u>\$ 4,438,889</u>	<u>\$ 3,559,556</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$31,634	\$73,863

*See accompanying notes to financial statements.*

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## Galveston Bay Foundation, Inc.

Notes to Financial Statements for the years ended December 31, 2020 and 2019

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The Galveston Bay Foundation (the Foundation) is a local conservation organization working to preserve and protect Galveston Bay (the Bay). Programs in land conservation, habitat restoration, environmental education, advocacy and research help ensure the 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. Currently, the Foundation owns or holds conservation easements on 8,288 acres of land around the Bay to ensure it is conserved in perpetuity. In 2020, the Foundation closed on two new conservation properties. The first, a 106-acre tract of native coastal prairie and wetlands in Galveston County, was acquired through a conservation easement with a new landowner, the City of Texas City. The second is a 79-acre tract of remnant coastal prairie in Brazoria County acquired by fee simple acquisition. In addition, the Foundation facilitated the acquisition and permanent protection of over 150 acres of land on Follets Island and 962 acres on Matagorda Peninsula, all of which are now held as coastal preserves by the Texas Parks and Wildlife Department. 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.

*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 bay ecosystem provides for the Houston-Galveston region. Youth-focused programs aim to cultivate life-long stewards of the Bay through environmental education experiences that nurture exploration and inquisition. Typically offered both in the classroom and on the Bay, many of these programs were adapted as virtual field trips and digital resources for parents and teachers in 2020, in light of restrictions related to the COVID-19 pandemic. Beyond youth education, public outreach initiatives consist of campaigns and events aimed at increasing the public’s awareness of the importance of the Bay. Ongoing campaigns educate targeted segments of the population on various Bay issues of concern. The Foundation continues to host its annual signature education and outreach events, including the family friendly “Bay Day Festival,” adapted as a virtual celebration of the Bay in 2020, and the popular “Bike Around the Bay” bike ride that showcases the natural beauty of the Bay while aiming to raise awareness and encourage area citizens to appreciate and visit the Bay. The Foundation also offers rain barrel installation workshops and distribute rain barrels to the public.

*Advocacy* programs position the Foundation as the guardian of the Bay. The goal is to encourage and actively seek solutions to conflicts among the diverse users of the Bay. The Foundation attempts to balance the multiple uses of the 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), 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 the Bay.

*Research* programs focus on the monitoring of some of the 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 the Bay. Beyond the research efforts, the Foundation regularly advocates for the allocation of research dollars to the region to ensure the health of the Bay and its users.

The Foundation receives significant support from federal, state, and local grants and contracts in support of its education, conservation, research, and advocacy programs. 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.

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, that is 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 \$41,092 at December 31, 2020 and \$14,820 at December 31, 2019.

In-kind contributions – 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, 2020 and 2019, these volunteers provided donated hours of approximately 6,239 and 11,700, respectively.

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 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.

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 – 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>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 4,438,889	\$ 3,559,556
Contributions and grants receivable, net	1,989,185	2,763,937
Other receivables	<u>411</u>	<u>1,100</u>
Total financial assets	6,428,485	6,324,593
Less financial assets not available for general expenditure:		
Funds held for others	(155,476)	(130,260)
Board-designated operating reserves	(230,000)	(253,595)
Donor-restricted for stewardship and legal defense funds	(239,815)	
Donor-restricted for capital campaign	<u>(3,119,355)</u>	<u>(3,263,114)</u>
Total financial assets available for general expenditure	<u>\$ 2,683,839</u>	<u>\$ 2,677,624</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 the 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, they also request 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.

In April 2020, the Foundation received approximately \$325,000 under a Federal Paycheck Protection Program loan, which was fully forgiven as of November 2020.

The Foundation is conducting a capital campaign, *Charting the Course for Galveston Bay*, to raise \$24.6 million for construction of a new headquarters and nature center in Kemah, Texas. The Foundation has recognized approximately \$11.6 million in cash and contributions receivable through December 31, 2020. In addition, there is \$2.1 million in conditional promises to give not yet recognized because the conditions have not been met.

### NOTE 3 – CASH

At December 31, 2020 and 2019, the Foundation had deposits of \$2,911,628 and \$3,477,225 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 \$2,089 and \$26,116 at December 31, 2020 and 2019.

### NOTE 4 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable are as follows:

	<u>2020</u>	<u>2019</u>
Contributions receivable from others	\$ 1,339,666	\$ 2,289,051
Receivable from government contract grants	<u>705,598</u>	<u>528,965</u>
Total contributions and grants receivable	2,045,264	2,818,016
Less: Contributions and grants receivable for operating purposes	<u>(986,032)</u>	<u>(875,481)</u>
Total contributions receivable for capital campaign	1,059,232	1,942,535
Less: Allowance for uncollectible receivables	(48,929)	(19,000)
Discount to present value ranging from 0.27% to 2.20%	<u>(7,150)</u>	<u>(35,079)</u>
Contributions receivable for capital campaign, net	<u>\$ 1,003,153</u>	<u>\$ 1,888,456</u>

Contributions and grants receivable at December 31, 2020 are expected to be collected as follows:

Less than one year	\$ 1,680,598
One to five years	<u>364,666</u>
Total contributions and grants receivable	<u>\$ 2,045,264</u>

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. There was \$100,000 remaining as a conditional grant at December 31, 2020, which was forgiven in April 2021.

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, 2020, \$3,000,000 has been received and recognized as the conditions have been met, and \$2,000,000 remains conditioned upon the next phase of construction.

The Foundation has been awarded cost-reimbursement government grant awards of approximately \$19,938,000 that have not been recognized at December 31, 2020 because qualifying expenditures have not yet been incurred.

#### **NOTE 5 – PROPERTY**

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

	<u>2020</u>	<u>2019</u>
Nondepreciable assets:		
Land for headquarters and nature center	\$ 5,490,466	\$ 5,490,466
Land held for conservation purposes	3,708,180	3,083,915
Construction in progress	338,797	1,217,394
Contributed artwork	9,400	9,400
Depreciable assets:		
Building	2,047,762	200,126
Furniture and equipment	<u>271,812</u>	<u>191,782</u>
Total property	11,866,417	10,193,083
Less: Accumulated depreciation	<u>(183,599)</u>	<u>(137,027)</u>
Property, net	<u>\$ 11,682,818</u>	<u>\$ 10,056,056</u>

#### *Land held for conservation*

Land held for conservation purposes includes 17 tracts of land totaling 3,512 acres at December 31, 2020 and 16 tracts of land totaling 3,513 acres at December 31, 2019.

Land held for conservation purposes also includes 1,203 acres totaling \$1,705,403 at December 31, 2020 and 1,124 acres totaling \$1,072,945 at December 31, 2019 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.

Additionally, land held for conservation purposes includes 480 acres in Galveston County that is restricted in the amount of \$105,228. These acres were donated with a donor and deed restrictions for conservation.

#### *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 program occupancy expense in the statement of functional expenses.

## NOTE 6 – CONSERVATION EASEMENTS

During 2020, a 106-acres at Dollar Bay in Galveston County, appraised at \$3.2 million, was purchased at \$1.6 million with state funds. Contribution revenue totaling \$1.6 million was recorded for the difference between the appraised value and the purchase price. Title of the land was subsequently transferred to Texas City and a conservation easement was placed on the land to be managed by the Foundation. The value of the easement was estimated at 50% of the appraised value, or \$1.6 million, and was recorded as conservation expense for the estimated fair value of the development rights on this property. The amount of \$1.6 million is included in grants to conservation partners for the value of the land transferred to Texas City.

In addition to the land held for conservation purposes disclosed in Note 5, the Foundation also secures conservation easements on properties it does not own. The Foundation holds conservation easements on 13 tracts of land totaling 4,696 acres at December 31, 2020. 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 7 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2020</u>	<u>2019</u>
Note payable from a bank to refinance the loan from the Conservation Fund that purchased a 17-acre tract of land and building for Trinity Bay nature center; fixed interest rate of 4.75%; principal and accrued interest due at maturity on November 18, 2023; secured by a deed of trust on the property.	\$ 607,137	\$ 619,112
Unsecured, non-interest bearing note payable to Kirby Corporation for \$400,000 to purchase a 30-acre tract of land for new headquarters and nature center; remaining principal payments were forgiven in April 2021.	<u>100,000</u>	<u>100,000</u>
Total notes payable	707,137	719,112
Less: Current portion of notes payable	<u>(113,717)</u>	<u>(111,976)</u>
Notes payable – long-term portion	<u>\$ 593,420</u>	<u>\$ 607,136</u>

Principal payments of notes payable at December 31, 2020 are due as follows:

2021	\$ 113,717
2022	14,395
2023	<u>579,025</u>
Total	<u>\$ 707,137</u>

## NOTE 8 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2020</u>	<u>2019</u>
Unrestricted property, net of depreciation and related debt	\$ 10,533,846	\$ 8,119,550
Board-designated for easement stewardships and defense		233,595
Board-designated operating reserve	230,000	20,000
Undesignated	<u>1,030,848</u>	<u>367,337</u>
Net assets without donor restrictions	<u>\$ 11,794,694</u>	<u>\$ 8,740,482</u>



**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
<i>Charting the Course for Galveston Bay</i> capital campaign	\$ 3,455,862	\$ 4,435,507
Conservation – other	975,411	806,882
Conservation – land acquisition	380,700	400,000
Education	232,811	287,250
Advocacy	85,552	71,426
Research	<u>1,180</u>	<u>3,773</u>
Total subject to expenditure for specified purpose	5,131,516	6,004,838
Subject to passage of time:		
Contributed use of facilities	128,429	184,260
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until due	6,600	100,000
Not subject to appropriation or expenditure:		
Land restricted for conservation	105,228	105,228
Other	<u>5,249</u>	<u>5,249</u>
Total net assets with donor restrictions	<u>\$ 5,377,022</u>	<u>\$ 6,399,575</u>

**NOTE 10 – 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>2020</u>	<u>2019</u>
Federal awards:		
U. S. Department of the Interior	\$ 1,548,004	\$ 387,839
U. S. Department of Commerce	460,704	163,973
U. S. Environmental Protection Agency	178,413	171,903
U. S. Department of Agriculture	<u>34,908</u>	<u>          </u>
Total federal awards	<u>2,222,029</u>	<u>723,715</u>
State awards:		
Texas General Land Office	1,609,326	
Texas Commission on Environmental Quality	<u>100,000</u>	
Total state awards	<u>1,709,326</u>	
Other grants:		
National Fish and Wildlife Foundation	1,472,025	119,176
Houston Advanced Research Center	38,855	115,626
National Resource Damage Assessment	18,039	198,306
Harris County		233,813
Texas Parks and Wildlife Department		77,393
Other	<u>53,092</u>	<u>10,885</u>
Total grant revenue	<u>\$ 5,513,366</u>	<u>\$ 1,478,914</u>

## **NOTE 11 – SUBSEQUENT EVENTS**

In January 2021, the Foundation received a \$367,200 Second Draw PPP loan through the Small Business Administration. The Second Draw PPP loan principal and interest may be forgiven, in whole or in part, if funds are used for payroll and other specified expenses. The unsecured loan is considered to be conditional and will be recognized as contribution revenue upon forgiveness by the bank. Any amount not forgiven will convert to a 5 year loan bearing interest at 1%.

Management has evaluated subsequent events through May 17, 2021, 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.

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