

Galveston Bay Foundation, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2023 and 2022

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 statements of financial position as of December 31, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

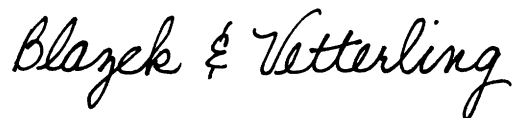
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 May 24, 2024 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.



May 24, 2024

Galveston Bay Foundation, Inc.

Statements of Financial Position as of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents <i>(Note 3)</i>	\$ 3,452,629	\$ 3,209,607
Prepays and other receivables	28,348	57,197
Contributions and grants receivable <i>(Note 4)</i>	1,690,301	736,109
Contributed use of property <i>(Note 5)</i>	<u>83,712</u>	<u>16,767</u>
Total current assets	5,254,990	4,019,680
Cash and cash equivalents held for board-designated reserves <i>(Note 3)</i>	650,000	650,000
Cash and cash equivalents restricted for capital campaign <i>(Note 3)</i>	4,568,536	4,446,199
Contributions receivable for capital campaign, net <i>(Note 4)</i>	1,365,435	913,295
Contributed use of property – long-term portion <i>(Note 5)</i>	270,702	
Property, net <i>(Note 5)</i>	23,663,282	19,744,061
Conservation easements <i>(Note 6)</i>		
TOTAL ASSETS	<u>\$ 35,772,945</u>	<u>\$ 29,773,235</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 594,948	\$ 215,802
Construction payable	93,746	68,427
Refundable advances	60,571	
Notes payable – current portion <i>(Note 7)</i>	<u>8,964</u>	<u>579,026</u>
Total current liabilities	758,229	863,255
Funds held for others	155,476	155,476
Notes payable – long-term portion <i>(Note 7)</i>	<u>553,204</u>	
Total liabilities	<u>1,466,909</u>	<u>1,018,731</u>
Commitments <i>(Note 6)</i>		
Net assets:		
Without donor restrictions <i>(Note 9)</i>	24,232,437	20,300,395
With donor restrictions <i>(Note 10)</i>	<u>10,073,599</u>	<u>8,454,109</u>
Total net assets	<u>34,306,036</u>	<u>28,754,504</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,772,945</u>	<u>\$ 29,773,235</u>

See accompanying notes to financial statements.

Galveston Bay Foundation, Inc.

Statement of Activities for the year ended December 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Contributions and grants:			
Grant revenue (<i>Note 11</i>)		\$ 8,500,280	\$ 8,500,280
Other contributions	\$ 864,852	1,444,983	2,309,835
Donated conservation easements (<i>Note 6</i>)	4,439,650		4,439,650
Nonfinancial contributions (<i>Note 8</i>)	977,098	418,560	1,395,658
Special events	1,530,522	70,357	1,600,879
Special event nonfinancial contributions (<i>Note 8</i>)	35,514		35,514
Costs of direct donor benefits	(574,119)		(574,119)
Program fees and other income	<u>505,442</u>	<u>77,064</u>	<u>582,506</u>
Total operating revenue	7,778,959	10,511,244	18,290,203
Net assets released from restrictions:			
Program expenditures	10,172,572	(10,172,572)	
Capital campaign expenditures	<u>82,126</u>	<u>(82,126)</u>	
Total	<u>18,033,657</u>	<u>256,546</u>	<u>18,290,203</u>
OPERATING EXPENSES:			
Program services:			
Conservation (<i>Note 6</i>)	11,891,656		11,891,656
Education	671,113		671,113
Research	267,825		267,825
Advocacy	<u>136,188</u>		<u>136,188</u>
Total program services	12,966,782		12,966,782
Supporting services:			
Management and general	604,142		604,142
Fundraising	<u>1,023,270</u>		<u>1,023,270</u>
Total operating expenses	<u>14,594,194</u>		<u>14,594,194</u>
CHANGES IN NET ASSETS FROM OPERATIONS	3,439,463	256,546	3,696,009
OTHER CHANGES IN NET ASSETS:			
Capital property additions	492,579	(492,579)	
Capital campaign contributions	<u>1,855,523</u>	<u>1,855,523</u>	<u>1,855,523</u>
CHANGES IN NET ASSETS	3,932,042	1,619,490	5,551,532
Net assets, beginning of year	<u>20,300,395</u>	<u>8,454,109</u>	<u>28,754,504</u>
Net assets, end of year	<u>\$ 24,232,437</u>	<u>\$ 10,073,599</u>	<u>\$ 34,306,036</u>

See accompanying notes to financial statements.

Galveston Bay Foundation, Inc.

Statement of Activities for the year ended December 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Contributions and grants:			
Grant revenue (<i>Note 11</i>)		\$ 1,147,419	\$ 1,147,419
Other contributions	\$ 971,561	1,465,598	2,437,159
Donated conservation easements (<i>Note 6</i>)	527,652		527,652
Nonfinancial contributions	58,477		58,477
Special events	1,152,748	122,340	1,275,088
Costs of direct donor benefits	(471,011)		(471,011)
Program fees and other income	636,501	50,000	686,501
Total operating revenue	2,875,928	2,785,357	5,661,285
Net assets released from restrictions:			
Program expenditures	2,859,629	(2,859,629)	
Capital campaign expenditures	135,734	(135,734)	
Total	5,871,291	(210,006)	5,661,285
OPERATING EXPENSES:			
Program services:			
Conservation (<i>Note 6</i>)	2,398,277		2,398,277
Education	708,707		708,707
Research	160,683		160,683
Advocacy	170,773		170,773
Total program services	3,438,440		3,438,440
Supporting services:			
Management and general	686,910		686,910
Fundraising	871,747		871,747
Total operating expenses	4,997,097		4,997,097
CHANGES IN NET ASSETS FROM OPERATIONS	874,194	(210,006)	664,188
OTHER CHANGES IN NET ASSETS:			
Capital campaign contributions		1,343,376	1,343,376
CHANGES IN NET ASSETS	874,194	1,133,370	2,007,564
Net assets, beginning of year	19,426,201	7,320,739	26,746,940
Net assets, end of year	\$ 20,300,395	\$ 8,454,109	\$ 28,754,504

See accompanying notes to financial statements.

Galveston Bay Foundation, Inc.

Statement of Functional Expenses for the year ended December 31, 2023

EXPENSES	CONSERVATION	EDUCATION	RESEARCH	ADVOCACY	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 671,749	\$ 449,926	\$ 181,717	\$ 108,311	\$ 1,411,703	\$ 395,642	\$ 731,912	\$ 2,539,257
Grants for land and conservation easements	5,307,213		15,521		5,322,734			5,322,734
Conservation easements	4,456,966				4,456,966			4,456,966
Contracted materials and services	948,495	32,329	23,038	4,946	1,008,808	1,315	11,921	1,022,044
Supplies and materials	98,269	66,645	13,232		178,146	20,274	50,679	249,099
Occupancy	192,488	12,113	3,018	1,422	209,041	8,148	6,670	223,859
Depreciation	70,163	21,535	7,605	3,863	103,166	25,247	22,586	150,999
Insurance	30,299	25,431	4,547	2,310	62,587	42,314	10,597	115,498
Professional and technical services	59	129	10	10	208	50,426	25,695	76,329
Legal and accounting services	20,869				20,869	46,055		66,924
Travel, meals and entertainment	27,991	9,201	12,096	4,946	54,234	1,001	10,388	65,623
Special event supplies	21,211	9,391	1,522	68	32,192	7,363	23,687	63,242
External communications and advertising	2,103	4,091	2,547	5,015	13,756	82	29,211	43,049
Membership dues and subscriptions	24,250	270	69	5,114	29,703	1,499	4,313	35,515
Interest expense		29,654			29,654			29,654
Postage and shipping	43	10	81		134	1,401	26,279	27,814
Printing and publications	3,303	2,797	478	183	6,761	340	14,717	21,818
Conferences and workshops	9,354	4,349	544		14,247	1,649	444	16,340
Licenses and permits	5,512				5,512	808		6,320
Other	1,319	3,242	1,800		6,361	578	54,171	61,110
Total expenses	<u>\$11,891,656</u>	<u>\$ 671,113</u>	<u>\$ 267,825</u>	<u>\$ 136,188</u>	<u>\$12,966,782</u>	<u>\$ 604,142</u>	<u>\$ 1,023,270</u>	14,594,194
Costs of direct donor benefits								<u>574,119</u>
Total								<u>\$15,168,313</u>

See accompanying notes to financial statements.

Galveston Bay Foundation, Inc.

Statement of Functional Expenses for the year ended December 31, 2022

EXPENSES	CONSERVATION	EDUCATION	RESEARCH	ADVOCACY	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 655,658	\$ 433,128	\$ 78,700	\$ 106,064	\$ 1,273,550	\$ 437,734	\$ 581,824	\$ 2,293,108
Grants for land and conservation easements			8,253		8,253			8,253
Conservation easements	527,652				527,652			527,652
Contracted materials and services	793,228	19,516	46,451	37,050	896,245	6,420	25,998	928,663
Supplies and materials	131,971	61,410	11,702	1,353	206,436	22,298	48,545	277,279
Occupancy	94,495	14,568	2,373	1,236	112,672	9,039	4,085	125,796
Depreciation	65,094	29,732	5,763	3,624	104,213	24,931	17,131	146,275
Insurance	32,068	28,677	3,911	2,460	67,116	29,148	8,129	104,393
Professional and technical services	42	133			175	83,233	87,000	170,408
Legal and accounting services	24,106				24,106	43,935		68,041
Travel, meals and entertainment	19,063	33,329	1,767	3,675	57,834	834	15,730	74,398
External communications and advertising	4,277	6,009	325	9,320	19,931	150	8,045	28,126
Membership dues and subscriptions	10,650	230		5,064	15,944	929	5,817	22,690
Interest expense		28,247			28,247			28,247
Postage and shipping	330	116	38		484	611	3,402	4,497
Printing and publications	3,748	2,879	218	119	6,964	112	20,540	27,616
Conferences and workshops	6,185	3,734	329		10,248	698	12,885	23,831
Event fees and supplies	26,622	45,660		808	73,090	7,425	13,067	93,582
Other	3,088	1,339	853		5,280	19,413	19,549	44,242
Total expenses	<u>\$ 2,398,277</u>	<u>\$ 708,707</u>	<u>\$ 160,683</u>	<u>\$ 170,773</u>	<u>\$ 3,438,440</u>	<u>\$ 686,910</u>	<u>\$ 871,747</u>	4,997,097
Costs of direct donor benefits								<u>471,011</u>
Total								<u>\$ 5,468,108</u>

See accompanying notes to financial statements.

Galveston Bay Foundation, Inc.

Statements of Cash Flows for the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 5,551,532	\$ 2,007,564
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	151,000	146,275
Contributed use of property	(337,647)	55,831
Contributed land	(902,630)	
Gain on asset disposal		(424,687)
Capital campaign contributions	(1,855,523)	(1,343,376)
Changes in operating assets and liabilities:		
Prepays and other receivables	28,849	(1,896)
Contributions and grants receivable (excluding capital campaign)	(954,193)	30,937
Accounts payable and other accrued liabilities	379,146	27,742
Refundable advances	<u>60,571</u>	<u>(89,940)</u>
Net cash provided by operating activities	<u>2,121,105</u>	<u>408,450</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property	(3,142,272)	(648,088)
Proceeds from sale of land	<u> </u>	<u>430,048</u>
Net cash used by investing activities	<u>(3,142,272)</u>	<u>(218,040)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from capital campaign contributions	1,403,384	1,569,239
Payments on notes payable	<u>(16,858)</u>	<u>(14,393)</u>
Net cash provided by financing activities	<u>1,386,526</u>	<u>1,554,846</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	365,359	1,745,256
Cash and cash equivalents, beginning of year	<u>8,305,806</u>	<u>6,560,550</u>
Cash and cash equivalents, end of year	<u>\$ 8,671,165</u>	<u>\$ 8,305,806</u>
<i>Reconciliation of cash balances:</i>		
Cash and cash equivalents	\$ 3,452,629	\$ 3,209,607
Cash and cash equivalents held for board-designated reserves	650,000	650,000
Cash and cash equivalents restricted for capital campaign	<u>4,568,536</u>	<u>4,446,199</u>
Total cash	<u>\$ 8,671,165</u>	<u>\$ 8,305,806</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$29,654	\$28,247

See accompanying notes to financial statements.

Galveston Bay Foundation, Inc.

Notes to Financial Statements for the years ended December 31, 2023 and 2022

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 13,800 acres of land around Galveston Bay to ensure it is conserved in perpetuity. 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 programs are 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 aim to cultivate life-long stewards of Galveston Bay through environmental education experiences that nurture exploration and inquisition. In 2021, the Foundation continued offering education programs in the classroom and on Galveston Bay, as well as virtually. 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 educate targeted segments of the population on various Galveston Bay issues of concern. The Foundation continues to host its annual signature education and outreach events, including the family friendly “Bay Day Festival” and the popular “Bike Around the Bay” 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. The Foundation also offers rain barrel installation workshops and distributes rain barrels to the public.

Research programs focus on monitoring 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 the Foundation to respond to incidents impacting Galveston 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.

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) 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 receives significant support from federal, state, and local grants and contracts in support of its education, conservation, research, and advocacy programs. This funding often requires non-federal, voluntary matching funds at a ratio of at least 1:1. The Foundation matches 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 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 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.

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, 2023 and 2022, these volunteers provided donated hours of approximately 11,084 and 9,462, 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 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 three 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 – 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>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 8,671,165	\$ 8,305,806
Contributions and grants receivable, net	3,055,736	1,649,404
Other receivables	<u>1,892</u>	<u>1,703</u>
Total financial assets	11,728,793	9,956,913
Less financial assets not available for general expenditure:		
Funds held for others	(155,476)	(155,476)
Board-designated operating reserves	(650,000)	(650,000)
Board-designated capital reserves	(100,000)	
Donor-restricted for stewardship and legal defense funds	(404,585)	(363,295)
Cash and contributions receivable for capital campaign	(5,933,971)	(5,360,794)
Other donor-restricted funds not expected to be expended in coming year	<u>(1,094,681)</u>	<u>(627,356)</u>
Total financial assets available for general expenditure	<u>\$ 3,390,080</u>	<u>\$ 2,799,992</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 \$18 million in cash and contributions receivable through December 31, 2023. In addition, there is \$2 million in conditional promises to give not yet recognized because the conditions set by the donor have not been met.

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2023 and 2022, the Foundation has bank deposits in cash management accounts with a securities brokerage firm and local nationally chartered banks. The deposits with the securities brokerage firm were maintained in interest-bearing deposit accounts at various banks not to exceed \$250,000; however, 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 are as follows:

	<u>2023</u>	<u>2022</u>
Demand deposits	\$ 4,039,189	\$ 3,528,742
Certificates of Deposit	4,631,976	
U. S. Treasury bills	<u> </u>	<u>4,777,064</u>
Total cash and cash equivalents	<u>\$ 8,671,165</u>	<u>\$ 8,305,806</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 \$75,748 and \$73,948 at December 31, 2023 and 2022, respectively.

NOTE 4 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable are as follows:

	<u>2023</u>	<u>2022</u>
Contributions receivable from others	\$ 1,687,120	\$ 1,137,900
Receivable from government contract grants	<u>1,405,306</u>	<u>565,084</u>
Total contributions and grants receivable	3,092,426	1,702,984
Less: Contributions and grants receivable for operating purposes	<u>(1,690,301)</u>	<u>(736,109)</u>
Total contributions receivable for capital campaign	1,402,125	966,875
Less: Allowance for uncollectible receivables	(33,385)	(46,954)
Discount to present value ranging from 0.27% to 2.20%	<u>(3,305)</u>	<u>(6,626)</u>
Contributions receivable for capital campaign, net	<u>\$ 1,365,435</u>	<u>\$ 913,295</u>

Contributions and grants receivable at December 31, 2023 are expected to be collected as follows:

Less than one year	\$ 2,878,207
One to five years	<u>214,219</u>
Total contributions and grants receivable	<u>\$ 3,092,426</u>

Four donors make up approximately 74% of contributions receivable from others at December 31, 2023. Two donors make up 76% of contributions receivable from others at December 31, 2022.

One government agency make up 68% of total government grant contracts receivable at December 31, 2023.

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, 2023, \$3,000,000 has been received and recognized as the conditions have been met, and \$2,000,000 remains conditioned upon the stages of the next phase of construction and has not been recorded.

The Foundation has been awarded cost-reimbursement government grant awards of approximately \$16,784,000 that have not been recognized at December 31, 2023 because qualifying expenditures have not yet been incurred.

NOTE 5 – PROPERTY

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

	<u>2023</u>	<u>2022</u>
Nondepreciable assets:		
Land for headquarters and nature center	\$ 5,329,870	\$ 5,329,870
Land held for conservation purposes	14,215,613	11,300,885
Construction in progress	1,631,777	1,001,184
Contributed artwork	9,400	9,400
Depreciable assets:		
Building	2,587,481	2,075,859
Furniture and equipment	<u>500,941</u>	<u>486,241</u>
Total property	24,275,082	20,203,439
Less: Accumulated depreciation	<u>(611,800)</u>	<u>(459,378)</u>
Property, net	<u>\$ 23,663,282</u>	<u>\$ 19,744,061</u>

Land held for conservation

Land held for conservation purposes includes 22 tracts of land totaling 9,041 acres at December 31, 2023 and 19 tracts of land totaling 8,701 acres at December 31, 2022.

Land held for conservation purposes also includes 1,276 acres totaling \$3,622,380 at December 31, 2023 and 1,213 acres totaling \$1,836,717 at December 31, 2022 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.

Contributed use of property

The Foundation entered into two 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 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.

NOTE 6 – CONSERVATION EASEMENTS

In 2023, the Foundation received a donated conservation easement on Armand Bayou North/Port of Houston Memorial reserve, a 204-acre tract along Red Bluff Road and Taylor Lake in Harris County valued at \$4,439,650. Additionally, the Foundation purchased two conservation properties totaling approximately 350 acres.

In 2022, the Foundation closed on one new conservation property. The acquisition (fee title) was the West Chocolate Bay Preserve, a 555-acre tract along Halls Bayou and West Galveston Bay in Brazoria and Chambers Counties, that was purchased with private funding at an appraised value of \$560,051. Additionally, the Foundation received a donated conservation easement for a 392-acre tract near Spindletop Bayou in Chamber and Liberty County. This easement is valued at approximately \$527,000 and included as a contribution and conservation easement expense for 2022.

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 19 tracts of land totaling 6,428 acres at December 31, 2023. 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 consists of the following:

	<u>2023</u>	<u>2022</u>
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.	\$ 562,168	
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 were due at maturity on November 18, 2023; secured by a deed of trust on the property.	<u> </u>	<u>\$ 579,026</u>
Total notes payable	<u>\$ 562,168</u>	<u>\$ 579,026</u>

Interest expense was \$29,654 and \$28,247 at December 31, 2023 and 2022, respectively.

NOTE 8 – CONTRIBUTED NONFINANCIAL ASSETS

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.

Contributed nonfinancial assets are recognized as contribution and grant revenue at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the contributed nonfinancial assets are used.

The following nonfinancial contributions and grants were recognized:

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	<u>2023</u>	<u>2022</u>
Donated land for conservation	Utilized for conservation efforts	None	Fair value based on current rates for similar land.	\$902,306	
Donated use of land	Utilized for conservation	None	Fair value based on current rates for similar land	\$418,560	
Program supplies	Utilized for program activities	None	Fair value using current prices for similar items.	\$54,477	\$32,771
Auction items	Monetized in auction associated with fundraising events	None	Fair value using price received in auction.	\$35,514	
Food	Utilized for fundraising events	None	Fair value using current prices for similar items.	\$19,811	\$25,106
Total contributed nonfinancial assets				<u>\$1,430,668</u>	<u>\$57,877</u>

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2023</u>	<u>2022</u>
Unrestricted property, net of depreciation and related debt	\$ 21,469,337	\$ 18,058,623
Board-designated operating reserves	650,000	650,000
Board-designated capital reserves	100,000	
Undesignated	<u>2,013,100</u>	<u>1,591,772</u>
Total net assets without donor restrictions	<u>\$ 24,232,437</u>	<u>\$ 20,300,395</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
<i>Charting the Course for Galveston Bay</i> capital campaign	\$ 7,641,496	\$ 6,360,677
Conservation – other	1,202,981	1,341,513
Stewardship and legal defense	404,585	363,295
Education	178,766	95,534
Research	94,786	114,920
Advocacy	45,660	50,926
Other	<u>40,434</u>	<u> </u>
Total subject to expenditure for specified purpose	9,608,708	8,326,865
Subject to passage of time:		
Contributed use of facilities	354,414	16,767
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>\$ 10,073,599</u>	<u>\$ 8,454,109</u>

The land restricted for conservation was 480 acres given by a donor 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:

	<u>2023</u>	<u>2022</u>
Federal awards:		
U. S. Department of the Interior	\$ 1,063,459	\$ 314,173
U. S. Environmental Protection Agency	259,181	257,479
U. S. Department of Commerce	244,626	251,134
U. S. Department of Transportation	28,084	
Other	<u>2,064</u>	<u> </u>
Total federal awards	<u>1,597,414</u>	<u>822,786</u>
State awards:		
Texas General Land Office	112,912	
Texas Parks and Wildlife Department	<u>4,313</u>	<u> </u>
Total state awards	<u>117,225</u>	<u> </u>
Other grants:		
National Fish and Wildlife Foundation	6,702,714	182,211
Other	<u>82,927</u>	<u>142,422</u>
Total grant revenue	<u>\$ 8,500,280</u>	<u>\$ 1,147,419</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 May 24, 2024, 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.
