

SOUNDWATERS, INC.
Independent Auditors' Report
Financial Statements
June 30, 2024 and 2023



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
SoundWaters, Inc.

Opinion

We have audited the accompanying financial statements of SoundWaters, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SoundWaters, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SoundWaters, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 SoundWaters, Inc.'s ability to continue as a going concern within 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SoundWaters, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SoundWaters, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Hartford, Connecticut
October 10, 2024

SOUNDWATERS, INC.

Statements of Financial Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,652,150	\$ 2,665,467
Investments	2,442,379	2,006,993
Accounts receivable	257,835	80,881
Receivable from City of Stamford	260,000	689,413
Contributions receivable, current portion	670,691	1,081,146
Prepaid expenses	53,293	64,324
Other assets	284,125	178,020
Total current assets	<u>6,620,473</u>	<u>6,766,244</u>
Other Assets		
Property and equipment, net	11,125,704	11,309,674
Construction in progress	-	2,995
Contributions receivable, net of current portion	277,599	812,135
Donated use of property, net	282,816	283,809
Total assets	<u>\$ 18,306,592</u>	<u>\$ 19,174,857</u>
Liabilities and net assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 364,461	\$ 1,258,243
Deferred revenue	472,430	398,855
Total current liabilities	<u>836,891</u>	<u>1,657,098</u>
Other Liabilities		
Deferred compensation	253,436	147,203
Total liabilities	<u>1,090,327</u>	<u>1,804,301</u>
Net assets		
Without donor restrictions	14,639,396	14,971,069
With donor restrictions	2,576,869	2,399,487
Total net assets	<u>17,216,265</u>	<u>17,370,556</u>
Total liabilities and net assets	<u>\$ 18,306,592</u>	<u>\$ 19,174,857</u>

The accompanying notes are an integral part of the financial statements.

SOUNDWATERS, INC.

Statements of Activities

For the years ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Contributions	\$ 916,284	\$ 253,538	\$ 1,169,822	\$ 423,569	\$ 2,964,615	\$ 3,388,184
Contributed non-financial assets	56,731	-	56,731	56,876	297,327	354,203
Special events revenue	408,276	68,139	476,415	368,828	122,712	491,540
Net direct benefit to donors	(90,995)	-	(90,995)	(122,174)	-	(122,174)
Education programs and other revenue	884,036	-	884,036	884,455	-	884,455
Government grants - operations	844,256	-	844,256	230,077	-	230,077
Other revenue	28,768	-	28,768	41,817	-	41,817
Investment return	229,557	87,236	316,793	110,641	53,724	164,365
Net assets released from restrictions	231,531	(231,531)	-	6,359,717	(6,359,717)	-
Total public support and revenue	<u>3,508,444</u>	<u>177,382</u>	<u>3,685,826</u>	<u>8,353,806</u>	<u>(2,921,339)</u>	<u>5,432,467</u>
Expenses						
Program services	3,109,939	-	3,109,939	2,289,562	-	2,289,562
Management and general	308,612	-	308,612	268,760	-	268,760
Fund development	421,566	-	421,566	374,948	-	374,948
Total functional expenses	<u>3,840,117</u>	<u>-</u>	<u>3,840,117</u>	<u>2,933,270</u>	<u>-</u>	<u>2,933,270</u>
Change in net assets	(331,673)	177,382	(154,291)	5,420,536	(2,921,339)	2,499,197
Net assets, beginning of year	<u>14,971,069</u>	<u>2,399,487</u>	<u>17,370,556</u>	<u>9,550,533</u>	<u>5,320,826</u>	<u>14,871,359</u>
Net assets, end of year	<u>\$ 14,639,396</u>	<u>\$ 2,576,869</u>	<u>\$ 17,216,265</u>	<u>\$ 14,971,069</u>	<u>\$ 2,399,487</u>	<u>\$ 17,370,556</u>

The accompanying notes are an integral part of the financial statements.

SOUNDWATERS, INC.

Statement of Functional Expenses

For the year ended June 30, 2024

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Development</u>	<u>Totals</u>
Salaries and related expenses	\$ 1,456,979	\$ 222,508	\$ 305,065	\$ 1,984,552
Supplies	215,084	672	15,601	231,357
Transportation	9,729	-	1,834	11,563
Food	34,603	1,221	56,829	92,653
Occupancy	139,098	478	36,697	176,273
Postage and freight	1,107	553	5,598	7,258
Printing and publications	15,953	111	7,221	23,285
Advertising and marketing	50,740	-	16,576	67,316
Professional fees	154,415	56,690	54,686	265,791
Meetings, dues and subscriptions	6,735	3,426	1,917	12,078
Maintenance	417,930	6,451	-	424,381
Telephone	9,042	87	-	9,129
Insurance	172,800	4,367	-	177,167
Merchant fees	24,148	-	10,537	34,685
Other expenses	12,014	-	-	12,014
Depreciation	389,562	12,048	-	401,610
	<u>3,109,939</u>	<u>308,612</u>	<u>512,561</u>	<u>3,931,112</u>
Less: net direct benefit to donors recorded on statement of activities	<u>-</u>	<u>-</u>	<u>(90,995)</u>	<u>(90,995)</u>
Total expenses	<u>\$ 3,109,939</u>	<u>\$ 308,612</u>	<u>\$ 421,566</u>	<u>\$ 3,840,117</u>

The accompanying notes are an integral part of the financial statements.

SOUNDWATERS, INC.

Statement of Functional Expenses

For the year ended June 30, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Development</u>	<u>Totals</u>
Salaries and related expenses	\$ 1,243,002	\$ 215,622	\$ 228,993	\$ 1,687,617
Supplies	164,862	2,123	20,041	187,026
Transportation	9,011	-	903	9,914
Food	31,883	1,686	67,546	101,115
Occupancy	134,840	315	52,661	187,816
Postage and freight	448	223	2,364	3,035
Printing and publications	12,111	388	6,393	18,892
Advertising and marketing	33,647	-	3,055	36,702
Professional fees	108,174	34,553	74,208	216,935
Meetings, dues and subscriptions	6,326	1,498	25,764	33,588
Maintenance	117,849	4,745	-	122,594
Telephone	17,672	338	-	18,010
Insurance	135,595	3,172	-	138,767
Merchant fees	21,377	-	4,131	25,508
Other expenses	9,910	-	8,003	17,913
Depreciation	242,855	7,511	3,060	253,426
Provision for bad debt	-	(3,414)	-	(3,414)
	<u>2,289,562</u>	<u>268,760</u>	<u>497,122</u>	<u>3,055,444</u>
Less: net direct benefit to donors recorded on statement of activities	-	-	(122,174)	(122,174)
Total expenses	<u>\$ 2,289,562</u>	<u>\$ 268,760</u>	<u>\$ 374,948</u>	<u>\$ 2,933,270</u>

The accompanying notes are an integral part of the financial statements.

SOUNDWATERS, INC.

Statements of Cash Flows

For the years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ (154,291)	\$ 2,499,197
Adjustments to reconcile change in net assets to change in cash from operating activities:		
Depreciation	401,610	253,426
Realized and unrealized gain on investments	(170,069)	(115,649)
Contributions with perpetual donor restrictions	-	(25,000)
Donated use of property	993	(283,809)
(Increase)/decrease in operating assets:		
Accounts receivable	(176,954)	10,027
Receivable from City of Stamford	429,413	(389,781)
Contributions receivable	944,991	834,878
Prepaid expenses	11,031	7,607
Other assets	(106,105)	3,743
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	(893,782)	660,682
Deferred revenue	73,575	27,012
Deferred compensation	106,233	28,174
Change in cash from operating activities	<u>466,645</u>	<u>3,510,507</u>
Cash flows from investing activities		
Proceeds from the sale of investments	66,172	(92,042)
Purchases of investments	(331,489)	(102,892)
Payments for construction in progress	-	(3,087,647)
Purchases of property and equipment	(214,645)	(44,746)
Change in cash from investing activities	<u>(479,962)</u>	<u>(3,327,327)</u>
Cash flows from financing activities		
Contributions with perpetual donor restrictions	-	25,000
Change in cash from financing activities	<u>-</u>	<u>25,000</u>
Net change in cash and cash equivalents	(13,317)	208,180
Cash and cash equivalents, beginning of year	<u>2,665,467</u>	<u>2,457,287</u>
Cash and cash equivalents, end of year	<u>\$ 2,652,150</u>	<u>\$ 2,665,467</u>

The accompanying notes are an integral part of the financial statements.

SOUNDWATERS, INC.

Notes to Financial Statements

June 30, 2024 and 2023

NOTE 1 – THE ORGANIZATION

SoundWaters, Inc. (“SoundWaters” or the “Organization”) is a not-for-profit organization whose mission is to protect Long Island Sound through education. We enrich our community and protect our environment through teaching, training, sailing and research on Long Island Sound. The Organization’s goal is a sustainable environment where people have a passion for the Long Island Sound, where students succeed and our community thrives.

SoundWaters has sustained relationships built on shared values and trust for over 30 years that include community, school, business, and political leaders. The Organization is committed to ensuring that no child or school will be excluded from our programs due to an inability to pay. Overall, over half of the students we teach are from low-income communities and receive full or partial scholarship assistance.

The Organization began in 1990 with the acquisition of the 80-foot, 3-masted Schooner SoundWaters, reaching several hundred students aboard ship in its first year. Over thirty years later, SoundWaters now reaches and teaches approximately 27,000 young people from over 110 schools in programs that range from climate science education research, water quality research, marine job training, small-boat sailing, mentoring, and advanced high school internships.

SoundWaters’ Coastal Education Center provides an ideal environment for teaching thousands of students each year. With classroom, aquarium, and lab space inside, and Long Island Sound and Holly Pond in its backyard, the Coastal Education Center enables SoundWaters to welcome schools and students 12 months a year. The Organization’s new site at Stamford Harbor, the Cohen SoundWaters Harbor Center, offers ideal space for sailing, water quality research, aquaculture and more. The schooner sails from April through October with classrooms of students from its home port of Stamford as well as traveling to a dozen harbors throughout the region.

In addition to the wide range of education programs, SoundWaters also offers programs for the broader community - all with the goal of providing a way for people to develop a meaningful connection with the local environment. This year SoundWaters connected over 6,500 people to our local environment through these programs, which range from public sails to paddle sports to coastal clean-ups and more. Through all of these programs, resources, and a great team of people, SoundWaters makes Long Island Sound accessible to all, thereby creating a legacy of joyful learning and lifelong stewardship. SoundWaters believes that a healthy community is a human right and works every day to make this a reality for all.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles in the United States of America.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets - Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Organization or the passage of time, stipulations that they be maintained permanently by the Organization, and unappropriated endowment earnings.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts and Contributions Receivable - The Organization carries accounts and contributions receivable at cost and uses the specific write-off method for doubtful accounts. Experience and management's estimation indicate receivables are fully collectible. On a periodic basis, the Organization evaluates its accounts receivable and whether the balances are collectible.

Investments - Investments are recorded at fair value with unrealized gains and losses included in the statements of activities. The Organization reports investment income and gains and losses as increases or decreases in net assets without donor restrictions in the statements of activities unless a donor or law restricts their use.

Fair Value Measurements - The Organization measures certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. An entity is required to classify certain assets and liabilities measured at fair value based on the following fair value hierarchy that prioritizes the inputs used to measure fair value:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and may be derived from internally developed methodologies based on management's best estimates.

The following is a description of the valuation methodologies used for assets measured at fair value:

Equities and Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at the price. The funds held by the Organization are deemed to be actively traded.

There have been no changes in the methodologies used at June 30, 2024 and 2023. The fair values of all investments are determined using quoted prices for identical assets in active markets in which the Organization has access (Level 1).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment - Property and equipment are carried at cost or at fair values on donation date if contributed, less accumulated depreciation. Gifts of property and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used, in which case they are reported as support with donor restrictions. Absent explicit donor stipulations about how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Equipment purchased for a value of \$5,000 or greater is capitalized. Repairs and maintenance to existing facilities are charged as expenses as incurred. The Organization uses the direct expensing method for accounting for planned major maintenance activities.

Depreciation is determined by use of the straight-line method over the following useful lives. Presently, three years is used for office equipment, five to seven years for office and boating equipment, ten years for exhibits, displays, and smaller boats, twenty years for the Schooner *SoundWaters*, and thirty-nine years for buildings and leasehold improvements.

Revenue Recognition

Contributions: Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions. If a donor restriction is fulfilled in the same time period in which the contribution is received, the Organization recognizes the support as without donor restrictions. Donations that are intended to be held in perpetuity by the donor, from which *SoundWaters*' may utilize only the income, are recorded in the net assets with donor restrictions class.

Contributions receivable: Unconditional pledges are recognized as revenue in the period received and recorded as assets or decreases of liabilities or expenses, depending on the form of the benefits received. Conditional pledges are recognized when the conditions on which they depend are substantially met.

Contributed non-financial assets: The Organization receives a substantial amount of volunteer services in carrying out its programs and activities. Volunteers perform various administrative, fiscal advisory and fundraising functions. However, no amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition. Contributed services are not recognized unless the donated services create or enhance non-financial assets or require specialized skills that would typically be purchased if not donated. In-kind contributions are measured at the fair value of the asset transferred to the Organization, or the liability cancelled or settled.

Government grants: The Organization follows the *Not-for-Profit Revenue Recognition* top of the Accounting Standards Codification. Grants and contracts, as with all contributions, are recognized as revenue when barriers within the contract are overcome, and there is no right of return. Grants and contracts amounted to \$844,256 and \$230,077 for the years ended June 30, 2024 and 2023, respectively, and are included as revenue in the statements of activities. There are instances when the Organization receives advances from the governmental funding sources. Such advances are recorded as refundable advances from governmental agencies in the accompanying statements of financial position, if applicable.

Education programs and other: The Organization receives revenue from camp fees, kayak and paddleboard rentals, Young Mariner's fees and various other program services fees which are accounted for under Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09. Revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the contracted services. For facility rentals, the Organization bills for direct costs based on a contract, or when services are performed. Receivables require a deposit or are due in full when billed and revenue is recognized as performance obligations are satisfied.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Performance obligations are determined based on the nature of the services provided by the Organization in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. There are no performance obligations or contract balances that are unsatisfied as of June 30, 2024 and 2023.

Balances relating to contracts with customers are as follows:

	Contract Balances	
	Receivables	Liabilities
July 1, 2022	\$ 87,781	\$ 371,843
June 30, 2023	80,881	398,855
June 30, 2024	257,835	472,430

Functional Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that are consistently applied. The expenses that are allocated include occupancy and depreciation, as well as salaries and related expenses, which are based on time and effort within each functional area. Postage and freight, printing and publications, and merchant fees are based on expenses tracked by account across functions. Supplies, office and computer expenses and telephone are based on staff usage.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Management regularly assesses these estimates and, while actual results may differ from these estimates, management believes that material changes will not occur in the near term.

Income Taxes - The Organization is exempt from federal income taxes under Internal Revenue Code section 501(c)(3). Contributions made to the Organization are qualified for the maximum tax deductions allowable under the United States Internal Revenue Code.

Uncertainty in Income Taxes - The Organization evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of June 30, 2024, the Organization does not believe that it has taken any positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year.

Subsequent Events Measurement Date - The Organization monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the fiscal year ended June 30, 2024 through October 10, 2024, the date on which the financial statements were available to be issued.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. SoundWaters has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing program activities as well as services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next twelve months, the Organization anticipates collecting sufficient revenue from both unrestricted and restricted sources to cover general expenditures.

As of June 30, the Organization’s financial assets available to meet general expenditures over the next twelve months were as follows:

	<u>2024</u>	<u>2023</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 2,652,150	\$ 2,665,467
Investments	2,442,379	2,006,993
Accounts receivable	257,835	80,881
Contributions receivable, current portion	<u>670,691</u>	<u>1,081,146</u>
Total financial assets	<u>6,023,055</u>	<u>5,834,487</u>
Less amounts not available to be used within one year:		
Endowment funds - board designated	(1,396,921)	(1,053,421)
Endowment funds - donor restricted	<u>(1,142,766)</u>	<u>(1,030,530)</u>
	<u>(2,539,687)</u>	<u>(2,083,951)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,483,368</u>	<u>\$ 3,750,536</u>

As part of the Organization’s liquidity management plan, SoundWaters invests cash in excess of daily requirements in short-term investments. Occasionally, the Board of Directors (“Board”) designates a portion of any operating surplus to operating reserve. This reserve, established by the Board, may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress. The Organization has access to a line of credit as well.

NOTE 4 – INVESTMENTS

Investments are maintained at major financial institutions and carried at fair value. They consisted of the following at June 30,:

	<u>2024</u>	<u>2023</u>
Equities	\$ 178,835	\$ 146,577
Mutual funds - fixed income	931,967	743,949
Mutual funds - equities	<u>1,331,577</u>	<u>1,116,467</u>
 Total investments	 <u>\$ 2,442,379</u>	 <u>\$ 2,006,993</u>

Investment return is summarized as follows for the years ended June 30,:

	<u>2024</u>	<u>2023</u>
Interest and dividend income, net	\$ 106,489	\$ 48,716
Net realized and unrealized gains	<u>170,069</u>	<u>115,649</u>
 Total investment return	 <u>\$ 276,558</u>	 <u>\$ 164,365</u>

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable represent promises to give payable from individuals and private organizations over periods of up to five years. Contributions receivable classified as a non-current asset are contributions expected to be received between one and five years. Contributions receivable due in more than one year are discounted at 6%. No allowance has been established for bad debt as of June 30, 2024 and 2023.

Unconditional contributions receivable are expected to be collected as follows at June 30,:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 670,691	\$ 1,081,146
Receivable in one to five years	<u>297,331</u>	<u>812,135</u>
	968,022	1,893,281
Less: discounts to net present value	<u>(19,732)</u>	<u>-</u>
 Net contributions receivable	 <u>\$ 948,290</u>	 <u>\$ 1,893,281</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30,:

	<u>2024</u>	<u>2023</u>
Building - Harbor Center	\$ 9,997,629	\$ 9,960,542
Leasehold improvements	2,321,042	2,236,633
Schooner <i>SoundWaters</i>	729,328	729,328
Small boats	398,594	332,658
Office equipment	403,347	373,139
Exhibits and displays	425,553	425,553
	<u>14,275,493</u>	<u>14,057,853</u>
Less: accumulated depreciation	<u>(3,149,789)</u>	<u>(2,748,179)</u>
Net property and equipment	<u>\$ 11,125,704</u>	<u>\$ 11,309,674</u>

NOTE 7 – DONATED FUTURE USE OF PROPERTY

SoundWaters is a party to two long-term lease agreements with the City of Stamford (the “City”). One lease is for use of a section of land in John J. Boccuzzi Park in Stamford upon which the Organization built the Harbor Center, placed in service in November 2022. This lease, also for \$1 per year, runs from October 2019 for 50 years, terminating in 2069. The Organization uses this building for its Young Mariners and high school education programs, marine trade job training programs and some administrative offices.

The second lease is for a building in Cove Island Park. The building is on the National Historic Register and the lease with the City began in October 1999. SoundWaters renovated the building and will pay the City an annual minimum rent of \$1 for 30 years, until 2029, with a negotiated minimum rent for an additional 20 years thereafter. The Organization uses the building as the SoundWaters Coastal Education Center and most of its administrative offices.

Since the cost of the original renovations of the Cove Island building exceeded the fair rental value of the property over the term of the lease agreement, the Organization has not recorded any contribution income in connection with the use of the facility.

Management has determined the present value of the balance of the donated future use of the John J. Boccuzzi Park property to be the following at June 30,:

	<u>2024</u>	<u>2023</u>
Donated future use of property	\$ 869,650	\$ 887,674
Less: discount	<u>(586,834)</u>	<u>(603,865)</u>
Net donated future use of property	<u>\$ 282,816</u>	<u>\$ 283,809</u>

The amount was computed using a discount rate of 6% and is being amortized over the remaining life of the lease. Donated occupancy expense of \$18,024 and a contribution of \$17,031 was recognized for the year ended June 30, 2024.

NOTE 8 – LINES OF CREDIT

Line of Credit - SoundWaters maintains a \$375,000 line of credit with a bank at 9.5% at June 30, 2024 and 9.25% at June 30, 2023 (1% over the bank's prime lending rate). The line of credit is renewed annually and bears interest at 1% over the bank's prime lending rate, which is payable monthly. There were no amounts outstanding on the line at June 30, 2024 and 2023.

Secured Loan - In June 2021, the Organization entered into a loan agreement to make available a revolving line of credit (the "Secured Line"). The Secured Line is secured by investments held by the Organization without donor restrictions. The Organization may draw down up to fifty percent of assets held in the investment account. Interest, at a rate of 2% over the Secured Overnight Finance Rate (8.525% and 7.062% at June 30, 2024 and 2023, respectively), is payable monthly. There were no amounts outstanding on the note at June 30, 2024 and 2023.

NOTE 9 – NET ASSETS

Net assets with donor restrictions were as follows as of June 30,:

	2024	2023
Unappropriated endowment funds	\$ 309,149	\$ 221,913
Endowment assets held in perpetuity	833,617	808,617
Total endowment	<u>1,142,766</u>	<u>1,030,530</u>
Purpose and time restricted net assets		
Donated use of property	282,816	283,809
Scholarship	384,226	414,558
Education	573,599	465,590
Other	<u>193,462</u>	<u>205,000</u>
Total net assets with donor restrictions	<u>\$ 2,576,869</u>	<u>\$ 2,399,487</u>

Net assets were released from restrictions by incurring expenses satisfying the following purposes or due to the passage of time were as follows for the years ended June 30,:

	2024	2023
Scholarship	\$ 45,979	\$ 202,308
Education	155,990	324,194
Capital Campaign - Harbor Center	-	5,717,697
Donated use of property	18,024	13,518
Other	<u>11,538</u>	<u>102,000</u>
Total net assets released from restrictions	<u>\$ 231,531</u>	<u>\$ 6,359,717</u>

The Organization's Board has interpreted the State of Connecticut's Uniform Prudent Management of Institutional Funds Act ("CUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization currently classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

NOTE 9 – NET ASSETS (CONTINUED)

In accordance with the CUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund,
2. The purposes of the Organization and the donor-restricted fund,
3. General economic conditions,
4. The possible effect of inflation and deflation,
5. The expected total return from income and the appreciation of investments,
6. Other resources of the Organization, and
7. The investment policies of the Organization.

Investments are managed in accordance with the Organization’s Board-approved investment and spending policies. The primary investment objective is to preserve and enhance the assets by earning a competitive return from investment income without exposing the assets to undue long-term risk.

The endowment is comprised of the following at June 30,:

	<u>2024</u>	<u>2023</u>
Cash	\$ 97,308	\$ 76,958
Investments	<u>2,442,379</u>	<u>2,006,993</u>
 Total endowment	 <u>\$ 2,539,687</u>	 <u>\$ 2,083,951</u>

Changes in endowment net assets for the years ended June 30,:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment, July 1, 2022	\$ 951,027	\$ 951,806	\$ 1,902,833
Investment income, net	21,927	13,542	35,469
Realized and unrealized gains/(losses)	75,467	40,182	115,649
Additions	<u>5,000</u>	<u>25,000</u>	<u>30,000</u>
 Endowment, June 30, 2023	 1,053,421	 1,030,530	 2,083,951
Investment income, net	37,706	22,961	60,667
Realized and unrealized gains/(losses)	105,794	64,275	170,069
Transfer	(25,000)	25,000	-
Additions	<u>225,000</u>	<u>-</u>	<u>225,000</u>
 Endowment, June 30, 2024	 <u>\$ 1,396,921</u>	 <u>\$ 1,142,766</u>	 <u>\$ 2,539,687</u>

The Organization’s endowment consists of \$833,617 and \$808,617 as of June 30, 2024 and 2023, respectively, of donations that are intended to be held in perpetuity. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 10 – CONTRIBUTED NON-FINANCIAL ASSETS

The Organization recognized contributed financial assets within revenue, including materials, equipment, services, and free use of facilities. The Organization was provided free use of facilities for office and dock space. The facilities are provided at no cost to the Organization. Based on current market rates for rental facilities the Organization would have paid \$20,700 in each year. In addition, utilities for the office space valued at \$36,000 in each year were donated. The Organization's policy related to small boats and equipment is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset. All non-financial assets received by the Organization for the years ended June 30, 2024 and 2023, except for the future use of donated property, were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

NOTE 11 – TAX DEFERRED ANNUITY PLAN

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers substantially all employees. Employees may elect to have withholdings from wages up to the maximum allowable under the Internal Revenue Code. The Organization's contributions to the plan were \$26,214 and \$22,804 during the years ended June 30, 2024 and 2023, respectively.

NOTE 12 – DEFERRED COMPENSATION PLAN

Two deferred compensation plans were established in 2015 for the benefit of the President of the Organization. The first plan allows for an elective deferral by the employee. SoundWaters can but has not made a discretionary contribution to this plan. The balances in this plan are payable at time of employment termination.

The second plan is funded by SoundWaters and vests over a three-year period with distribution required immediately after. The next distribution will be in July 2025.

Contributions to the plans totaled \$31,901 and \$14,560 for the years ended June 30, 2024 and 2023, respectively, and plan assets totaling \$253,436 and \$147,203, respectively, are included on the statements of financial position along with a matching liability.

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