



**SOUNDWATERS, INC.**

**Financial Statements  
(Together with Independent Auditors' Report)**

**For the Years Ended June 30, 2021 and 2020**

**MARKS PANETH**

ACCOUNTANTS & ADVISORS

**SOUNDWATERS, INC.**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
SoundWaters, Inc.

We have audited the accompanying financial statements of SoundWaters, Inc., (the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's 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 SoundWaters, Inc. as of June 30, 2021 and 2020, 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.

*Marks Paneth* CP

Purchase, NY  
October 25, 2021

**SOUNDWATERS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,056,727	\$ 1,316,674
Investments	2,065,105	3,261,009
Accounts receivable	104,986	135,600
Contributions receivable, current portion	1,045,840	461,126
Prepaid expenses	62,293	69,241
Other assets	21,114	26,368
<b>Total Current Assets</b>	<b>8,356,065</b>	<b>5,270,018</b>
<b>Property and equipment, net</b>	<b>1,191,765</b>	<b>1,370,580</b>
<b>Construction in progress</b>	<b>959,871</b>	<b>137,887</b>
<b>Contributions receivable, net of current portion</b>	<b>1,999,015</b>	<b>94,772</b>
 <b>TOTAL ASSETS</b>	 <b>\$ 12,506,716</b>	 <b>\$ 6,873,257</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 219,255	\$ 132,175
Deferred revenue	516,331	333,773
Refundable advances	-	171,919
Paycheck Protection Program Loan Payable, current portion	26,154	91,441
<b>Total Current Liabilities</b>	<b>761,740</b>	<b>729,308</b>
<b>Paycheck Protection Program Loan Payable, long-term portion</b>	<b>194,006</b>	<b>116,473</b>
<b>Deferred compensation</b>	<b>103,509</b>	<b>94,752</b>
 <b>TOTAL LIABILITIES</b>	 <b>1,059,255</b>	 <b>940,533</b>
<b>Net Assets</b>		
Without donor restrictions	3,034,588	1,886,792
With donor restrictions	8,412,873	4,045,932
<b>Total Net Assets</b>	<b>11,447,461</b>	<b>5,932,724</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 12,506,716</b>	 <b>\$ 6,873,257</b>

See accompanying notes to financial statements.

**SOUNDWATERS, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>			<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTAL</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTAL</u>
<b>Public Support and Revenue</b>						
Direct support, net of discount on pledges	\$ 563,733	\$ 5,726,195	\$ 6,289,928	\$ 537,321	\$ 1,573,079	\$ 2,110,400
Special events revenue	58,664	-	58,664	86,749	-	86,749
Education programs and other revenue	615,272	-	615,272	705,388	-	705,388
Government grants - operations	147,506	-	147,506	202,114	-	202,114
Forgiveness of Paycheck Protection Program Loan	209,549	-	209,549	-	-	-
Other revenue	19,608	-	19,608	28,108	-	28,108
Investment return	217,070	196,622	413,692	70,582	46,495	117,077
Net assets released from restrictions	1,555,876	(1,555,876)	-	443,711	(443,711)	-
Total Public Support and Revenue	<u>3,387,278</u>	<u>4,366,941</u>	<u>7,754,219</u>	<u>2,073,973</u>	<u>1,175,863</u>	<u>3,249,836</u>
<b>Expenses</b>						
<b>Functional Expenses</b>						
Program services	1,386,258	-	1,386,258	1,543,823	-	1,543,823
Management and general	254,683	-	254,683	186,084	-	186,084
Fund development	479,453	-	479,453	272,232	-	272,232
Total Functional Expenses	2,120,394	-	2,120,394	2,002,139	-	2,002,139
Loss on impairment of fixed asset	119,088	-	119,088	-	-	-
Total Expenses	<u>2,239,482</u>	<u>-</u>	<u>2,239,482</u>	<u>2,002,139</u>	<u>-</u>	<u>2,002,139</u>
<b><u>CHANGE IN NET ASSETS</u></b>	1,147,796	4,366,941	5,514,737	71,834	1,175,863	1,247,697
Net assets - beginning of year	<u>1,886,792</u>	<u>4,045,932</u>	<u>5,932,724</u>	<u>1,814,958</u>	<u>2,870,069</u>	<u>4,685,027</u>
Net assets - end of year	<u>\$ 3,034,588</u>	<u>\$ 8,412,873</u>	<u>\$ 11,447,461</u>	<u>\$ 1,886,792</u>	<u>\$ 4,045,932</u>	<u>\$ 5,932,724</u>

See accompanying notes to financial statements.

**SOUNDWATERS, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>				<u>2020</u>			
	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND DEVELOPMENT</u>	<u>TOTAL</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND DEVELOPMENT</u>	<u>TOTAL</u>
Salaries and related expenses	\$ 863,162	\$ 203,327	\$ 153,967	\$ 1,220,456	\$ 1,029,071	\$ 132,920	\$ 146,033	\$ 1,308,024
Supplies	56,368	3,668	19,389	79,425	58,412	2,389	13,236	74,037
Transportation	5,075	156	59	5,290	14,273	1,501	117	15,891
Food	3,343	530	755	4,628	12,222	4,624	1,177	18,023
Occupancy	94,630	233	-	94,863	94,082	155	4,365	98,602
Postage and freight	3,456	382	3,826	7,664	1,967	766	3,212	5,945
Printing	4,976	333	6,930	12,239	5,753	429	7,839	14,021
Advertising and marketing	10,077	337	5,600	16,014	8,919	15	8,240	17,174
Professional fees	78,110	29,180	270,791	378,081	55,325	28,631	52,448	136,404
Meetings, dues and subscriptions	6,846	926	1,051	8,823	7,071	285	898	8,254
Maintenance	44,154	3,247	3,247	50,648	55,442	3,753	3,754	62,949
Telephone	12,176	1,302	1,301	14,779	11,482	1,147	1,146	13,775
Insurance	79,174	2,818	2,818	84,810	76,391	2,708	2,709	81,808
Interest	-	1,635	-	1,635	-	-	-	-
Merchant fees	18,013	-	4,110	22,123	-	-	20,845	20,845
Other expenses	5,746	1,000	-	6,746	1,567	547	-	2,114
Depreciation	100,952	5,609	5,609	112,170	111,846	6,214	6,213	124,273
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,386,258</b>	<b>\$ 254,683</b>	<b>\$ 479,453</b>	<b>\$ 2,120,394</b>	<b>\$ 1,543,823</b>	<b>\$ 186,084</b>	<b>\$ 272,232</b>	<b>\$ 2,002,139</b>

See accompanying notes to financial statements.

**SOUNDWATERS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	<u>\$ 5,514,737</u>	<u>\$ 1,247,697</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	112,170	124,273
Realized and unrealized gain on investments	(376,205)	(65,228)
Loss on impairment of fixed asset	119,088	-
Forgiveness of debt - Paycheck Protection Program loan payable	(207,914)	-
Changes in Operating Assets and Liabilities:		
Accounts receivable	30,614	45,570
Contributions receivable	(2,488,957)	(161,178)
Prepaid expenses	6,948	(5,283)
Other assets	5,254	(7,527)
Accounts payable	87,080	(76,773)
Deferred revenue	182,558	(121,322)
Deferred compensation	8,757	19,000
Refundable advances	<u>(171,919)</u>	<u>171,919</u>
Total Adjustments	<u>(2,692,526)</u>	<u>(76,549)</u>
Net Cash Provided by Operating Activities	<u>2,822,211</u>	<u>1,171,148</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of investments	1,673,004	754,790
Purchases of investments	(100,895)	(1,246,832)
Purchases of property and equipment	<u>(874,427)</u>	<u>(107,461)</u>
Net Cash Provided by (Used in) Investing Activities	<u>697,682</u>	<u>(599,503)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program Loan	<u>220,160</u>	<u>207,914</u>
Net Cash Provided by Financing Activities	<u>220,160</u>	<u>207,914</u>
<b><u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u></b>	<b>3,740,053</b>	<b>779,559</b>
Cash and cash equivalents - beginning of year	<u>1,316,674</u>	<u>537,115</u>
Cash and cash equivalents - end of year	<u><u>\$ 5,056,727</u></u>	<u><u>\$ 1,316,674</u></u>

See accompanying notes to financial statements.

**SOUNDWATERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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. Our 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. SoundWaters is committed to ensuring that no child or school will be excluded from our programs due to an inability to pay. Overall, nearly one half of the students we teach are from low-income communities and receive full or partial scholarship assistance.

SoundWaters began in 1990 with a small team, a big dream, and one special ship: the 80-foot, 3-masted Schooner *SoundWaters*. In our first year we reached a few hundred students aboard ship. Thirty years later, SoundWaters now reaches and teaches approximately 35,000 young people from over 150 schools in programs that range from citizen-based research, long-term plankton studies, small-boat sailing, mentoring, advanced high school internships, and pre-K immersion science programs.

Our 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. Our new site at Stamford Harbor – currently a temporary site and soon to be built out as the 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. In 2021, SoundWaters connected over 5,000 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 – STAMFORD HARBOR CENTER**

Through the acquisition of the Young Mariners Foundation in January 2016, the SoundWaters acquired a lease with the City of Stamford for the use of waterfront property located at John J. Boccuzzi Park (the “Park”). The lease provided for the construction of a permanent facility and marina that would serve as Young Mariners primary base for sailing instruction in Stamford. Rent due under the lease is one dollar per year to be paid to the City of Stamford throughout the lease term.

In 2019, the lease was amended to, among other things, insert SoundWaters as the lessee for a period of fifty years. The City of Stamford agreed to the lease amendment to accommodate the SoundWaters’ plan to build the Stamford Harbor Center, a new educational facility to be located at the lease site (the “Project”). The management of SoundWaters has estimated the rental value of the property by reference to the values of other similar properties in the area. The estimated rental value of the property was \$16,800 in each of the years ended June 30, 2021 and 2020. These amounts are reflected as both general contributions and facilities expenses in the accompanying statements of activities and change in net assets. Management has also estimated the value of the conditional pledge for the lease of land on which the Project will be constructed to be approximately \$1,125,000. In accordance with generally accepted accounting principles in the United States, this amount will be recorded as a contribution receivable once all contingencies in the lease agreement have been satisfied.

**SOUNDWATERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2 – STAMFORD HARBOR CENTER (Continued)**

The Project commenced in October 2019 and is expected to be completed in the spring of 2022, in time to accommodate SoundWaters summer programming. The Project is currently budgeted at \$10,500,000. The entire funding for the Project will be generated from donor contributions.

SoundWaters has received a conditional \$2,000,000 grant from the State of Connecticut in support of the Project, of which \$125,000 was recorded as of June 30, 2021. The remaining portion of the grant will be recognized as the various provisions of the grant are met. These provisions include that the funds must be expended in accordance with the grant terms, and could be required to be returned if the entirety of the grant terms are not complied with.

Additionally, SoundWaters received a \$3,000,000 commitment from a donor, the first and second installments of \$1,000,000 each were received and recognized as revenue in the years ended June 30, 2021 and 2020, respectively. The final \$1,000,000 installment is contingent upon the substantial completion of the Project, as such this final installment is not included in these financial statements.

The Project is part of a multiphase improvement plan for the Park that has been approved by the City of Stamford. As required by the lease agreement, a portion of the City's first phase of this improvement plan included site upgrades necessary to accommodate the Harbor Center. In an effort to ensure that the Project is completed on time and within budget the SoundWaters Board of Directors authorized management to negotiate an agreement with the City of Stamford to oversee and execute this portion of the City's Park improvement plan as it directly impacts the operation and functionality of the Harbor Center.

Consequently, the City of Stamford and SoundWaters executed a First Amendment to Temporary Construction and Access Easement Agreement in which the city agreed to pay SoundWaters up to \$2,019,684 for trench, drainage and site work. On September 15, 2021, SoundWaters signed an \$87,500 project management agreement with Jones Lang LaSalle Americas, Inc. and a \$1,841,544 construction contract with Pavarini North East Construction Co., LLC to oversee and execute the trench, drainage and site work covered in the amendment. As construction on this work progresses, SoundWaters will review the progress, confirm the work has been completed in accordance with the City's instructions, and request payment from the City for work completed. There will be no financial impact to SoundWaters under these agreements unless the cost of these improvements exceeds the \$2,019,684 contracted amount with the City, which SoundWaters does not anticipate at this time.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Basis**

The Organization's financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") guidance on reporting information regarding its financial position and activities for not-for-profit organizations.

**Net Assets**

The Organization's 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.

**SOUNDWATERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition**

*Contributions:* The Organization reports gifts of cash and other assets 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 the Organization 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.

*Non-cash Contributions:* The Organization receives a substantial amount of volunteer services in carrying out its programs and activities. Volunteers perform various administrative 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.

*Program and Other Fees:* Program and other fees are recognized in the period services are performed in accordance with the terms of the contract or agreement.

Government grants and contracts are nonexchange transactions (contributions) and accounted for under Accounting Standards Update (“ASU”) 2018-08. 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 \$147,506 and \$202,114 for the years ended June 30, 2021 and 2020, respectively, and are included in the statements of activities and changes in net assets. 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.

**Camp Fees, Facility Rentals and Other Fees**

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 are due in full when billed and revenue is recognized as performance obligations are satisfied.

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, 2021.

**SOUNDWATERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Education programs and other revenue consist of camp fees, kayak and paddle board rental, young mariner’s academy and various program fees as follows, for the years ended June 30:

	<b>2021</b>	<b>2020</b>
Camp fees (net of scholarships and awards)	\$ 330,547	\$ 290,182
Kayak and paddleboard	83,226	47,268
Young mariner’s academy (net of scholarships)	27,401	95,483
Other program fees	174,098	272,455
 Total	 \$ 615,272	 \$ 705,388

**Property and Equipment**

Property and equipment are carried at cost, if purchased, or at fair values on dates donated, if contributed. The Organization reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used 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 \$1,000 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 computer 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.

**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 Organization values all of its investments using Level 1. Investments are presented at fair value as determined by methodologies relevant to each asset class with any related gain or loss reported in the statements of activities and change in net assets.

**Investment Securities**

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

**SOUNDWATERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Advertising and Marketing costs**

Advertising costs are expensed as incurred.

**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 an allowance for such accounts is immaterial. On a periodic basis, the Organization evaluates its accounts receivable and whether the balances are collectible.

**Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities and change in net assets. 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, which are allocated on a square footage basis, as well as salaries and wages, employee benefits and payroll taxes, which are based on time and effort within each functional area. Postage and shipping, printing and publications, and bank charges 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. The Organization 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.

**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, 2021, 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.

**Recently Adopted Accounting Standards**

The FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) was adopted for the year ended June 30, 2021. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services as described above.

**NOTE 4 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES**

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

**SOUNDWATERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 4 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES**  
**(Continued)**

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 to cover general expenditures not covered by donor-restricted resources.

As of June 30, the Organization’s financial assets were as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,056,727	\$ 1,316,674
Investments	2,065,105	3,261,009
Accounts receivable	104,986	135,600
Contributions receivable, net	<u>3,044,855</u>	<u>555,898</u>
Subtotal financial assets at year end	10,271,673	5,269,181
Less amounts with limits on usage:		
Spendable net assets with donor restrictions	(6,800,352)	(2,645,463)
Investments with restricted use	(115,615)	(106,752)
Endowment assets – board designated	(1,092,732)	(885,381)
Endowment assets with donor restrictions	<u>(1,036,178)</u>	<u>(839,555)</u>
Total financial assets available for general use within one year	<u>\$ 1,226,796</u>	<u>\$ 792,030</u>

As part of the Organization’s liquidity management plan, the Organization 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 5 – INVESTMENTS**

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

	<u>2021</u>	<u>2020</u>
Certificates of deposit	\$ -	\$ 1,523,628
Equities	317,255	347,008
Corporate bonds	-	110,534
Government and agency bonds	-	258,535
Mutual funds – equities	1,077,738	769,469
Mutual funds – fixed income	<u>670,112</u>	<u>251,835</u>
Total Investments	<u>\$ 2,065,105</u>	<u>\$ 3,261,009</u>

**SOUNDWATERS, INC.**  
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**NOTE 5 – INVESTMENTS (Continued)**

Investment return is summarized as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 55,428	\$ 69,461
Net realized and unrealized gains on investments	376,205	65,228
Investment expenses	<u>(17,941)</u>	<u>(17,612)</u>
 Total Investment Return	 <u>\$ 413,692</u>	 <u>\$ 117,077</u>

**NOTE 6 – ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 99,756	\$ 68,138
Other receivables	<u>5,230</u>	<u>67,462</u>
 Total Accounts Receivable	 <u>\$ 104,986</u>	 <u>\$ 135,600</u>

**NOTE 7 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable at June 30 represents 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 within the next five years. Contributions receivable at June 30, 2021 and 2020 are net of a present value discount of \$78,838 and \$5,197, respectively.

**NOTE 8 – PROPERTY AND EQUIPMENT**

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

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 2,045,797	\$ 2,173,597
Schooner <i>SoundWaters</i>	729,328	726,228
Small boats	264,620	237,790
Office equipment	131,063	125,749
Exhibits and displays	<u>425,553</u>	<u>425,553</u>
	3,596,361	3,688,917
Less: accumulated depreciation	<u>(2,404,596)</u>	<u>(2,318,337)</u>
 Total Property and Equipment, net	 <u>\$ 1,191,765</u>	 <u>\$ 1,370,580</u>

During the year, the Organization determined that a dredging project with a cost of \$145,000 and accumulated depreciation of \$25,912 was impaired and no longer had value. The excess of net book value was recognized as a loss on impairment of assets in the accompanying statement of activities for the year ended June 30, 2021.

**SOUNDWATERS, INC.**  
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**NOTE 9 – DEFERRED REVENUE**

SoundWaters receives summer camp and various other program fees in advance of operating the programs.

**NOTE 10 – REFUNDABLE ADVANCES**

Refundable advances consist primarily of special event underwriting and ticket revenues for events that will take place in the next fiscal year.

**NOTE 11 – LOANS AND NOTES PAYABLE**

**Line of Credit**

SoundWaters maintains a \$375,000 line of credit with a bank. at 4.25% at both June 30, 2021 and 2020 (1% over the bank's prime lending rate). The line of credit is renewed annually and bears interest at 4.25% (1% over the bank's prime lending rate), which is payable monthly. There were no amounts outstanding on the lines at June 30, 2021 or 2020.

Interest incurred and paid to all sources during the years ended June 30, 2021 and 2020 was \$1,635 and \$0, respectively.

**Paycheck Protection Program Loan**

On April 22, 2020, the Organization qualified for and received a loan pursuant to the first draw from the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$207,914 (the "PPP Loan One"). In March 2020, the Organization received notification from the lender that the PPP Loan One was fully forgiven as such, the amount was "recognized" as income.

On February 23, 2021, the Organization received a second loan pursuant to the Paycheck Protection Program, for an aggregate principal amount of \$220,160 (the "PPP Loan Two"). The PPP Loan Two bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan Two is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan Two proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization.

The Organization applied for forgiveness of PPP Loan Two on October 12, 2021 and is awaiting the SBA's decision. To the extent that all or part of the PPP Loan Two is not forgiven, the Organization will be required to pay interest on the loan at a fixed rate of 1.0% per annum, and commencing in January 2022, principal and interest payments will be required through the maturity date in February 2026.

**SOUNDWATERS, INC.  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 – LOANS AND NOTES PAYABLE (Continued)**

The terms of the PPP Two Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan Two may be accelerated upon the occurrence of an event of default. Principal payments on this debt, if not forgiven, will be as follows:

2022	\$ 26,154
2023	<u>194,006</u>
Total PPP Two Loan Payable	<u>\$ 220,160</u>

**NOTE 12 – NET ASSETS**

Net assets with donor restrictions were available for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
Unappropriated endowment funds	\$ 302,561	\$ 105,938
Endowment assets held in perpetuity	<u>733,617</u>	<u>733,617</u>
Total Endowment	1,036,178	839,555
Purpose and time restricted net assets		
Scholarship	182,043	242,114
Education	394,300	318,800
Capital Campaign – Harbor project	<u>6,800,352</u>	<u>2,645,463</u>
Total Net Assets with Donor Restrictions	<u>\$ 8,412,873</u>	<u>\$ 4,045,932</u>

Net assets released from restrictions during each year were:

	<u>2021</u>	<u>2020</u>
Scholarship	\$ 224,456	\$ 154,239
Education	349,800	195,144
Capital Campaign – Harbor project	959,870	54,181
Other	<u>21,750</u>	<u>40,147</u>
Total Net Assets Released from Restriction	<u>\$ 1,555,876</u>	<u>\$ 443,711</u>

The Organization's endowment consists of \$733,617 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.

**Interpretation of Relevant Endowment Law**

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.

**SOUNDWATERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 – 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.

Changes in endowment net assets for the years ended June 30, 2021 and 2020:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year at July 1, 2019	\$ 838,585	\$ 833,207	\$ 1,671,792
Investment return:			
Investment income	22,911	22,764	45,675
Net appreciation (realized and unrealized)	32,719	32,509	65,228
Investment fees	<u>(8,834)</u>	<u>(8,778)</u>	<u>(17,612)</u>
Total Investment Return	<u>46,796</u>	<u>46,495</u>	<u>93,291</u>
Appropriation of endowment assets for expenditure	-	<u>(40,147)</u>	<u>(40,147)</u>
Endowment net assets, year ended June 30, 2020	\$ 885,381	\$ 839,555	\$ 1,724,936
Investment return:			
Investment income	22,935	21,750	44,685
Net appreciation (realized and unrealized)	193,626	183,605	377,231
Investment fees	<u>(9,209)</u>	<u>(8,732)</u>	<u>(17,941)</u>
Total Investment Return	207,352	196,623	403,975
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, year ended June 30, 2021	<u>\$ 1,092,733</u>	<u>\$ 1,036,178</u>	<u>\$ 2,128,911</u>

**SOUNDWATERS, INC.**  
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**NOTE 13 – IN-KIND CONTRIBUTIONS**

During each of the years ended June 30, 2021 and 2020, the Organization received donations of various small boats with a total value of \$8,500. The value has been included in the financial statements as a general contribution with the related depreciable assets recorded at the same value in property and equipment. For the years ended June 30, 2021 and 2020, donated dock space valued at \$3,700 in each year and donated utilities valued at \$36,000 in each year, along with donated rent of \$16,800 and \$25,300 which have also been included in the financial statements as a general contribution, along with an identical amount allocated to the related expense account.

**NOTE 14 – LEASES**

SoundWaters has entered into an agreement with the City of Stamford (the “City”) to lease a building that is listed on the National Historic Register. The lease began in October 1999. The Organization uses the building as the SoundWaters Coastal Education Center and its administrative offices. SoundWaters renovated the building and will pay the City an annual minimum rent of \$1 for 30 years and a negotiated minimum rent for an additional 20 years thereafter.

Since the cost of the original renovations 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.

The Organization also leases certain office equipment under operating lease agreements. The leases expire between November 2019 and October 2025. Lease expense under the operating lease for the years ended June 30, 2021 and 2020 was \$4,377 and \$4,517, respectively.

The future minimum lease payments under the equipment lease are as follows:

2022	\$ 3,828
2023	3,828
2024	3,828
2025	1,595

**NOTE 15 – SPECIAL EVENTS**

The Organization runs various special events during the year; the major fundraising event is the Tall Ships Ball. The May 2021 Tall Ships Ball event was postponed and ultimately canceled due to public health concerns due to the COVID-19 pandemic.

**NOTE 16 – CONCENTRATIONS OF CREDIT RISK**

During 2021, the Organization received approximately 47 percent of its donations from three donors of which 100 percent were restricted donations to the capital campaign.

The Organization maintains its cash and cash equivalent balances at various financial institutions. The balances in these accounts may at times exceed federally insured limits. At June 30, 2021, the Organization's uninsured cash and equivalents balance totaled \$4,555,562.

**NOTE 17 – 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.

**SOUNDWATERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 18 – 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 \$20,480 and \$24,860 in the years ended June 30, 2021 and 2020, respectively.

**NOTE 19 – DEFERRED COMPENSATION PLAN**

During the year ended June 30, 2015, the Organization established two deferred compensation plans for the benefit of the President of the Organization. The first plan allows for an elective deferral by the employee. SoundWaters can make a discretionary payment to this plan but has not contributed to the plan through June 30, 2021. Any amounts contributed under this plan will vest immediately when paid.

The second plan is funded by SoundWaters and will vest after three years from the inception of the plan in accordance with the plan document. At June 30, 2021, \$24,000 was accrued toward the plan. The contribution and related investment return are maintained in a separate account, as required by the plan.

**NOTE 20 – COVID-19 PANDEMIC**

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization's business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, the Organization is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. The Organization's performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. The Organization continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results of operations.

**NOTE 21 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through October 25, 2021, the date that the financial statements were available to be issued.