

MOBILE BAYKEEPER, INC.

FINANCIAL REPORT

DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mobile Baykeeper, Inc.
Mobile, Alabama

Report on the Financial Statements

I have audited the accompanying financial statements of Mobile Baykeeper, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mobile Baykeeper, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kim K. Enikeieff

March 12, 2021

MOBILE BAYKEEPER, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current assets		
Cash	\$ 266,817	\$ 144,438
Investments	310,341	299,023
Unconditional promises to give, without donor restrictions	5,990	11,989
Grants receivable	50,097	37,638
Prepaid expenses	<u>4,215</u>	<u>2,991</u>
Total current assets	637,460	496,079
Unconditional promises to give, without donor restrictions	16,500	43,628
Property, plant and equipment, net	<u>35,936</u>	<u>19,550</u>
Total assets	<u><u>\$ 689,896</u></u>	<u><u>\$ 559,257</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	<u>\$ 13,970</u>	<u>\$ 5,353</u>
Total current liabilities	<u>13,970</u>	<u>5,353</u>
Net assets		
Undesignated	498,758	359,291
Board designated endowment	<u>35,318</u>	<u>31,596</u>
Total without donor restrictions	534,076	390,887
With donor restrictions	<u>141,850</u>	<u>163,017</u>
Total net assets	<u>675,926</u>	<u>553,904</u>
Total liabilities and net assets	<u><u>\$ 689,896</u></u>	<u><u>\$ 559,257</u></u>

See notes to financial statements.

MOBILE BAYKEEPER, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Special events	\$ 131,347	\$ -	\$ 131,347	\$ 194,268	\$ -	\$ 194,268
Less cost of special events	21,906	-	21,906	74,077	-	74,077
Net special events	109,441	-	109,441	120,191	-	120,191
Membership and other contributions	152,362	5,000	157,362	110,600	15,000	125,600
Grants	434,208	30,000	464,208	340,984	107,400	448,384
Payroll Protection Program	98,542	-	98,542	-	-	-
Investment income	10,168	-	10,168	11,612	-	11,612
Merchandise sales	2,813	-	2,813	5,510	-	5,510
Penalty per consent decree	12,275	-	12,275	7,325	-	7,325
Donations in-kind	21,400	-	21,400	-	-	-
Net assets released from restrictions	56,167	(56,167)	-	174,420	(174,420)	-
Total support and revenue	897,376	(21,167)	876,209	770,642	(52,020)	718,622
Expenses						
Program Services						
Membership	113,498	-	113,498	136,355	-	136,355
Educate and engage	256,845	-	256,845	252,412	-	252,412
Infrastructure	104,427	-	104,427	114,768	-	114,768
Responsible growth	137,863	-	137,863	125,387	-	125,387
Total program services	612,633	-	612,633	628,922	-	628,922
Supporting Services:						
Management and general	72,468	-	72,468	70,386	-	70,386
Fundraising	69,086	-	69,086	74,479	-	74,479
Total supporting services	141,554	-	141,554	144,865	-	144,865
Total expenses	754,187	-	754,187	773,787	-	773,787
Change in net assets	143,189	(21,167)	122,022	(3,145)	(52,020)	(55,165)
Net assets, beginning of year	390,887	163,017	553,904	394,032	215,037	609,069
Net assets, end of year	\$ 534,076	\$ 141,850	\$ 675,926	\$ 390,887	\$ 163,017	\$ 553,904

See notes to financial statements.

MOBILE BAYKEEPER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services					General and Administrative	Fundraising	Total Expenses
	Membership	Educate and Engage	Infrastructure	Responsible Growth	Total			
Accounting	\$ 1,600	\$ 1,600	\$ 1,600	\$ 1,600	\$ 6,400	\$ 800	\$ 800	\$ 8,000
Advertising	2,570	436	-	6,097	9,103	-	-	9,103
Bank charges	677	-	-	-	677	62	-	739
Baykeeper boat	-	-	-	71	71	55	-	126
Computer expenses	2,475	937	708	1,326	5,446	1,006	-	6,452
Conference, meetings, and travel	2,246	6,808	351	2,262	11,667	590	-	12,257
Consulting and legal fees	67	5,172	-	-	5,239	457	-	5,696
Donations and grants to other organizations	-	1,772	-	-	1,772	-	-	1,772
Dues and memberships	1,005	600	-	1,325	2,930	-	-	2,930
Education	14	4,343	800	375	5,532	-	-	5,532
Insurance	1,853	1,854	1,854	1,854	7,415	1,236	1,236	9,887
Member mailing	3,162	-	-	-	3,162	252	-	3,414
Merchandise	3,396	-	-	-	3,396	-	-	3,396
Office furniture and equipment	-	-	16	-	16	3,769	-	3,785
Office supplies	128	2,638	-	405	3,171	512	-	3,683
Personnel costs	71,337	196,603	77,886	101,337	447,163	52,671	57,046	556,880
Postage	1,757	233	-	-	1,990	3	-	1,993
Printing	1,372	1,373	1,373	1,373	5,491	915	915	7,321
Program supplies	-	12,637	-	-	12,637	-	-	12,637
Rent	7,163	7,163	7,162	7,162	28,650	4,775	4,775	38,200
Repairs	-	-	-	-	-	1,051	-	1,051
Uncollectible pledge expense	6,204	6,204	6,205	6,204	24,817	-	-	24,817
Utilities	3,448	3,448	3,448	3,448	13,792	2,299	2,299	18,390
Total expenses before depreciation	110,474	253,821	101,403	134,839	600,537	70,453	67,071	738,061
Depreciation	3,024	3,024	3,024	3,024	12,096	2,015	2,015	16,126
Total expenses	<u>\$ 113,498</u>	<u>\$ 256,845</u>	<u>\$ 104,427</u>	<u>\$ 137,863</u>	<u>\$ 612,633</u>	<u>\$ 72,468</u>	<u>\$ 69,086</u>	<u>\$ 754,187</u>

See notes to financial statements.

MOBILE BAYKEEPER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services							
	Membership	Educate and Engage	Infrastructure	Responsible Growth	Total	General and Administrative	Fundraising	Total Expenses
Accounting	\$ 1,600	\$ 1,600	\$ 1,600	\$ 1,600	\$ 6,400	\$ 800	\$ 800	\$ 8,000
Advertising	5,273	2,392	206	1,846	9,717	68	-	9,785
Bank charges	649	-	-	-	649	192	-	841
Baykeeper boat	-	-	829	-	829	-	-	829
Computer expenses	1,344	1,344	1,343	1,343	5,374	896	896	7,166
Conference, meetings, and travel	7,025	22,147	1,194	11,403	41,769	957	-	42,726
Consulting and legal fees	22,316	743	-	-	23,059	5,702	-	28,761
Donations and grants to other organizations	-	27,470	-	-	27,470	-	-	27,470
Dues and memberships	869	1,531	-	850	3,250	-	-	3,250
Education	-	2,500	150	-	2,650	-	-	2,650
Insurance	1,612	1,612	1,612	1,612	6,448	1,075	1,075	8,598
Member mailing	105	105	105	105	420	70	70	560
Merchandise	2,775	1,532	2,139	-	6,446	-	-	6,446
Office furniture and equipment	726	726	726	727	2,905	484	484	3,873
Office supplies	817	817	817	817	3,268	545	545	4,358
Personnel costs	75,417	156,531	87,607	89,362	408,917	49,117	60,128	518,162
Postage	238	238	238	238	952	158	158	1,268
Printing	2,643	2,643	2,643	2,643	10,572	1,762	1,762	14,096
Program supplies	105	15,639	718	-	16,462	-	-	16,462
Rent	5,704	5,704	5,704	5,704	22,816	3,802	3,802	30,420
Repairs	350	351	350	350	1,401	234	234	1,869
Uncollectible pledge expense	-	-	-	-	-	-	-	-
Utilities	3,519	3,519	3,519	3,519	14,076	2,346	2,346	18,768
Total expenses before depreciation	133,087	249,144	111,500	122,119	615,850	68,208	72,300	756,358
Depreciation	3,268	3,268	3,268	3,268	13,072	2,178	2,179	17,429
Total expenses	<u>\$ 136,355</u>	<u>\$ 252,412</u>	<u>\$ 114,768</u>	<u>\$ 125,387</u>	<u>\$ 628,922</u>	<u>\$ 70,386</u>	<u>\$ 74,479</u>	<u>\$ 773,787</u>

See notes to financial statements.

MOBILE BAYKEEPER, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 122,022	\$ (55,165)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	16,126	17,429
Uncollectible pledge expense	24,817	-
Donated vehicle	(15,000)	-
Donated stocks and bonds	(1,201)	(1,585)
Net realized and unrealized (gain) loss on investments	(10,117)	(10,894)
(Increase) decrease in:		
Promises to give	8,310	23,141
Grants receivable	(12,459)	(7,925)
Prepaid expenses	(1,224)	924
Increase (decrease) in:		
Accounts payable and accrued expenses	8,617	(7,685)
Net cash provided (used) by operating activities	139,891	(41,760)
Cash flows from investing activities:		
Purchase of fixed assets	(17,512)	(9,148)
Purchase of investments	-	(100,000)
Net cash used by investing activities	(17,512)	(109,148)
Net increase (decrease) in cash	122,379	(150,908)
Cash, beginning of year	144,438	295,346
Cash, end of year	\$ 266,817	\$ 144,438

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Nature of Business

Mobile Baykeeper, Inc. (the "Organization") is a nonprofit organization located in Mobile, Alabama. The Organization provides citizens a means to protect the beauty, health, and heritage of the Mobile Bay Watershed. Revenues are derived mainly from memberships, contributions, fundraising and grant proceeds.

The Organization is directed by an active Board of Directors whose members serve without compensation.

Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared utilizing the accrual basis of accounting.

Cash and cash equivalents

Cash and cash equivalents include all demand deposit accounts, money market accounts and certificates of deposit.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy that prioritizes the inputs to valuation techniques is used to measure the fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into the following three levels, based on the reliability of the inputs:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are observable at the measurement date;

Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and

Level 3: Significant unobservable inputs for the asset or liability that reflect the reporting organization's own estimates about the assumptions that market participants would use in pricing the asset or liability.

Summary of Significant Accounting Policies (continued)

Promises to give

Pledges receivable are stated net of an allowance for uncollectible pledges. The estimated losses are based on management's evaluation of outstanding pledges receivable at the end of the year. The allowance for uncollectible pledges for pledges receivable was \$30,000 and \$30,000 at December 31, 2020 and 2019, respectively.

Property and equipment

Property and equipment is stated at cost, or in the case of gifts, fair value at the date of donation. The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is provided principally on the straight-line method over the estimated useful lives of the depreciable assets.

Net assets

The Organization reports gifts of cash and other assets as restricted support 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 program restriction is accomplished, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

The Organization classifies donor-restricted contributions as net assets without donor restrictions if those restrictions are satisfied in the same reporting period.

Net assets with donor restrictions represent contributions which are restricted by donor stipulation.

Income taxes

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

A policy for accounting for uncertainty in income taxes was adopted in prior years that require the Organization to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. The Organization has no uncertain tax positions that qualified for either recognition or disclosure in the financial statements at December 31, 2020 or December 31, 2019.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses have been allocated between Program Services, General and Administrative, and Fundraising based on an analysis of personnel time and space utilized for the related activities.

Summary of Significant Accounting Policies (continued)

Grant and cooperative agreements

The Organization receives grants and contracts from Federal and State agencies, as well as from private organizations, to be used for specific programs. The Organization's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the financial position or changes in net assets of the Organization.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated materials and services

Donated materials or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organization's program services.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. Such reclassifications had no effect on previously reported change in net assets.

Evaluation of subsequent events

The Organization has evaluated subsequent events through March 12, 2021, the date which the financial statements were available to be issued.

Restrictions on Net Assets

Net assets with donor restrictions are available for the following purposes or periods at December 31:

	2020	2019
Pledges receivable	\$ 22,490	\$ 55,617
Educate and engage	64,000	53,000
Infrastructure	30,680	23,500
Responsible growth	24,680	28,400
Membership	-	1,000
Management and general	-	1,500
Total	<u>\$ 141,850</u>	<u>\$ 163,017</u>

Promises to Give

Unconditional promises to give at December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Promises without donor restrictions	\$ 52,490	\$ 85,617
Gross unconditional promises to give	52,490	85,617
Less allowance for uncollectible promises	<u>30,000</u>	<u>30,000</u>
Net unconditional promises to give	<u>\$ 22,490</u>	<u>\$ 55,617</u>
Amounts due in:		
Less than one year	\$ 13,490	\$ 41,989
One to five years	<u>39,000</u>	<u>43,628</u>
Gross unconditional promises to give	<u>\$ 52,490</u>	<u>\$ 85,617</u>

The discount on the long-term promises to give to determine the net present value was not significant.

Investments

The Community Foundation of South Alabama holds and invests a portion of the Organization's investment portfolio. The funds are under the control of the Community Foundation of South Alabama and at the request of the Organization, the Foundation disburses funds as needed.

Investments are stated at fair value and are summarized as follows as of December 31:

	2020			
	Fair value measurements using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds – Community Foundation of South Alabama	\$ 35,318	\$ -	\$ -	\$ 35,318
Money Market Funds	2,232	-	-	2,232
U.S. Treasuries	151,200	-	-	151,200
Bond fund	<u>121,591</u>	<u>-</u>	<u>-</u>	<u>121,591</u>
Total	<u>\$ 310,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310,341</u>

Investments (continued)

2019				
Fair value measurements using				
	Level 1	Level 2	Level 3	Total
Mutual funds – Community Foundation of South Alabama	\$ 31,596	\$ -	\$ -	\$ 31,596
Money Market Funds	103,069	-	-	103,069
U.S. Treasuries	110,826	-	-	110,826
Bond fund	53,532	-	-	53,532
Total	\$ 299,023	\$ -	\$ -	\$ 299,023

Investment return for the years ended December 31 is summarized as follows:

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Interest and dividend income	\$ 6,024	\$ -	\$ 6,024
Realized gains (losses)	(2,427)	-	(2,427)
Unrealized gains (losses)	7,027	-	7,027
Administrative fees	(456)	-	(456)
Total	\$ 10,168	\$ -	\$ 10,168

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Interest and dividend income	\$ 5,269	\$ -	\$ 5,269
Realized gains (losses)	188	-	188
Unrealized gains (losses)	6,590	-	6,590
Administrative fees	(435)	-	(435)
Total	\$ 11,612	\$ -	\$ 11,612

Governing Board Designations

Mobile Baykeeper, Inc.'s governing board has designated, from net assets without donor restrictions of \$534,076 and \$390,887 as of December 31, 2020 and 2019, respectively, net assets for the following purposes as of December 31:

	2020	2019
Quasi-endowment	\$ 35,318	\$ 31,596
Total	\$ 35,318	\$ 31,596

Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2020</u>	<u>2019</u>
Financial assets at year-end	\$ 649,745	\$ 536,716
Less those unavailable for general expenditures within one year, due to:		
Board designations: Quasi endowment fund	35,318	31,596
Unconditional promises to give due in more than one year	16,500	43,628
Donor restricted	<u>141,850</u>	<u>163,017</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 456,077	\$ 298,475

Property and Equipment

Property and equipment consist of the following amounts at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Boat	\$ 24,500	\$ 24,500
Furniture, fixtures and equipment	130,590	113,078
Vehicle	15,000	-
Leasehold improvements	<u>5,794</u>	<u>5,794</u>
	175,884	143,372
Less accumulated depreciation	<u>139,948</u>	<u>123,822</u>
Total	<u>\$ 35,936</u>	<u>\$ 19,550</u>

Federal Financial Assistance

The Organization received a Paycheck Protection Program Promissory Note through a bank which was issued by the Small Business Administration on May 2, 2020 in the amount of \$98,542. Under the Cares Act, the Organization has the opportunity to have the loan forgiven if certain compliance requirements are met for a period greater than eight-weeks but less than 24 weeks following the date of the loan. The loan requires no collateral, can be deferred for six months, has an interest rate of 1% and will mature in two years. The Organization believes it is in compliance with all requirements to have the loan forgiven and as such has accounted for the loan as a conditional contribution.

	<u>2020</u>
Refundable advance, beginning of year	\$ -
Grant receipts	98,542
Grant expenditures	<u>(98,542)</u>
Refundable advance, end of year	<u>\$ -</u>

Operating Leases

As of February 1, 2020, the Organization entered into a four-year non-cancelable operating lease for its office facility with an unrelated party. The amount reported in rent expense was \$38,200 and \$30,420 for the years ended December 31, 2020 and 2019, respectively.

The future minimum lease payments under this lease are as follows:

2021	\$ 38,400
2022	38,400
2023	38,400
2024	<u>9,600</u>
Total	<u>\$ 124,800</u>

Due to the pandemic, the lessor forgave rent expense for months of May and June for the year ended December 31, 2020. In exchange for the forgiveness, the lease has been extended for an additional two months. The rent expense for the months of May and June for the year ended December 31, 2020, have been recorded as an in-kind donation.

The following schedule shows the total amount of minimum rentals to be received in the future under noncancelable subleases:

2021	<u>\$ -</u>
Total	<u>\$ -</u>

Operating Leases (continued)

The following schedule shows the composition of total rent expense for the operating lease related to the rental of office space.

	<u>2020</u>	<u>2019</u>
Minimum rent	\$ 38,200	\$ 35,370
Less: sublease rent	<u>-</u>	<u>(4,950)</u>
Total	<u>\$ 38,200</u>	<u>\$ 30,420</u>

The Organization has entered into a lease of certain office equipment for a period of five years. This is an operating lease with the lease payments being charged to expense. Future minimum rental payments required under this lease as of December 31, 2020, are as follows:

2021	\$ 1,920
2022	1,920
2023	<u>1,600</u>
Total	<u>\$ 5,440</u>

The amount reported in office equipment rental expense was \$1,920 and \$1,920 for the years ended December 31, 2020 and 2019, respectively

Endowment

The Organization's endowment consists of a fund established for the purpose of providing funding to support the Organization in its mission to protect the beauty, health, and heritage of the Mobile Bay Watershed. Distributions from the endowment fund must have approval from the Endowment Committee. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization is subject to the Uniform Prudent Management and Institutional Funds Act (UPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board of Trustees of the Organization has interpreted UPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Organization would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater. In accordance with UPMIFA, 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 donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

Endowment (continued)

The Organization has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide the Organization's programs with current income. Endowment assets are invested in mutual funds. The Organization seeks to build endowment assets through investment earnings and additional contributions. The Organization has a policy of appropriating for distribution annually a portion of the endowment fund's investment income from the previous years. The current spending policy is expected to allow the Organization's endowment fund to grow as a result of investment returns. This is consistent with the Organization's objective to provide income to the Organization's programs, preserve endowment assets without subjecting them to substantial risk, and provide additional real growth through investment income and new gifts. The Organization's investments which are held by the Community Foundation of South Alabama are directed by the investment policies of the Foundation.

Changes in endowment net assets for the year ended December 31, 2020 and 2019 are summarized as follows:

		<u>2020</u>	
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets beginning of year	\$ 31,596	\$ -	\$ 31,596
Investment return:			
Investment income	317	-	317
Net appreciation (realized and unrealized)	<u>3,405</u>	<u>-</u>	<u>3,405</u>
Total investment return	3,722	-	3,722
Contributions	-	-	-
Reclassifications	-	-	-
Amounts appropriated for Expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 35,318</u>	<u>\$ -</u>	<u>\$ 35,318</u>

Endowment (continued)

	2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets beginning of year	\$ 26,952	\$ -	\$ 26,952
Investment return:			
Investment income	327	-	327
Net appreciation (realized and unrealized)	4,317	-	4,317
Total investment return	4,644	-	4,644
Contributions	-	-	-
Reclassifications	-	-	-
Amounts appropriated for Expenditure	-	-	-
Total	<u>\$ 31,596</u>	<u>\$ -</u>	<u>\$ 31,596</u>

Administrative Overhead

The following is a calculation of the supporting services expenses to support and revenue for the years ended December 31, 2020 and 2019, respectively:

	2020	2019
Management and general	\$ 72,468	\$ 70,386
Fundraising	69,086	74,479
Total supporting services	<u>\$ 141,554</u>	<u>\$ 144,865</u>
Total support and revenue	<u>\$ 876,209</u>	<u>\$ 718,622</u>
Percentage	<u>16%</u>	<u>20%</u>

Risks and Uncertainties

In March 2020, the World Health Organization (“WHO”) declared the coronavirus (COVID 19), a global pandemic and public health emergency. The WHO has recommended containment and mitigation measures worldwide and domestically, self-isolation and shelter-in-place requirements have been or are being put in place.

At this point, the Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which this disruption may impact the Organization’s financial statements and future results of operations. The Organization will continue to monitor and evaluate the nature and extent of the impact on our ongoing activities and the potential effect on future contributions or funding and expenses, financial condition and liquidity.

Subsequent Events

The Organization's management has performed subsequent events procedures through March 12, 2021, which is the date through which the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein except as follows:

The Organization received a second draw of funding under the Paycheck Protection Program as a promissory note through a bank which was issued by the Small Business Administration on January 31, 2021 in the amount of \$106,542. Under the Cares Act, the Organization has the opportunity to have the loan forgiven if certain compliance requirements are met for a period greater than eight-weeks but less than 24 weeks following the date of the loan.