

GULF RESTORATION NETWORK, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2017 and 2016

Barry L. Delery CPA
A PROFESSIONAL ACCOUNTING CORPORATION

Table of Contents

Gulf Restoration Network, Inc.

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statement of Activities - 2017	3
Statement of Activities - 2016	4
Statements of Cash Flows	5
Statement of Functional Expenses – 2017	6
Statement of Functional Expenses – 2016	7
Notes to Financial Statements	8-20

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Gulf Restoration Network, Inc.
New Orleans, Louisiana

I have audited the accompanying financial statements of Gulf Restoration Network, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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

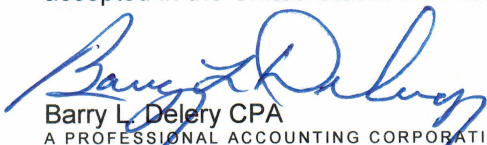
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether 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 Gulf Restoration Network, Inc. as of December 31, 2017 and 2016, 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.



Barry L. Delery CPA
A PROFESSIONAL ACCOUNTING CORPORATION

Metairie, Louisiana

May 30, 2018

Statements of Financial Position

Gulf Restoration Network, Inc.

December 31	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 226,821	\$ 338,140
Investments	1,502,544	1,384,505
Prepaid expenses	48,140	46,196
Unconditional promises to give	25,000	5,500
Total current assets	1,802,505	1,774,341
Property and Equipment		
Office furniture and fixtures	23,088	23,664
Computer equipment	47,223	44,227
	70,311	67,891
Less accumulated depreciation	44,653	44,221
Total property and equipment	25,658	23,670
Other Assets		
Deposits	4,413	4,413
Investments - Endowment	26,163	22,597
Total other assets	30,576	27,010
Total assets	\$ 1,858,739	\$ 1,825,021
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 11,102	\$ 11,653
Employee benefits payable	5,500	4,196
Agency funds	29,589	52,091
Accrued vacation and sick time payable	55,737	54,194
Line of credit	40,001	-
Total current liabilities	141,929	122,134
Net Assets		
Unrestricted	170,938	310,970
Temporarily restricted	1,519,709	1,369,320
Permanently restricted	26,163	22,597
Total net assets	1,716,810	1,702,887
Total liabilities and net assets	\$ 1,858,739	\$ 1,825,021

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

Statement of Activities

Gulf Restoration Network, Inc.

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS				
Contributions and grants				
Support for Coastal Resilience Campaign	\$ -	\$ 275,254	\$ -	\$ 275,254
Support for Clean and Healthy Water Campaign	-	478,353	-	478,353
Support for Conserving Marine Resources Campaign	-	2,750	-	2,750
Support for Gulf Restoration Campaign	-	-	-	-
Support for Clean Energy Campaign	-	25,395	-	25,395
Other	94,405	-	-	94,405
Membership dues	105,178	-	-	105,178
Program service revenue	67,700	-	-	67,700
Special events and fundraising	20,631	-	-	20,631
Other income	315	-	-	315
Investments				
Interest, dividends and realized gains (losses)	48,982	-	-	48,982
Net unrealized gains (losses)	69,243	-	-	69,243
Endowment funds				
Interest, dividends and realized gains	-	-	298	298
Net unrealized gains (losses)	-	-	2,768	2,768
Net assets released from restrictions	630,863	(631,363)	500	-
Total support, revenue and reclassifications	1,037,317	150,389	3,566	1,191,272
EXPENSES				
<u>Program Services</u>				
Coastal Resilience	275,870	-	-	275,870
Conserving Marine Resources	119,535	-	-	119,535
Gulf Restoration	-	-	-	-
Clean and Healthy Water	327,348	-	-	327,348
Clean Energy	171,501	-	-	171,501
Total program services	894,254	-	-	894,254
<u>Support Services</u>				
Management and general	76,771	-	-	76,771
Fund raising	206,324	-	-	206,324
Total support services	283,095	-	-	283,095
Total expenses	1,177,349	-	-	1,177,349
Change in net assets	(140,032)	150,389	3,566	13,923
NET ASSETS - BEGINNING OF YEAR	310,970	1,369,320	22,597	1,702,887
NET ASSETS - END OF YEAR	\$ 170,938	\$ 1,519,709	\$ 26,163	\$ 1,716,810

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

Statement of Activities

Gulf Restoration Network, Inc.

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS				
Contributions and grants				
Support for Coastal Resilience Campaign	\$ -	\$ 24,011	\$ -	\$ 24,011
Support for Clean and Healthy Water Campaign	-	315,360	-	315,360
Support for Conserving Marine Resources Campaign	-	2,119	-	2,119
Support for Gulf Restoration Campaign	-	122,186	-	122,186
Support for Clean Energy Campaign	-	2,580	-	2,580
Other	97,498	-	-	97,498
Membership dues	94,768	-	-	94,768
Program service revenue	54,642	-	-	54,642
Special events and fundraising	19,634	-	-	19,634
Other income	41,446	-	-	41,446
Investments				
Interest, dividends and realized gains (losses)	42,634	-	-	42,634
Net unrealized gains (losses)	32,451	-	-	32,451
Endowment funds				
Interest, dividends and realized gains	-	-	459	459
Net unrealized gains (losses)	-	-	254	254
Net assets released from restrictions	655,947	(655,947)	-	-
Total support, revenue and reclassifications	1,039,020	(189,691)	713	850,042
EXPENSES				
<u>Program Services</u>				
Coastal Resilience	183,388	-	-	183,388
Conserving Marine Resources	63,909	-	-	63,909
Gulf Restoration	199,902	-	-	199,902
Clean and Healthy Water	316,151	-	-	316,151
Clean Energy	166,288	-	-	166,288
Total program services	929,638	-	-	929,638
<u>Support Services</u>				
Management and general	63,599	-	-	63,599
Fund raising	139,523	-	-	139,523
Total support services	203,122	-	-	203,122
Total expenses	1,132,760	-	-	1,132,760
Change in net assets	(93,740)	(189,691)	713	(282,718)
NET ASSETS - BEGINNING OF YEAR	404,710	1,559,011	21,884	1,985,605
NET ASSETS - END OF YEAR	\$ 310,970	\$ 1,369,320	\$ 22,597	\$ 1,702,887

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

Statements of Cash Flows

Gulf Restoration Network, Inc.

<i>Years Ended December 31</i>	<i>2017</i>	<i>2016</i>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 13,923	\$ (282,718)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	7,986	7,781
Write off of obsolete property and equipment	926	222
Net unrealized loss (gain) on investments	(72,011)	(32,705)
Interest, dividends and realized gains - Endowment funds	(298)	(459)
(Increase) decrease in current assets		
Accounts receivable	-	42
Prepaid expenses	(1,944)	(36,411)
Unconditional promises to give	(19,500)	306,500
Increase (decrease) in current liabilities		
Accounts payable	(551)	293
Employee benefits payable	1,304	1,634
Agency funds	(22,502)	(2,115)
Accrued vacation and sick time payable	1,543	4,797
Sub-grants payable	-	(15,000)
Prepaid rental income		(600)
Net cash provided (used) by operating activities	(91,124)	(48,739)
Cash Flows From Investing Activities		
(Increase) decrease in investments	(48,806)	(42,405)
Transfers to endowment funds	(500)	-
Purchases of property and equipment	(10,890)	(4,303)
Net cash provided (used) by investing activities	(60,196)	(46,708)
Cash Flows From Financing Activities		
Borrowings under line of credit	50,000	-
Principal payments on line of credit	(9,999)	-
Net cash provided (used) by financing activities	40,001	-
Net increase (decrease) in cash and cash equivalents	(111,319)	(95,447)
Cash and Cash Equivalents - Beginning of Year	338,140	433,587
Cash and Cash Equivalents - End of Year	\$ 226,821	\$ 338,140

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for interest	\$ -	\$ -
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The accompanying notes are an integral part of these financial statements.

Statement of Functional Expenses

Gulf Restoration Network, Inc.

Year Ended December 31, 2017

	PROGRAM SERVICES						SUPPORT SERVICES			
	Coastal Resilience	Conserving Marine Resources	Gulf Restoration	Clean and Healthy Water	Clean Energy	Total Program Services	Management and General	Fund Raising	Total Support Services	Total Expenses
Salaries and Related Expenses										
Salaries	\$ 145,515	\$ 78,929	\$ -	\$ 189,520	\$ 102,843	\$ 516,807	\$ 52,809	\$ 134,793	\$ 187,602	\$ 704,409
Contract services	-	-	-	-	-	-	-	-	-	-
Employee benefits	23,683	11,627	-	25,391	16,040	76,741	7,063	13,326	20,389	97,130
Payroll fees	1,049	537	-	1,173	741	3,500	336	3,137	3,473	6,973
Payroll taxes	11,815	6,389	-	13,159	8,181	39,544	3,671	10,118	13,789	53,333
Workers compensation insurance	265	135	-	296	187	883	85	155	240	1,123
Total Salaries and Related Expenses	182,327	97,617	-	229,539	127,992	637,475	63,964	161,529	225,493	862,968
Accounting fees	2,736	1,401	-	3,059	1,933	9,129	875	1,604	2,479	11,608
Bank and transaction fees	1	1	-	19	1	22	95	2	97	119
Board conferences	2,031	1,040	-	2,270	1,435	6,776	1,117	1,227	2,344	9,120
Consulting, strategic planning and other professional fees	11,312	711	-	23,169	9,842	45,034	444	814	1,258	46,292
Donated services	3,930	1,735	-	8,078	310	14,053	-	-	-	14,053
Dues and subscriptions	677	257	-	936	158	2,028	110	195	305	2,333
Grants and sub-grants	34,000	-	-	-	-	34,000	-	-	-	34,000
Insurance	1,369	701	-	1,530	967	4,567	438	803	1,241	5,808
Legal fees	-	-	-	200	3,670	3,870	-	-	-	3,870
Licenses and permits	433	222	-	484	306	1,445	138	254	392	1,837
Occupancy	9,899	5,069	-	11,067	6,993	33,028	3,167	5,804	8,971	41,999
Office and other supplies	5,774	2,832	-	6,909	3,767	19,282	1,653	5,185	6,838	26,120
Outreach	39	5	-	5,277	7	5,328	3	6,180	6,183	11,511
Postage	489	277	-	1,043	321	2,130	148	1,608	1,756	3,886
Printing and publications	1,841	939	-	2,626	1,295	6,701	481	1,431	1,912	8,613
Special events and fundraising	-	-	-	-	-	-	-	8,875	8,875	8,875
Telephone and Utilities	3,168	1,612	-	3,547	2,235	10,562	1,010	1,852	2,862	13,424
Training	87	49	-	246	64	446	25	142	167	613
Travel and Lodging	6,418	560	-	14,636	3,861	25,475	166	2,129	2,295	27,770
Website	5,899	2,975	-	7,306	4,091	20,271	2,035	3,916	5,951	26,222
Workshop and other conferences	1,558	568	-	3,303	923	6,352	300	1,670	1,970	8,322
Total expenses before depreciation	273,988	118,571	-	325,244	170,171	887,974	76,169	205,220	281,389	1,169,363
Depreciation	1,882	964	-	2,104	1,330	6,280	602	1,104	1,706	7,986
Totals	\$ 275,870	\$ 119,535	\$ -	\$ 327,348	\$ 171,501	\$ 894,254	\$ 76,771	\$ 206,324	\$ 283,095	\$ 1,177,349

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

Statement of Functional Expenses

Gulf Restoration Network, Inc.

Year Ended December 31, 2016

	PROGRAM SERVICES						SUPPORT SERVICES			
	Coastal Resilience	Conserving Marine Resources	Gulf Restoration	Clean and Healthy Water	Clean Energy	Total Program Services	Management and General	Fund Raising	Total Support Services	Total Expenses
Salaries and Related Expenses										
Salaries	\$ 111,390	\$ 37,688	\$ 115,606	\$ 183,774	\$ 98,646	\$ 547,104	\$ 42,150	\$ 87,228	\$ 129,378	\$ 676,482
Contract services	-	-	-	-	-	-	76	152	228	228
Employee benefits	16,866	4,094	17,560	27,870	14,977	81,367	6,388	10,075	16,463	97,830
Payroll fees	733	178	763	1,213	632	3,519	278	1,867	2,145	5,664
Payroll taxes	8,450	2,049	8,798	13,964	7,523	40,784	3,200	6,644	9,844	50,628
Workers compensation insurance	576	140	600	952	512	2,780	218	344	562	3,342
Total Salaries and Related Expenses	138,015	44,149	143,327	227,773	122,290	675,554	52,310	106,310	158,620	834,174
Accounting fees	2,339	624	2,217	3,753	2,039	10,972	874	1,395	2,269	13,241
Bank and transaction fees	20	5	21	33	18	97	5	18	23	120
Board conferences	1,309	316	1,326	2,156	1,153	6,260	529	782	1,311	7,571
Consulting, strategic planning and other professional fees	1,978	237	14,106	22,951	6,868	46,140	370	584	954	47,094
Donated services	2,680	2,118	300	429	1,639	7,166	-	-	-	7,166
Dues and subscriptions	624	266	501	610	143	2,144	180	430	610	2,754
Grants and sub-grants	1,500	-	-	-	-	1,500	-	-	-	1,500
Insurance	981	238	1,021	1,621	871	4,732	371	586	957	5,689
Legal fees	-	-	-	659	-	659	-	-	-	659
Licenses and permits	416	101	438	688	370	2,013	158	249	407	2,420
Occupancy	7,241	1,756	7,539	11,966	6,430	34,932	2,743	4,326	7,069	42,001
Office and other supplies	3,978	802	3,520	5,548	2,800	16,648	1,120	3,130	4,250	20,898
Outreach	1,251	2	638	2,382	196	4,469	3	2,331	2,334	6,803
Postage	426	167	551	904	380	2,428	175	1,428	1,603	4,031
Printing and publications	2,781	752	1,891	3,307	1,767	10,498	705	1,169	1,874	12,372
Special events and fundraising	-	-	-	-	-	-	-	9,264	9,264	9,264
Telephone and Utilities	2,416	585	2,419	3,958	2,098	11,476	890	1,443	2,333	13,809
Training	1,881	1,183	1,315	2,004	1,182	7,565	432	690	1,122	8,687
Travel and Lodging	4,742	6,940	9,098	11,696	9,139	41,615	118	974	1,092	42,707
Website	5,322	1,248	5,411	9,425	4,556	25,962	1,995	3,368	5,363	31,325
Workshop and other conferences	2,146	2,095	2,866	2,071	1,158	10,336	113	245	358	10,694
Total expenses before depreciation	182,046	63,584	198,505	313,934	165,097	923,166	63,091	138,722	201,813	1,124,979
Depreciation	1,342	325	1,397	2,217	1,191	6,472	508	801	1,309	7,781
Totals	\$ 183,388	\$ 63,909	\$ 199,902	\$ 316,151	\$ 166,288	\$ 929,638	\$ 63,599	\$ 139,523	\$ 203,122	\$ 1,132,760

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

Notes to Financial Statements

Gulf Restoration Network, Inc.

December 31, 2017 and 2016

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

Gulf Restoration Network, Inc. (GRN) was established in Louisiana in 1999 as a non-profit corporation to promote general awareness and to unite and empower the public to protect and restore the resources of the Gulf of Mexico. GRN's current programs include:

♦ **Clean and Healthy Water**

GRN works to improve water quality by identifying pollution issues and providing technical assistance, training, and mentoring to numerous communities faced with pollution. GRN also works to improve the development and implementation of watershed and coastal wetlands restoration plans, and to prevent damaging projects that destroy wetlands and/or impact water quality. GRN also works closely with citizen activists by providing frequent updates and action alerts by telephone and e-mail on water quality issues.

♦ **Conserving Marine Resources**

GRN works to support activities focused on achieving fishery management regulations that are science-based, promoting sustainable fisheries in the Gulf of Mexico, advocating for the protection of marine habitat, and promoting protections for marine mammals. GRN's efforts include targeted outreach to increase the number of concerned citizens taking action to support the Sustainable Fisheries Act and sustainable management of fisheries.

♦ **Coastal Resilience/Sustaining Coastal Communities**

GRN works to (1) build an active and engaged constituency to support natural storm protection and restoration efforts for the Gulf Coast region, (2) advocates for the adoption by state and federal agencies of multiple coastal lines of defense to build resiliency and protect communities placed at risk due to the continuing loss of coastal wetlands and increasing sea levels, and (3) advocates for the use of green infrastructure in the Greater New Orleans area to address localized flooding.

♦ **Gulf Restoration Campaign**

GRN independently monitors and assesses post-BP disaster restoration efforts through the RESTORE Act and the National Resources Damages process of the Oil Pollution Act. The GRN also actively participates in coalitions in Alabama, Mississippi and Texas focused on post-BP restoration in those states. This program was discontinued in 2016.

♦ **Clean Energy**

GRN works to document and address the continuing environmental and community impact of the fossil fuel industry and its associated infrastructure (i.e. pipelines) in Gulf States, with an emphasis on Louisiana, and to hold industry accountable for their continuing pollution. Our work focuses on efforts to reduce wetland destruction and pollution in the Outer Continental Shelf (OCS) and states bordering the Gulf. This program was formerly referred to as "Resisting Dirty Energy".

Notes to Financial Statements

Gulf Restoration Network, Inc.

December 31, 2017 and 2016

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Significant Accounting Policies

Basis of Accounting

GRN prepares its financial statements in accordance with U.S. generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, GRN considers as cash and cash equivalents cash deposits in checking, savings and money market accounts with initial maturities of three months or less.

Accounts Receivable

Accounts receivable are recorded when invoices are issued at the invoice amount. These receivables are written off when they are deemed to be uncollectible due to the historical infrequency of uncollectible accounts receivable.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investments in pooled investments are reported at the proportionate share of GRN's investment in the total pool related to the total fair market value of the pool. Unrealized and realized gains and losses are included in the change in net assets. Investment income and gains and losses associated with restricted funds are reported as increases or decreases in restricted net assets in the period the income and gains and losses are recognized while those of unrestricted funds are reported as increases or decreases in unrestricted net assets.

Some investments of GRN consist of endowment funds transferred to and administered by The Greater New Orleans Foundation (GNOF), a community foundation, during the year ended December 31, 2010 for the benefit of GRN. These funds are included in an investment pool along with other endowed funds administered by GNOF. These funds are considered permanently restricted since GNOF has complete discretion over the distribution of these funds to GRN. GNOF periodically makes a distribution to GRN based on the spending policy of GNOF. The funds associated with these distributions are considered unrestricted when received by GRN. During the year ended December 31, 2017 GRN contributed \$500 to this fund. During the year ended December 31, 2016 GNOF distributed \$3,583 to GRN which was returned to GNOF for reinvestment.

Notes to Financial Statements

Gulf Restoration Network, Inc.

December 31, 2017 and 2016

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost if purchased. Donations of property and equipment are recorded as contributions at their estimated fair value. GRN capitalizes property and equipment of \$100 and over. Lesser amounts are expensed. Property and equipment are depreciated using the accelerated and straight-line methods over their estimated useful lives, which range from three to seven years. Expenditures for repairs and maintenance are charged to the relevant expense account when incurred. Depreciation expense for the years ended December 31, 2017 and 2016 was \$7,986 and \$7,781, respectively.

During the year ended December 31, 2013, the organization received a donation of a work of art with an estimated value of \$12,000 which was capitalized and is included in office furniture and fixtures. No depreciation was recognized on this item.

Income Tax Status

GRN is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. GRN has also been classified as an entity that is not a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code and qualifies for deductible contributions as provided by Section 170(b)(1)(A)(vi).

GRN's exempt status is recognized by the State of Louisiana. Accordingly, no provision has been made in the financial statements for federal or state income taxes.

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. Actual results could differ from those estimates.

Promises to Give

Contributions are recognized when the donor makes a promise to give to GRN that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Notes to Financial Statements

Gulf Restoration Network, Inc.

December 31, 2017 and 2016

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Contributions and Grants

GRN reports contributions and grants of cash and other assets as either unrestricted support or temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the contributed assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

GRN reports contributions of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, GRN reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. GRN reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Financial Statement Presentation

GRN is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, GRN is required to present a statement of cash flows.

Fair Value Measurements

GRN follows the provisions of *the Fair Value Measurement* Topic of the FASB ASC. Fair value is defined as the exchange 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.

The *Fair Value Measurement* Topic of the FASB ASC establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Notes to Financial Statements

Gulf Restoration Network, Inc.

December 31, 2017 and 2016

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Level 1

Pricing inputs based on quoted prices in active markets for identical assets or liabilities as of the reporting date. Quoted prices that are readily and regularly available in an active market provides the most reliable fair value measurement.

Level 2

Pricing inputs are other than quoted prices in active markets for identical assets, but the inputs are observable, either directly or indirectly, as of the reporting date. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level 3

Pricing inputs based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value, requires significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. (See note 14)

GRN's measurements of fair value are made on a recurring basis, and their valuation techniques for assets and liabilities recorded at fair value are as follows:

Investments

The fair value of investments at December 31, 2017 and 2016 (See note 3) is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers or endowment administrators.

Unconditional Promises to Give

The fair value of contributions at December 31, 2017 and 2016 is equal to the carrying value for contributions expected to be collected within one year. Contributions expected to be collected beyond one year are discounted to present value based on management's assumptions.

Other Assets and Liabilities

At December 31, 2017 and 2016, the carrying value of GRN's cash and cash equivalents, prepaid expenses, deposits, accounts payable, employee benefits payable, agency funds, accrued vacation and sick time payable, and line of credit approximated their fair values.

Notes to Financial Statements

Gulf Restoration Network, Inc.

December 31, 2017 and 2016

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Advertising Costs

GRN expenses advertising costs as incurred. There was no advertising expense during the years ended December 31, 2017 and 2016.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

Note 2 – Concentration of Credit Risk

GRN periodically maintains cash in bank accounts in excess of insured limits. GRN has not experienced any losses and does not believe that significant credit risk exists as a result of this practice. Cash deposits at each bank are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Note 3 – Investments

Investments consist of the following as of December 31, 2017:

	Fair Market Value	Cost or Assigned Amount
<u>Unrestricted</u>		
Mutual Funds	\$1,501,709	\$1,431,553
Equities	835	618
	<u>1,502,544</u>	<u>1,432,171</u>
<u>Permanently Restricted</u>		
Endowment investments (Administered by GNOF)	<u>26,163</u>	<u>20,130</u>
Totals	<u>\$1,528,707</u>	<u>\$1,452,301</u>

Notes to Financial Statements

Gulf Restoration Network, Inc.

December 31, 2017 and 2016

Note 3 – Investments (Continued)

Investments consist of the following as of December 31, 2016:

	Fair Market Value	Cost or Assigned Amount
<u>Unrestricted</u>		
Mutual Funds	\$1,383,783	\$1,382,736
Equities	722	626
	<u>1,384,505</u>	<u>1,383,362</u>
<u>Permanently Restricted</u>		
Endowment investments (Administered by GNOF)	<u>22,597</u>	<u>19,332</u>
Totals	<u>\$1,407,102</u>	<u>\$1,402,694</u>

The following summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2017 and 2016.

	2017	2016
<u>Unrestricted</u>		
Interest, dividends and realized gains and losses	\$ 48,982	\$ 42,634
Net unrealized gains (losses)	<u>69,243</u>	<u>32,451</u>
Total unrestricted investment returns	<u>118,225</u>	<u>75,085</u>
<u>Permanently Restricted</u>		
Interest and dividends	174	158
Realized gains	324	448
Less: administrative expenses	<u>(200)</u>	<u>(147)</u>
	298	459
Net unrealized gains (losses)	<u>2,768</u>	<u>254</u>
Total permanently restricted investment returns	<u>3,066</u>	<u>713</u>
Total investment returns	<u>\$ 121,291</u>	<u>\$ 75,798</u>

Note 4 – Unconditional Promises to Give Receivable

Unconditional promises to give receivable consisted of the following at December 31, 2017 and 2016.

	2017	2016
Total promises (Net of discount to net present value)	<u>\$ 25,000</u>	<u>\$ 5,500</u>
Amounts due in less than one year	\$ 25,000	\$ 5,500
Amounts due in one to five years	<u>-</u>	<u>-</u>
Gross unconditional promises to give	25,000	5,500
Less: Discount to net present value	<u>(-)</u>	<u>(-)</u>
Net unconditional promises to give	<u>\$ 25,000</u>	<u>\$ 5,500</u>

Notes to Financial Statements

Gulf Restoration Network, Inc.

December 31, 2017 and 2016

Note 4 – Unconditional Promises to Give Receivable (Continued)

Unconditional promises to give at December 31, 2017 are considered fully collectible. Accordingly, there is no provision for uncollectible amounts included in the 2017 financial statements.

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques when a donor makes an unconditional promise to give GRN.

Note 5 – Accrued Absences

GRN employees accrue vacation and sick leave at varying rates based on their full or part time status.

At December 31, 2017, staff employees had accumulated a total of \$14,599 of unused vacation leave and \$28,065 of unused sick leave. The executive director had accumulated \$4,358 of unused vacation leave and \$8,715 of unused sick leave.

At December 31, 2016, staff employees had accumulated a total of \$11,476 of unused vacation leave and \$31,871 of unused sick leave. The executive director had accumulated \$2,544 of unused vacation leave and \$8,303 of unused sick leave.

Note 6 – Agency Funds

Agency funds are funds, which are included in cash and cash equivalents in the statements of financial position, in which GRN acts as a fiscal agent and has a duty to hold and manage assets for the benefit of a specific beneficiary. Activity related to agency funds for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Funds received	\$ 3,857	\$ 20,172
Disbursements to or on behalf of beneficiary	(26,300)	(21,438)
Administrative fee	(59)	(849)
Net change	(22,502)	(2,115)
Agency funds		
Beginning of year	<u>52,091</u>	<u>54,206</u>
End of year	<u>\$ 29,589</u>	<u>\$ 52,091</u>

Note 7 – Line of credit

GRN has a revolving line of credit (loan management account) with a financial institution in an amount determined by the loan value of the pledged collateral less outstanding loan balances and accrued finance charges. The available credit at December 31, 2017 amounted to \$845,381. GRN investments in a brokerage account maintained at Merrill Lynch, Pierce, Fenner & Smith Incorporated are used as eligible collateral. There was an initial borrowing of \$50,000 during the year ended December 31, 2017 and one repayment of principal in the amount of \$9,999. The unpaid balance at December 31, 2017 amounted to \$40,001.

Notes to Financial Statements

Gulf Restoration Network, Inc.

December 31, 2017 and 2016

Note 7 – Line of credit (Continued)

Interest is charged at a variable rate and ranged from 4.21% to 4.44% during 2017. Due to the small amount of accrued interest at December 31, 2017, no interest was recorded in the financial statements.

Note 8 – Restrictions on Net Assets

Temporarily restricted net assets as of December 31, 2017 and 2016 are restricted for the following purposes.

	2017	2016
Clean and Healthy Water Campaign	\$1,505,387	\$1,354,382
Coastal Resilience/Sustaining Coastal Communities Campaign	<u>14,322</u>	<u>14,938</u>
Totals	<u>\$1,519,709</u>	<u>\$1,369,320</u>

Temporarily restricted net assets were released for the following purposes during the respective years by meeting time restrictions or by incurring expenses satisfying the restricted purposes.

	2017	2016
Clean and Healthy Water Campaign	\$ 327,348	\$ 316,151
Coastal Resilience/Sustaining Coastal Communities Campaign	275,870	183,387
Gulf Restoration Campaign	-	137,186
Clean Energy Campaign	25,395	2,580
Conserving Marine Resources Campaign	<u>2,750</u>	<u>16,643</u>
Totals	<u>\$ 631,363</u>	<u>\$ 655,947</u>

Investments – Endowment

During the year ended December 31, 2010, GRN transferred \$10,000 to a permanently restricted endowment fund administered by The Greater New Orleans Foundation (GNOF), a community foundation, for the benefit of GRN. In conjunction with The Richard West Freeman Endowment Challenge for 2009, \$5,000 in matching funds was transferred to the fund by GNOF.

All future donations or transfers to this fund including any net earnings from the fund will be considered permanently restricted. Distributions will be in accordance with the spending policy of GNOF in effect. Distributions received by GRN will be considered unrestricted.

The composition of endowment assets for this fund and the changes in endowment net assets as of December 31, 2017 and 2016 is as follows:

	2017	2016
Endowment net assets, beginning of year	\$ 22,597	\$ 21,884
Investments during year	500	-
Investment income (net of expenses)	298	459
Unrealized gains (losses)	<u>2,768</u>	<u>254</u>
Endowment net assets, end of year	<u>\$ 26,163</u>	<u>\$ 22,597</u>

Notes to Financial Statements

Gulf Restoration Network, Inc.

December 31, 2017 and 2016

Note 9– Major Program Funding Concentrations

GRN receives a majority of its support from a limited number of grantors. The following represents a listing of various major funding sources during the year ended December 31, 2017 which includes grants issued prior to December 31, 2017.

Funding Organization	Amount Awarded	2017 Receipts	Estimated 2018 Receipts	Restrictions on Use
The McKnight Foundation (2017 grant)	\$ 145,000	\$ 145,000	\$ -	Water
Aveda	274,171	274,171	-	Water
The Kresge Foundation	125,000	125,000	-	Coastal Resilience
Greater N.O. Foundation	19,000	19,000	-	Unrestricted
Curtis and Edith Munson Foundation	50,000	25,000	25,000	Water
Keith Campbell Foundation	25,000	25,000	-	Coastal Resilience
Walton Family Foundation	75,000	75,000	-	Coastal Resilience
The Annenberg Foundation	25,000	25,000	-	Clean Energy

The following represents a listing of various major funding sources during the year ended December 31, 2016 which includes grants issued prior to December 31, 2016.

Funding Organization	Amount Awarded	2016 Receipts	Actual 2017 Receipts	Restrictions on Use
The McKnight Foundation (2015 grant)	\$ 290,000	\$ 145,000	\$ -	Water
Aveda	313,194	313,194	-	Water
The Kresge Foundation Common Stream	290,000	145,000	-	Coastal Resilience
(2015 grant)	15,000	15,000	-	Coastal Resilience
Greater N.O. Foundation	20,000	20,000	-	Coastal Resilience
Revolutions per Minute	25,000	25,000	-	Unrestricted
Keith Campbell Foundation	25,000	25,000	-	Gulf Restoration
Walton Family Foundation	95,000	95,000	-	Gulf Restoration

Unconditional promises to give at December 31, 2017 include \$25,000 from one funding source, representing 100% of total unconditional promises to give. Unconditional promises to give at December 31, 2016 include \$5,500 from seven funding sources, representing 100% of total unconditional promises to give.

Note 10– Donated Services

During 2017 and 2016 GRN received assistance from volunteers to help with various program services. The total hours volunteered was 1,405 during 2017 and 717 during 2016. The valuation of these services was \$14,053 for 2017 and \$7,167 for 2016. The value of these services was based on the number of hours spent times an estimated hourly wage rate normally paid for similar services. Allocation of these services to the various programs was made based on the relative hours spent towards each program and is detailed as follows.

Notes to Financial Statements

Gulf Restoration Network, Inc.

December 31, 2017 and 2016

Note 10– Donated Services (Continued)

	2017	2016
Coastal Resilience/Sustaining Coastal Communities	\$ 3,930	\$ 2,680
Gulf Restoration	-	300
Clean and Healthy Water	8,078	429
Clean Energy	310	1,639
Conserving Marine Resources	<u>1,735</u>	<u>2,119</u>
Totals	<u>\$ 14,053</u>	<u>\$ 7,167</u>

Note 11– Lease Expense

The organization moved its office location and entered into a four year lease commencing December 1, 2015 with a monthly rental of \$3,500. Lease payments under this agreement for the years ended December 31, 2017 and 2016 amounted to \$42,000. This lease provided for a renewal option of one additional four lease term with a 10% increase in the monthly rent.

Minimum future obligations on leases in effect as of December 31, 2017 are as follows:

2018	42,000
2019	<u>38,500</u>
Total	<u>\$ 80,500</u>

The Organization had various sub-lease agreements for the usage of a portion of their office facilities. Rent collected during the year ended December 31, 2016 amounted to \$600.

Subsequent to December 31, 2017, GRN and its landlord mutually agreed to terminate this lease agreement effective June 2018. In conjunction with this, the landlord agreed to compensate GRN an undetermined amount to offset moving expenses. GRN subsequently entered into a lease agreement at a new location effective June 10, 2018 for a term of five years with a monthly rental of \$4,430.

Note 12– Related Party Transactions

GRN has entered into an agreement with its executive director, an attorney with extensive experience in environmental issues and activities. The executive director received a salary as compensation for her services of \$113,300 and \$110,000 during 2017 and 2016, respectively. In addition, GRN provides reimbursements to her for expenses incurred on behalf of the Organization on an accountable basis.

Note 13– Functional Allocation of Expenses

The costs of providing the various program services and other activities have been categorized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, costs have been allocated to program services benefited and management and general and fundraising expenses.

Notes to Financial Statements

Gulf Restoration Network, Inc.

December 31, 2017 and 2016

Note 14– Fair Value Measurements

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets and liabilities reported at fair value on a recurring basis at December 31, 2017 and 2016 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
December 31, 2017				
Assets:				
Unconditional promises to give	\$ -	\$ -	\$ 25,000	\$ 25,000
Investments	1,502,544	-	-	1,502,544
Investments-Endowment	<u>7,353</u>	<u>2,140</u>	<u>-</u>	<u>9,493</u>
Totals in fair value hierarchy	<u>\$1,509,897</u>	<u>\$ 2,140</u>	<u>\$ 25,000</u>	1,537,037
Investments-Endowment measured at Net Asset Value ^(a)				<u>16,670</u>
Total				<u>\$1,553,707</u>
December 31, 2016				
Assets:				
Unconditional promises to give	\$ -	\$ -	\$ 5,500	\$ 5,500
Investments	1,384,505	-	-	1,384,505
Investments-Endowment	<u>8,542</u>	<u>214</u>	<u>-</u>	<u>8,756</u>
Totals in fair value hierarchy	<u>\$1,393,047</u>	<u>\$ 214</u>	<u>\$ 5,500</u>	1,398,761
Investments-Endowment measured at Net Asset Value ^(a)				<u>13,841</u>
Total				<u>\$1,412,602</u>

(a) In accordance with Subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

The FASB has issued standards pertaining to *Fair Value Measurements and Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share*. Fair values are determined by the use of calculated net asset value per ownership share. The Investments-Endowment at December 31, 2017 and 2016 that feature NAV per share are comprised of by various private equity funds, hedge funds, limited liability entities and pooled investment funds.

Notes to Financial Statements

Gulf Restoration Network, Inc.

December 31, 2017 and 2016

Note 14– Fair Value Measurements (Continued)

The changes during the years ended December 31, 2017 and 2016 in assets and liabilities measured at fair value on a recurring basis for which GRN has used significant unobservable inputs (Level 3) to determine fair value are as follows.

	Level 3 Beginning Balance	Collections in 2017	Additions in 2017	Level 3 Ending Balance
2017				
Unconditional Promises to Give	<u>\$ 5,500</u>	<u>\$ (5,500)</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>
	Level 3 Beginning Balance	Collections in 2016	Additions in 2016	Level 3 Ending Balance
2016				
Unconditional Promises to Give	<u>\$ 312,000</u>	<u>\$ (312,000)</u>	<u>\$ 5,500</u>	<u>\$ 5,500</u>

Since the endowment investments are administered by the Greater New Orleans Foundation, fair values and the related hierarchy placement, revenues and expenses are provided by them. Accordingly, the allocation of amounts to the various measurement levels is proportionate to the total allocation of all investments of the Greater New Orleans Foundation.

Note 15– Pension Plan

GRN maintains a SIMPLE IRA plan covering substantially all employees. Each year, eligible employees may contribute as an elective deferral, that is, as a pre-tax contribution up to specified limits. GRN matches this deferral on a dollar for dollar basis up to 3% of the compensation of the employee. GRN made matching contributions in the amounts of \$15,374 and \$14,784 for the years ended December 31, 2017 and 2016, respectively.

Note 16– Evaluation of Subsequent Events

GRN has evaluated subsequent events through May 30, 2018, the date which the financial statements were available to be issued.

Subsequent to December 31, 2017, GRN and its landlord mutually agreed to terminate the lease agreement for its office facilities effective June 2018. In conjunction with this, the landlord agreed to compensate GRN an undetermined amount to offset moving expenses. GRN subsequently entered into a lease agreement at a new location effective June 10, 2018 for a term of five years with a monthly rental of \$4,430.