

HEALTHY GULF, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2018 and 2017

Barry L. Delery CPA
A PROFESSIONAL ACCOUNTING CORPORATION

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Healthy Gulf, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Healthy Gulf, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 Healthy Gulf, Inc. as of December 31, 2018 and 2017, 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 8, 2019

Statements of Financial Position

Healthy Gulf, Inc.

<i>December 31</i>	<i>2018</i>	<i>2017</i>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 268,333	\$ 226,821
Accounts receivable	6,438	-
Investments	1,463,379	1,502,544
Prepaid expenses	46,666	48,140
Unconditional promises to give	255,000	25,000
Total current assets	2,039,816	1,802,505
Property and Equipment		
Office furniture and fixtures	23,495	23,088
Computer equipment	37,213	47,223
Leasehold improvements	3,600	-
	64,308	70,311
Less accumulated depreciation	28,293	44,653
Total property and equipment	36,015	25,658
Other Assets		
Deposits	4,460	4,413
Investments - Endowment	29,666	26,163
Total other assets	34,126	30,576
Total assets	\$ 2,109,957	\$ 1,858,739
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 3,826	\$ 11,102
Accrued interest payable	140	-
Employee benefits payable	9,234	5,500
Agency funds	268,367	29,589
Accrued vacation and sick time payable	63,119	55,737
Line of credit	-	40,001
Total current liabilities	344,686	141,929
Net Assets		
Without donor restrictions	218,324	170,938
With donor restrictions	1,546,947	1,545,872
Total net assets	1,765,271	1,716,810
Total liabilities and net assets	\$ 2,109,957	\$ 1,858,739

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

Statement of Activities

Healthy Gulf, Inc.

Year Ended December 31, 2018

	Changes in Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS			
Contributions and grants			
Support for Coastal Resilience Campaign	\$ -	\$ 408,470	\$ 408,470
Support for Clean and Healthy Water Campaign	-	202,253	202,253
Support for Conserving Marine Resources Campaign	-	2,913	2,913
Support for Clean Energy Campaign	-	2,893	2,893
Other	418,185	-	418,185
Membership dues	98,955	-	98,955
Program service revenue	92,450	-	92,450
Special events and fundraising	13,653	-	13,653
Other income	62,834	-	62,834
Investments			
Interest, dividends and realized gains (losses)	53,461	-	53,461
Net unrealized gains (losses)	(92,409)	-	(92,409)
Endowment funds			
Interest, dividends and realized gains (losses)	-	1,177	1,177
Net unrealized gains (losses)	-	(2,699)	(2,699)
Net assets released from restrictions	618,957	(618,957)	-
Endowment fund contributions	(5,025)	5,025	-
Total support, revenue and reclassifications	1,261,061	1,075	1,262,136
EXPENSES			
<u>Program Services</u>			
Coastal Resilience	290,454	-	290,454
Conserving Marine Resources	134,598	-	134,598
Clean and Healthy Water	322,697	-	322,697
Clean Energy	204,183	-	204,183
Total program services	951,932	-	951,932
<u>Support Services</u>			
Management and general	97,685	-	97,685
Fund raising	164,058	-	164,058
Total support services	261,743	-	261,743
Total expenses	1,213,675	-	1,213,675
Change in net assets	47,386	1,075	48,461
NET ASSETS - BEGINNING OF YEAR	170,938	1,545,872	1,716,810
NET ASSETS - END OF YEAR	\$ 218,324	\$ 1,546,947	\$ 1,765,271

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

Statement of Activities

Healthy Gulf, Inc.

Year Ended December 31, 2017

	Changes in Net Assets		
	Without Donor Restrictions	With Donor Restrictions	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 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	631,363	(631,363)	-
Endowment fund contributions	(500)	500	-
Total support, revenue and reclassifications	1,037,317	153,955	1,191,272
EXPENSES			
<u>Program Services</u>			
Coastal Resilience	275,870	-	275,870
Conserving Marine Resources	119,535	-	119,535
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)	153,955	13,923
NET ASSETS - BEGINNING OF YEAR	310,970	1,391,917	1,702,887
NET ASSETS - END OF YEAR	\$ 170,938	\$ 1,545,872	\$ 1,716,810

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

Statements of Cash Flows

Healthy Gulf, Inc.

<i>Years Ended December 31</i>	<i>2018</i>	<i>2017</i>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 48,461	\$ 13,923
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	8,820	7,986
Write off of obsolete property and equipment	611	926
Net unrealized loss (gain) on investments	95,108	(72,011)
Interest, dividends and realized gains - Endowment funds	(1,177)	(298)
(Increase) decrease in current assets		
Accounts receivable	(6,438)	-
Prepaid expenses	1,474	(1,944)
Unconditional promises to give	(230,000)	(19,500)
Increase (decrease) in current liabilities		
Accounts payable	(7,276)	(551)
Accrued interest payable	140	-
Employee benefits payable	3,734	1,304
Agency funds	238,778	(22,502)
Accrued vacation and sick time payable	7,382	1,543
Increase in deposits	(47)	-
Net cash provided (used) by operating activities	159,570	(91,124)
Cash Flows From Investing Activities		
(Increase) decrease in investments	(53,245)	(48,806)
Transfers to endowment funds	(5,025)	(500)
Purchases of property and equipment	(19,787)	(10,890)
Net cash provided (used) by investing activities	(78,057)	(60,196)
Cash Flows From Financing Activities		
Borrowings under line of credit	-	50,000
Principal payments on line of credit	(40,001)	(9,999)
Net cash provided (used) by financing activities	(40,001)	40,001
Net increase (decrease) in cash and cash equivalents	41,512	(111,319)
Cash and Cash Equivalents - Beginning of Year	226,821	338,140
Cash and Cash Equivalents - End of Year	\$ 268,333	\$ 226,821

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for interest	\$ 3,600	\$ -
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The accompanying notes are an integral part of these financial statements.

Statement of Functional Expenses

Healthy Gulf, Inc.

Year Ended December 31, 2018

	PROGRAM SERVICES					SUPPORT SERVICES			Total Expenses
	Coastal Resilience	Conserving Marine Resources	Clean and Healthy Water	Clean Energy	Total Program Services	Management and General	Fund Raising	Total Support Services	
Salaries and Related Expenses									
Salaries	\$ 186,571	\$ 92,508	\$ 198,554	\$ 129,820	\$ 607,453	\$ 54,386	\$ 109,716	\$ 164,102	\$ 771,555
Employee benefits	25,966	11,023	27,210	17,996	82,195	8,169	11,141	19,310	101,505
Payroll fees	1,136	464	1,226	815	3,641	420	2,612	3,032	6,673
Payroll taxes	14,024	5,776	15,209	10,087	45,096	4,482	7,846	12,328	57,424
Workers compensation insurance	383	157	413	274	1,227	122	165	287	1,514
Total Salaries and Related Expenses	228,080	109,928	242,612	158,992	739,612	67,579	131,480	199,059	938,671
Accounting fees	3,163	1,293	3,413	2,266	10,135	1,004	1,363	2,367	12,502
Bank and transaction fees	179	46	117	87	429	136	48	184	613
Board conferences	646	265	700	468	2,079	177	279	456	2,535
Consulting, strategic planning and other professional fees	22	9	23	1,815	1,869	7	9	16	1,885
Donated services	1,070	205	9,734	2,310	13,319	-	-	-	13,319
Dues and subscriptions	1,093	153	1,123	232	2,601	136	161	297	2,898
Grants and sub-grants	7,193	-	-	-	7,193	-	-	-	7,193
Insurance	1,466	599	1,582	1,050	4,697	465	632	1,097	5,794
Interest expense	911	372	983	653	2,919	289	392	681	3,600
Legal fees	-	-	-	-	-	-	-	-	-
Licenses and permits	185	76	199	132	592	59	80	139	731
Moving expenses	-	-	-	-	-	13,466	-	13,466	13,466
Occupancy	12,343	5,044	13,319	8,845	39,551	3,918	5,318	9,236	48,787
Office and other supplies	5,145	2,196	6,075	3,784	17,200	1,989	2,877	4,866	22,066
Outreach	30	49	2,208	22	2,309	10	1,115	1,125	3,434
Postage	470	193	864	400	1,927	353	1,140	1,493	3,420
Printing and publications	1,900	831	2,663	1,436	6,830	654	1,437	2,091	8,921
Special events and fundraising	-	-	-	-	-	-	2,919	2,919	2,919
Telephone and Utilities	3,030	1,236	3,263	2,204	9,733	1,035	1,312	2,347	12,080
Training	59	24	563	42	688	19	4,013	4,032	4,720
Travel and Lodging	4,080	3,438	10,659	5,740	23,917	371	999	1,370	25,287
Website	8,904	3,647	9,909	6,386	28,846	2,966	4,020	6,986	35,832
Workshop and other conferences	8,253	4,082	10,280	5,720	28,335	2,344	3,503	5,847	34,182
Total expenses before depreciation	288,222	133,686	320,289	202,584	944,781	96,977	163,097	260,074	1,204,855
Depreciation	2,232	912	2,408	1,599	7,151	708	961	1,669	8,820
Totals	\$ 290,454	\$ 134,598	\$ 322,697	\$ 204,183	\$ 951,932	\$ 97,685	\$ 164,058	\$ 261,743	\$ 1,213,675

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

Statement of Functional Expenses

Healthy Gulf, Inc.

Year Ended December 31, 2017

	PROGRAM SERVICES					SUPPORT SERVICES			
	Coastal Resilience	Conserving Marine Resources	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
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.

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2018 and 2017

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

Healthy Gulf, Inc. (HG) (Formerly Gulf Restoration Network, Inc.) 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. HG's current programs include:

♦ **Clean and Healthy Water**

HG works to improve water quality by identifying pollution issues and providing technical assistance, training, and mentoring to numerous communities faced with pollution. HG 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. HG 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**

HG 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. HG'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**

HG 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, (3) advocates for the use of green infrastructure in the Greater New Orleans area to address localized flooding, and (4) advocates for the use of post BP disaster state and federal restoration efforts to increase the health and resilience of gulf communities.

♦ **Clean Energy**

HG 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 a current emphasis on Louisiana, and to hold industry accountable for their continuing pollution. We also resist expansion of the fossil fuel industry into the Eastern Gulf of Mexico. Our work focuses on efforts to prevent and reduce wetland destruction and pollution in the Outer Continental Shelf (OCS) and states bordering the Gulf.

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2018 and 2017

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

Significant Accounting Policies

Basis of Accounting

HG 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, HG 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 HG'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 funds restricted by a donor are reported as increases or decreases in net assets with donor restrictions in the period the income and gains and losses are recognized while those related to funds with no donor restrictions are reported as increases or decreases in net assets without donor restrictions.

Some investments of HG 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 HG. 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 HG. GNOF periodically makes a distribution to HG based on the spending policy of GNOF. The funds associated with these distributions are considered unrestricted when received by HG. During the year ended December 31, 2018 and 2017 HG contributed \$5,025 and \$500 to this fund, respectively.

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2018 and 2017

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. HG 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, 2018 and 2017 was \$8,820 and \$7,986, 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

HG is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. HG 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).

HG’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 HG that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions 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.

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2018 and 2017

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

Significant Accounting Policies (Continued)

Contributions and Grants

HG reports contributions and grants of cash and other assets as either net assets without donor restrictions or net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

HG reports contributions of land, buildings, and equipment as support without donor restrictions 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 support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, HG reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. HG reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Financial Statement Presentation

HG is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The 2017 financial statements previously utilized three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The 2017 financial statements have been changed to conform to the two class presentation. In addition, HG is required to present a statement of cash flows.

Fair Value Measurements

HG 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

Healthy Gulf, Inc.

December 31, 2018 and 2017

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)

HG'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, 2018 and 2017 (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, 2018 and 2017 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, 2018 and 2017, the carrying value of HG's cash and cash equivalents, accounts receivable, prepaid expenses, deposits, accounts payable, accrued interest payable, employee benefits payable, agency funds, accrued vacation and sick time payable, and line of credit approximated their fair values.

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2018 and 2017

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

Significant Accounting Policies (Continued)

Advertising Costs

HG expenses advertising costs as incurred. There was no advertising expense during the years ended December 31, 2018 and 2017.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation.

Note 2 – Concentration of Credit Risk

HG periodically maintains cash in bank accounts in excess of insured limits. HG 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, 2018:

	Fair Market Value	Cost or Assigned Amount
<u>Without donor restrictions</u>		
Mutual Funds	\$1,462,600	\$1,484,806
Equities	779	618
	<u>1,463,379</u>	<u>1,485,424</u>
<u>With donor restrictions</u>		
Endowment investments (Administered by GNOF)	<u>29,666</u>	<u>26,640</u>
Totals	<u>\$1,493,045</u>	<u>\$1,512,064</u>

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

	Fair Market Value	Cost or Assigned Amount
<u>Without donor restrictions</u>		
Mutual Funds	\$1,501,709	\$1,431,553
Equities	835	618
	<u>1,502,544</u>	<u>1,432,171</u>
<u>With donor restrictions</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

Healthy Gulf, Inc.

December 31, 2018 and 2017

Note 3 – Investments (Continued)

The following summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2018 and 2017.

	2018	2017
<u>Without donor restrictions</u>		
Interest, dividends and realized gains and losses	\$ 53,461	\$ 48,982
Net unrealized gains (losses)	(92,409)	69,243
Total investment returns without donor restrictions	(38,948)	118,225
<u>With donor restrictions</u>		
Interest and dividends	210	174
Realized gains	1,222	324
Less: administrative expenses	(255)	(200)
	1,177	298
Net unrealized gains (losses)	(2,699)	2,768
Total investment returns with donor restrictions	(1,522)	3,066
Total investment returns	<u>\$ (40,470)</u>	<u>\$ 121,291</u>

The Organization's investments, which consist of various mutual funds and corporate stock, were exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the fair value of investments included in the accompanying statement of financial position.

Note 4 – Unconditional Promises to Give Receivable

Unconditional promises to give receivable consisted of the following at December 31, 2018 and 2017.

	2018	2017
Without donor restrictions	\$ 150,000	\$ -
With donor restrictions		
Restricted for:		
Clean and Healthy Water campaign	-	25,000
Coastal Resilience campaign	105,000	-
Gross unconditional promises to give	255,000	25,000
Less: Discount to net present value	(-)	(-)
Net unconditional promises to give	<u>\$ 255,000</u>	<u>\$ 25,000</u>
Amounts due in less than one year	\$ 255,000	\$ 25,000
Amounts due in one to five years	-	-
Gross unconditional promises to give	<u>\$ 255,000</u>	<u>\$ 25,000</u>

Unconditional promises to give at December 31, 2018 are considered fully collectible. Accordingly, there is no provision for uncollectible amounts included in the 2018 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 HG

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2018 and 2017

Note 5 – Accrued Absences

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

At December 31, 2018, staff employees had accumulated a total of \$18,622 of unused vacation leave and \$31,726 of unused sick leave. The executive director had accumulated \$3,925 of unused vacation leave and \$8,846 of unused sick leave.

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.

Note 6 – Agency Funds

Agency funds are funds, which are included in cash and cash equivalents in the statements of financial position, in which HG 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, 2018 and 2017 are as follows:

	2018	2017
Funds received	\$ 318,368	\$ 3,857
Disbursements to or on behalf of beneficiary	(66,883)	(26,300)
Administrative fee	(12,707)	(59)
Net change	238,778	(22,502)
Agency funds		
Beginning of year	29,589	52,091
End of year	\$ 268,367	\$ 29,589

Note 7 – Line of credit

HG 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, 2018 and 2017 amounted to \$870,366 and \$845,381, respectively. HG's 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. The unpaid balance at December 31, 2018 and 2017 amounted to \$ -0- and \$40,001, respectively. Accrued interest at December 31, 2018 amounted to \$140.

Interest is charged at a variable rate and ranged from 4.44% to 5.39% during 2018 from 4.21% to 4.44% during 2017. Interest expense during 2018 amounted to \$3,600. Due to the small amount of accrued interest at December 31, 2017, no interest was recorded in the financial statements in 2017.

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2018 and 2017

Note 8 – Restrictions on Net Assets

Net assets with donor restrictions as of December 31, 2018 and 2017 were available for the following purposes.

	2018	2017
Clean and Healthy Water Campaign	\$1,384,943	\$1,505,387
Coastal Resilience/Sustaining Coastal Communities Campaign	<u>132,338</u>	<u>14,322</u>
	1,517,281	1,519,709
Restricted endowment fund	<u>29,666</u>	<u>26,163</u>
Totals	<u>\$1,546,947</u>	<u>\$1,545,872</u>

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

	2018	2017
Clean and Healthy Water Campaign	\$ 322,697	\$ 327,348
Coastal Resilience/Sustaining Coastal Communities Campaign	290,454	275,870
Clean Energy Campaign	2,893	25,395
Conserving Marine Resources Campaign	<u>2,913</u>	<u>2,750</u>
Totals	<u>\$ 618,957</u>	<u>\$ 631,363</u>

Investments – Endowment

During the year ended December 31, 2010, HG transferred \$10,000 to a donor restricted endowment fund administered by The Greater New Orleans Foundation (GNOF), a community foundation, for the benefit of HG. 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 restricted. Distributions will be in accordance with the spending policy of GNOF in effect. Distributions received by HG will be considered without any donor restrictions.

The composition of endowment assets for this fund and the changes in endowment net assets as of December 31, 2018 and 2017 is as follows:

	2018	2017
Endowment net assets, beginning of year	\$ 26,163	\$ 22,597
Investments during year	5,025	500
Investment income (net of expenses)	1,177	298
Unrealized gains (losses)	<u>(2,699)</u>	<u>2,768</u>
Endowment net assets, end of year	<u>\$ 29,666</u>	<u>\$ 26,163</u>

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2018 and 2017

Note 9– Major Program Funding Concentrations

HG 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, 2018 which includes grants issued prior to December 31, 2018.

Funding Organization	Amount Awarded	2018 Receipts	Estimated 2019 Receipts	Restrictions on Use
The McKnight Foundation (2018 grant)	\$ 325,000	\$ 175,000	\$ 150,000	No restrictions
Aveda	192,519	192,519	-	Water
The Kresge Foundation	120,000	120,000	-	Coastal Resilience
Greater N.O. Foundation	10,000	10,000	-	No restrictions
Greater N.O. Foundation	20,000	20,000	-	Coastal Resilience
Keith Campbell Foundation	10,000	10,000	-	No restrictions
Keith Campbell Foundation	25,000	25,000	-	Coastal Resilience
Walton Family Foundation	150,000	75,000	75,000	Coastal Resilience
Foundation for Louisiana	60,000	30,000	30,000	Coastal Resilience
Community Foundation	25,000	25,000	-	Coastal Resilience

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	Actual 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	-	No restrictions
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

Unconditional promises to give at December 31, 2018 include \$255,000 from three funding sources, representing 100% of total unconditional promises to give. Unconditional promises to give at December 31, 2017 include \$25,000 from one funding source, representing 100% of total unconditional promises to give.

Note 10– Donated Services

During 2018 and 2017 HG received assistance from volunteers to help with various program services. The total hours volunteered was 1,363 during 2018 and 1,405 during 2017. The valuation of these services was \$13,319 for 2018 and \$14,053 for 2017. 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

Healthy Gulf, Inc.

December 31, 2018 and 2017

Note 10– Donated Services (Continued)

	2018	2017
Coastal Resilience/Sustaining Coastal Communities	\$ 1,070	\$ 3,930
Clean and Healthy Water	9,734	8,078
Clean Energy	2,310	310
Conserving Marine Resources	<u>205</u>	<u>1,735</u>
Totals	<u>\$ 13,319</u>	<u>\$ 14,053</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, 2018 and 2017 amounted to \$19,250 and \$42,000, respectively. HG and its landlord mutually agreed to terminate this lease agreement effective June 2018. In conjunction with this, the landlord agreed to compensate HG in the amount \$50,000 to offset moving expenses. This amount is included in other income in the statement of activities. HG 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. The base rental escalates each year of the lease from the initial \$15.50 per square foot to \$16.97 per square foot. Lease payments under this agreement for the year ended December 31, 2018 amounted to \$29,536.

Minimum future obligations on leases in effect as of December 31, 2018 are as follows:

2019	53,664
2020	54,521
2021	55,842
2022	57,512
2023	<u>24,255</u>
Total	<u>\$ 245,794</u>

Note 12– Related Party Transactions

HG 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 \$115,000 and \$113,300 during 2018 and 2017, respectively. In addition, HG provides reimbursements to her for expenses incurred on behalf of the Organization on an accountable basis.

Note 13– Functional Allocation of Expenses

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. 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

Healthy Gulf, Inc.

December 31, 2018 and 2017

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, 2018 and 2017 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, 2018				
Assets:				
Unconditional promises to give	\$ -	\$ -	\$ 255,000	\$ 255,000
Investments	1,463,379	-	-	1,463,379
Investments-Endowment	<u>6,073</u>	<u>3,073</u>	<u>-</u>	<u>9,146</u>
Totals in fair value hierarchy	<u>\$1,469,452</u>	<u>\$ 3,073</u>	<u>\$ 255,000</u>	1,727,525
Investments-Endowment measured at Net Asset Value ^(a)				<u>20,520</u>
Total				<u>\$1,748,045</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>

(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, 2018 and 2017 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

Healthy Gulf, Inc.

December 31, 2018 and 2017

Note 14– Fair Value Measurements (Continued)

The changes during the years ended December 31, 2018 and 2017 in assets and liabilities measured at fair value on a recurring basis for which HG has used significant unobservable inputs (Level 3) to determine fair value are as follows.

	Level 3 Beginning Balance	Collections in 2018	Additions in 2018	Level 3 Ending Balance
2018				
Unconditional Promises to Give	\$ 25,000	\$ (25,000)	\$ 255,000	\$ 255,000
	Level 3 Beginning Balance	Collections in 2017	Additions in 2017	Level 3 Ending Balance
2017				
Unconditional Promises to Give	\$ 5,500	\$ (5,500)	\$ 25,000	\$ 25,000

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– 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.

	2018	2017
Financial assets at year-end	\$2,022,816	\$1,780,528
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted to the following:		
Clean and Healthy Water Campaign	1,384,943	1,505,387
Coastal Resilience/Sustaining Coastal Communities Campaign	132,338	14,322
Donor restricted endowment fund	29,666	26,163
Agency funds	268,367	29,589
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 207,502</u>	<u>\$ 205,067</u>

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically mutual and money market funds.

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2018 and 2017

Note 16– Pension Plan

HG 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. HG matches this deferral on a dollar for dollar basis up to 3% of the compensation of the employee. HG made matching contributions in the amounts of \$15,599 and \$15,374 for the years ended December 31, 2018 and 2017, respectively.

Note 17– Evaluation of Subsequent Events

HG has evaluated subsequent events through May 8, 2019, the date which the financial statements were available to be issued.

Subsequent to December 31, 2018, the organization changed its name from Gulf Restoration Network, Inc. to Healthy Gulf, Inc., dba Gulf Restoration Network.