

HEALTHY GULF, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2022 and 2021

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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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Healthy Gulf, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Healthy Gulf, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.


Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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


Barry L. Delery CPA
A PROFESSIONAL ACCOUNTING CORPORATION

Metairie, Louisiana

July 13, 2023

Statements of Financial Position

Healthy Gulf, Inc.

December 31	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,860,343	\$ 1,391,515
Accounts receivable	11,999	3,100
Investments	2,421,492	2,863,609
Prepaid expenses	53,725	42,255
Total current assets	5,347,559	4,300,479
Property and Equipment		
Office furniture and fixtures	23,495	23,495
Computer equipment	45,808	41,318
	69,303	64,813
Less accumulated depreciation	42,583	40,819
Total property and equipment	26,720	23,994
Other Assets		
Deposits	6,541	6,541
Investments - Endowment	60,248	64,248
Operating lease right-of-use assets	317,014	-
Total other assets	383,803	70,789
Total assets	\$ 5,758,082	\$ 4,395,262
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 22,621	\$ 17,685
Current portion of operating lease liabilities	36,431	-
Employee benefits payable	5,009	4,457
Agency funds	1,040,696	813,539
Accrued vacation and sick time payable	79,566	74,864
Total current liabilities	1,184,323	910,545
Long-term operating lease liabilities-less current portion	282,303	-
Total liabilities	1,466,626	910,545
Net Assets		
Without donor restrictions	1,577,000	1,348,625
With donor restrictions	2,714,456	2,136,092
Total net assets	4,291,456	3,484,717
Total liabilities and net assets	\$ 5,758,082	\$ 4,395,262

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

Statement of Activities

Healthy Gulf, Inc.

Year Ended December 31, 2022

	Changes in Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS			
Contributions and grants			
Support for Resilient Communities and Climate Justice Campaign	\$ -	\$ 1,853,266	\$ 1,853,266
Support for Resilient Habitat and Healthy Water Campaign	-	583,038	583,038
Support for Hurricane Ida Relief	-	10,983	10,983
Other	666,359	-	666,359
Membership dues	38,006	-	38,006
Program service revenue	82,950	-	82,950
Other income	101,128	-	101,128
Investments			
Interest, dividends and realized gains (losses)	45,773	-	45,773
Net unrealized gains (losses)	(442,054)	-	(442,054)
Endowment funds			
Interest, dividends and realized gains (losses)	-	1,389	1,389
Net unrealized gains (losses)	-	(9,427)	(9,427)
Net assets released from restrictions	1,864,924	(1,864,924)	-
Endowment fund contributions	(4,039)	4,039	-
Total support, revenue and reclassifications	2,353,047	578,364	2,931,411
EXPENSES			
<u>Program Services</u>			
Resilient Communities and Climate Justice	1,275,829	-	1,275,829
Hurricane Ida Relief	27,600	-	27,600
Resilient Habitat and Healthy Water	550,513	-	550,513
Total program services	1,853,942	-	1,853,942
<u>Support Services</u>			
Management and general	121,807	-	121,807
Fund raising	148,923	-	148,923
Total support services	270,730	-	270,730
Total expenses	2,124,672	-	2,124,672
Change in net assets	228,375	578,364	806,739
NET ASSETS - BEGINNING OF YEAR	1,348,625	2,136,092	3,484,717
NET ASSETS - END OF YEAR	\$ 1,577,000	\$ 2,714,456	\$ 4,291,456

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

Statement of Activities

Healthy Gulf, Inc.

Year Ended December 31, 2021

	Changes in Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS			
Contributions and grants			
Support for Resilient Communities and Climate Justice Campaign	\$ -	\$ 1,656,975	\$ 1,656,975
Support for Resilient Habitat and Healthy Water Campaign	-	206,723	206,723
Support for Hurricane Ida Relief	-	38,768	38,768
Other	443,869	-	443,869
Membership dues	38,461	-	38,461
Program service revenue	54,350	-	54,350
Other income	39,246	-	39,246
Investments			
Interest, dividends and realized gains (losses)	105,090	-	105,090
Net unrealized gains (losses)	134,520	-	134,520
Endowment funds			
Interest, dividends and realized gains (losses)	-	3,012	3,012
Net unrealized gains (losses)	-	5,656	5,656
Net assets released from restrictions	985,407	(985,407)	-
Endowment fund contributions	(4,370)	4,370	-
Total support, revenue and reclassifications	1,796,573	930,097	2,726,670
EXPENSES			
<u>Program Services</u>			
Resilient Communities and Climate Justice	574,770	-	574,770
Hurricane Ida Relief	11,169	-	11,169
Resilient Habitat and Healthy Water	399,467	-	399,467
Total program services	985,406	-	985,406
<u>Support Services</u>			
Management and general	85,779	-	85,779
Fund raising	144,404	-	144,404
Total support services	230,183	-	230,183
Total expenses	1,215,589	-	1,215,589
Change in net assets	580,984	930,097	1,511,081
NET ASSETS - BEGINNING OF YEAR	767,641	1,205,995	1,973,636
NET ASSETS - END OF YEAR	\$ 1,348,625	\$ 2,136,092	\$ 3,484,717

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>2022</i>	<i>2021</i>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 806,739	\$ 1,511,081
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	6,658	5,726
Operating lease adjustment	1,720	-
Write off of obsolete property and equipment	340	-
Net unrealized loss (gain) on investments	451,481	(140,176)
Interest, dividends and realized gains - Endowment funds	(1,389)	(3,011)
(Increase) decrease in current assets		
Accounts receivable	(8,899)	1,900
Prepaid expenses	(11,470)	(13,942)
Unconditional promises to give	-	15,000
Increase (decrease) in current liabilities		
Accounts payable	4,936	3,659
Employee benefits payable	552	(890)
Agency funds	227,157	96,744
Accrued vacation and sick time payable	4,702	4,492
Increase in deposits	-	(2,068)
Net cash provided (used) by operating activities	1,482,527	1,478,515
Cash Flows From Investing Activities		
(Increase) decrease in investments	63	(1,078,987)
Transfers to endowment funds	(4,039)	(4,370)
Purchases of property and equipment	(9,723)	(5,170)
Net cash provided (used) by investing activities	(13,699)	(1,088,527)
Cash Flows From Financing Activities		
Principal payments on line of credit	-	-
Net cash provided (used) by financing activities	-	-
Net increase (decrease) in cash and cash equivalents	1,468,828	389,988
Cash and Cash Equivalents - Beginning of Year	1,391,515	1,001,527
Cash and Cash Equivalents - End of Year	\$ 2,860,343	\$ 1,391,515

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

Healthy Gulf, Inc.

Year Ended December 31, 2022

	PROGRAM SERVICES				SUPPORT SERVICES			Total Expenses
	Resilient Communities and Climate Justice	Hurricane Ida Relief	Resilient Habitat and Healthy Water	Total Program Services	Management and General	Fund Raising	Total Support Services	
Salaries and Related Expenses								
Salaries	\$ 576,526	\$ 22,145	\$ 274,684	\$ 873,355	\$ 89,497	\$ 104,630	\$ 194,127	\$ 1,067,482
Contract services	68,460	-	13,633	82,093	1,860	2,325	4,185	86,278
Employee benefits	68,763	-	30,246	99,009	8,953	12,083	21,036	120,045
Payroll fees	3,047	-	1,321	4,368	472	527	999	5,367
Payroll taxes	43,251	-	21,779	65,030	5,944	7,586	13,530	78,560
Workers compensation insurance	942	-	421	1,363	151	168	319	1,682
Total Salaries and Related Expenses	760,989	22,145	342,084	1,125,218	106,877	127,319	234,196	1,359,414
Accounting fees	7,553	-	3,225	10,778	1,032	1,290	2,322	13,100
Bank and transaction fees	179	-	38	217	13	35	48	265
Board conferences	3,634	-	1,594	5,228	531	638	1,169	6,397
Consulting, strategic planning and other professional fees	128,321	-	138,922	267,243	264	330	594	267,837
Donated services	2,010	-	527	2,537	-	-	-	2,537
Dues and subscriptions	1,661	-	819	2,480	236	199	435	2,915
Grants and sub-grants	205,000	-	18,000	223,000	-	-	-	223,000
Insurance	3,653	-	1,631	5,284	587	652	1,239	6,523
Legal fees	-	-	688	688	-	-	-	688
Licenses and permits	281	-	126	407	40	50	90	497
Occupancy	62,791	-	14,278	77,069	4,576	5,711	10,287	87,356
Office and other supplies	12,874	460	4,053	17,387	1,884	1,501	3,385	20,772
Outreach	4,702	-	882	5,584	107	3,351	3,458	9,042
Postage	1,692	-	468	2,160	134	1,329	1,463	3,623
Printing and publications	2,799	-	1,242	4,041	210	328	538	4,579
Renovations and construction	-	3,244	-	3,244	-	-	-	3,244
Telephone and Utilities	5,439	-	2,427	7,866	758	958	1,716	9,582
Training	7,153	-	931	8,084	46	545	591	8,675
Travel and Lodging	33,846	1,751	7,492	43,089	848	293	1,141	44,230
Website	14,203	-	6,828	21,031	1,961	2,478	4,439	25,470
Workshop and other conferences	13,321	-	2,593	15,914	1,104	1,250	2,354	18,268
Total expenses before depreciation	1,272,101	27,600	548,848	1,848,549	121,208	148,257	269,465	2,118,014
Depreciation	3,728	-	1,665	5,393	599	666	1,265	6,658
Totals	\$ 1,275,829	\$ 27,600	\$ 550,513	\$ 1,853,942	\$ 121,807	\$ 148,923	\$ 270,730	\$ 2,124,672

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

Statement of Functional Expenses

Healthy Gulf, Inc.

Year Ended December 31, 2021

	PROGRAM SERVICES				SUPPORT SERVICES			Total Expenses
	Resilient Communities and Climate Justice	Hurricane Ida Relief	Resilient Habitat and Healthy Water	Total Program Services	Management and General	Fund Raising	Total Support Services	
Salaries and Related Expenses								
Salaries	\$ 337,759	\$ 2,669	\$ 280,766	\$ 621,194	\$ 59,368	\$ 100,977	\$ 160,345	\$ 781,539
Contract services	38,297	-	-	38,297	-	-	-	38,297
Employee benefits	43,724	-	37,382	81,106	9,034	13,526	22,560	103,666
Payroll fees	2,179	-	1,800	3,979	398	672	1,070	5,049
Payroll taxes	23,069	-	23,094	46,163	4,215	7,141	11,356	57,519
Workers compensation insurance	793	-	677	1,470	152	245	397	1,867
Total Salaries and Related Expenses	445,821	2,669	343,719	792,209	73,167	122,561	195,728	987,937
Accounting fees	5,261	-	4,897	10,158	1,047	1,694	2,741	12,899
Bank and transaction fees	218	-	113	331	26	46	72	403
Board conferences	945	-	811	1,756	181	292	473	2,229
Consulting, strategic planning and other professional fees	17,292	-	-	17,292	-	-	-	17,292
Donated services	1,543	-	755	2,298	-	-	-	2,298
Dues and subscriptions	1,232	-	1,216	2,448	98	170	268	2,716
Grants and sub-grants	5,000	6,962	-	11,962	-	-	-	11,962
Insurance	2,245	-	1,919	4,164	429	694	1,123	5,287
Legal fees	2,872	-	100	2,972	-	-	-	2,972
Licenses and permits	934	-	798	1,732	189	288	477	2,209
Occupancy	27,997	-	20,636	48,633	4,617	7,466	12,083	60,716
Office and other supplies	5,537	-	4,548	10,085	1,649	1,688	3,337	13,422
Outreach	49	-	304	353	-	328	328	681
Postage	943	-	994	1,937	230	1,151	1,381	3,318
Printing and publications	3,827	105	1,693	5,625	413	785	1,198	6,823
Telephone and Utilities	4,417	-	3,472	7,889	805	1,273	2,078	9,967
Training	714	-	646	1,360	103	269	372	1,732
Travel and Lodging	16,503	1,433	2,138	20,074	436	427	863	20,937
Website	10,285	-	8,571	18,856	1,924	3,431	5,355	24,211
Workshop and other conferences	18,704	-	59	18,763	-	1,089	1,089	19,852
Total expenses before depreciation	572,339	11,169	397,389	980,897	85,314	143,652	228,966	1,209,863
Depreciation	2,431	-	2,078	4,509	465	752	1,217	5,726
Totals	\$ 574,770	\$ 11,169	\$ 399,467	\$ 985,406	\$ 85,779	\$ 144,404	\$ 230,183	\$ 1,215,589

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

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2022 and 2021

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:

◆ **Resilient Habitat 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 supports 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 works closely with local communities by providing frequent updates and action alerts on water quality, wetlands, and fisheries issues.

◆ **Resilient Communities and Climate Justice**

HG (1) works to build an active and engaged constituency to support natural storm protection and restoration efforts for the Gulf Coast region, (2) advocates for the use of green infrastructure in the Greater New Orleans area to address localized flooding, (3) works to reduce the contributions of the fossil fuel industry to climate change and address the disproportionate impacts of climate change on low income and communities of color, and (4) documents and addresses the continuing environmental and community impact of the fossil fuel industry and its associated infrastructure (e.g., pipelines) as well as the petrochemical industry in the five Gulf states, and to hold these industries accountable for their continuing pollution.

◆ **Hurricane Ida Relief**

In the aftermath of Hurricane Ida, Healthy Gulf acted upon its commitment to support our community partners through the process of rebuilding, drawing connections between climate disaster, coastal resiliency, and just recovery. We raised funds to support the deployment of hundreds of volunteers. Our primary work in 2021 and 2022, was to gut, clean and temporarily mitigate the roof damaged homes in the river parishes of Louisiana and to help various service groups and environmental organizations provide enough volunteer labor to meet relief requests in our queue. This program ended during 2022.

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.

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2022 and 2021

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

Significant Accounting Policies (Continued)

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 based on performance obligation satisfaction and contract provisions. 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, 2022 and 2021 HG contributed \$4,039 and \$4,370 to this fund, respectively.

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 five 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, 2022 and 2021 was \$6,658 and \$5,726, 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.

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2022 and 2021

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

Significant Accounting Policies (Continued)

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.

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.

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2022 and 2021

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

Significant Accounting Policies (Continued)

Subcontract Service Revenue

HG enters into contracts with organizations to provide services based on agreed upon terms and amounts. These services are aligned to the exempt purposes of the organization.

During 2019, the Organization adopted Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU clarifies the principles for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. For the specified contracts for which the Organization is the service provider, there was not a significant impact on the financial statements.

Contract amounts are billed to the customer monthly or periodically during the contract period. Revenue is recognized as the performance obligations are satisfied. These amounts are also included in “Program Service Revenue” in the statements of activities. Performance obligations are determined based on the contract provisions and are deemed satisfied upon the approval of the invoice by the customer. Revenue recognized on these contracts for which billings have not been collected from the customer is included in accounts receivable and amounted to \$8,500 and \$3,100 at December 31, 2022 and 2021, respectively.

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. 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, 2022 and 2021

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, 2022 and 2021 (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, 2022 and 2021 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. There were no unconditional promises to give at December 31, 2022 and 2021.

Other Assets and Liabilities

At December 31, 2022 and 2021, the carrying value of HG's cash and cash equivalents, accounts receivable, prepaid expenses, deposits, accounts payable, employee benefits payable, agency funds, and accrued vacation and sick time payable approximated their fair values.

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2022 and 2021

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, 2022 and 2021.

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 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, 2022:

	Fair Market Value	Cost or Assigned Amount
<u>Without donor restrictions</u>		
Mutual Funds	\$2,420,223	\$2,356,187
Equities	<u>1,269</u>	<u>607</u>
	2,421,492	2,356,794
<u>With donor restrictions</u>		
Endowment investments (Administered by GNOF)	<u>60,248</u>	<u>54,134</u>
Totals	<u>\$2,481,740</u>	<u>\$2,410,928</u>

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2022 and 2021

Note 3 – Investments (Continued)

Investments consist of the following as of December 31, 2021:

	Fair Market Value	Cost or Assigned Amount
<u>Without donor restrictions</u>		
Mutual Funds	\$2,862,357	\$2,356,219
Equities	<u>1,252</u>	<u>611</u>
	2,863,609	2,356,830
<u>With donor restrictions</u>		
Endowment investments (Administered by GNOF)	<u>64,248</u>	<u>48,705</u>
Totals	<u>\$2,927,857</u>	<u>\$2,405,535</u>

The following summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2022 and 2021.

	2022	2021
<u>Without donor restrictions</u>		
Interest, dividends and realized gains and losses	\$ 45,773	\$ 105,090
Net unrealized gains (losses)	<u>(442,054)</u>	<u>134,520</u>
Total investment returns without donor restrictions	<u>(396,281)</u>	<u>239,610</u>
<u>With donor restrictions</u>		
Interest and dividends	692	649
Realized gains	1,222	2,861
Less: administrative expenses	<u>(525)</u>	<u>(498)</u>
	1,389	3,012
Net unrealized gains (losses)	<u>(9,427)</u>	<u>5,656</u>
Total investment returns with donor restrictions	<u>(8,038)</u>	<u>8,668</u>
Total investment returns	<u>\$ (404,319)</u>	<u>\$ 248,278</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, 2022 and 2021.

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2022 and 2021

Note 4 – Unconditional Promises to Give Receivable (Continued)

	2022	2021
Without donor restrictions	\$ -	\$ -
With donor restrictions	-	-
Gross unconditional promises to give	-	-
Less: Discount to net present value	(-)	(-)
Net unconditional promises to give	\$ -	\$ -
Amounts due in less than one year	\$ -	\$ -
Amounts due in one to five years	-	-
Gross unconditional promises to give	\$ -	\$ -

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

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, 2022, staff employees had accumulated a total of \$30,642 of unused vacation leave and \$48,924 of unused sick leave. The executive director retired effective 12/31/22 and had no unused vacation or sick leave at December 31, 2022.

At December 31, 2021, staff employees had accumulated a total of \$25,019 of unused vacation leave and \$41,843 of unused sick leave. The executive director had accumulated \$4,508 of unused vacation leave and \$3,494 of unused sick leave at December 31, 2021.

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, 2022 and 2021 are as follows:

	2022	2021
Funds received	\$ 1,549,749	\$ 903,958
Disbursements to or on behalf of beneficiary	(1,238,596)	(772,222)
Administrative fee	(83,996)	(34,992)
Net change	227,157	96,744
Agency funds		
Beginning of year	813,539	716,795
End of year	\$ 1,040,696	\$ 813,539

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2022 and 2021

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, 2022 and 2021 amounted to \$900,000. HG's investments in a brokerage account maintained at Merrill Lynch, Pierce, Fenner & Smith Incorporated are used as eligible collateral. The unpaid balance at December 31, 2022 and 2021 amounted to \$ -0-. Accrued interest at December 31, 2022 and 2021 amounted to \$-0.

Interest is charged at a variable rate and ranged from 2.95% to 7.2% during 2022 and from 2.94% to 3.02% during 2021. Interest expense during 2022 and 2021 amounted to \$-0-.

Note 8 – Restrictions on Net Assets

Net assets with donor restrictions as of December 31, 2022 and 2021 were available for the following purposes.

	2022	2021
Resilient Habitat and Healthy Water Campaign	\$ 834,566	\$ 802,040
Resilient Communities and Climate Justice	1,819,642	1,242,205
Hurricane Ida Relief	-	27,599
	<u>2,654,208</u>	<u>2,071,844</u>
Restricted endowment fund	<u>60,248</u>	<u>64,248</u>
Totals	<u>\$2,714,456</u>	<u>\$2,136,092</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.

	2022	2021
Resilient Habitat and Healthy Water Campaign	\$ 550,513	\$ 399,468
Resilient Communities and Climate Justice Campaign	1,275,829	574,770
Hurricane Ida Relief	38,582	11,169
Totals	<u>\$1,864,924</u>	<u>\$ 985,407</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.

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2022 and 2021

Note 8 – Restrictions on Net Assets (Continued)

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, 2022 and 2021 is as follows:

	2022	2021
Endowment net assets, beginning of year	\$ 64,248	\$ 51,210
Investments during year	4,039	4,370
Investment income (net of expenses)	1,389	3,012
Unrealized gains (losses)	(9,428)	5,656
Endowment net assets, end of year	<u>\$ 60,248</u>	<u>\$ 64,248</u>

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, 2022 which includes grants issued prior to December 31, 2022.

Funding Organization	Amount Awarded	2022 Receipts	Estimated 2023 Receipts	Restrictions on Use
The Windward Fund	\$ 600,000	\$ 200,000	\$ 200,000	No restrictions
Bloomberg Foundation	1,000,000	1,000,000	-	Resilient Communities and Climate Justice
Foundation for Louisiana	60,000	60,000	-	Resilient Communities and Climate Justice
Foundation for Louisiana	20,000	20,000	-	No restrictions
Rockefeller Philanthropy Advisors	175,000	175,000	-	Resilient Communities and Climate Justice
Rockefeller Philanthropy Advisors	91,100	91,100	-	Resilient Communities and Climate Justice
Climate Imperative Foundation	340,000	340,000	-	Resilient Communities and Climate Justice
National Academy of Sciences	300,000	300,000	-	Resilient Habitat and Healthy Water
The Kresge Foundation	205,000	205,000	-	No restrictions
The Schmidt Family Foundation	100,000	100,000	-	No restrictions
Advocacy Action Fund	100,000	100,000	-	Resilient Habitat and Healthy Water

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2022 and 2021

Note 9– Major Program Funding Concentrations (Continued)

The following represents a listing of various major funding sources during the year ended December 31, 2021 which includes grants issued prior to December 31, 2021.

Funding Organization	Amount Awarded	2021 Receipts	Actual 2022 Receipts	Restrictions on Use
The Windward Fund	\$ 600,000	\$ 200,000	\$ 200,000	No restrictions
Bloomberg Foundation	1,000,000	1,000,000	-	Resilient Communities and Climate Justice
Gulf Coast Center for Law & Policy	150,000	150,000	-	Resilient Communities and Climate Justice
Rockefeller Family Fund	50,000	50,000	-	Resilient Communities and Climate Justice
Rockefeller Family Fund	175,000	175,000	-	Resilient Communities and Climate Justice
Climate Imperative Foundation	150,000	150,000	-	Resilient Communities and Climate Justice
Climate Imperative Foundation	116,875	116,975	-	Resilient Communities and Climate Justice
The Kresge Foundation	150,000	150,000	-	Resilient Habitat and Healthy Water
The Schmidt Family Foundation	75,000	75,000	-	No restrictions

Note 10– Donated Services

During 2022 and 2021 HG received assistance from volunteers to help with various program services. The total hours volunteered was 169 during 2022 and 230 during 2021. The valuation of these services was \$2,537 for 2022 and \$2,298 for 2021. 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.

	2022	2021
Resilient Communities and Climate Justice	\$ 2,010	\$ 1,543
Resilient Habitat and Healthy Water	<u>527</u>	<u>755</u>
Totals	<u>\$ 2,537</u>	<u>\$ 2,298</u>

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2022 and 2021

Note 11– Lease Commitments

HG entered into a lease agreement for its current office location effective December 1, 2019 for a term of five years with a monthly rental of \$4,473 increasing to \$4,547 in year four. Lease payments under this agreement for the year ended December 31, 2021 amounted to \$56,864. The lease provided for one renewal term of five years under the same terms and conditions of the original lease with a maximum increase on monthly rental of 5%.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 related to Leases (Topic 842), in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Statements of Financial Position and disclosing key information about leasing arrangements for operating leases that are greater than one year in duration. The ASU specifically requires an organization to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments in the Statements of Financial Position and recognize a single lease cost, calculated so the cost of the lease is allocated over the lease term on a generally straight-line basis. The guidance in the ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2021 and early adoption is permitted.

During the year ended December 31, 2022 HG implemented the ASU. HG has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. As a result, HG recorded a right-of-use asset in the amount of \$354,814. HG recorded an operating lease liability in the amount of \$354,814 by calculating the present value using the discount rate of 6% and over the remaining period of the lease plus one renewal term.

As of December 31, 2022, the unamortized right-of-use asset was \$317,014. As of December 31, 2022, the unamortized operating lease liability was \$318,734. The lease cost, including imputed interest and amortization of the right-of-use asset for the year ended December 31, 2022 was \$56,284 and is included in occupancy expense in the accompanying Statements of Functional Expenses.

The following is a schedule of the future minimum lease payments:

2023	\$ 54,564
2024	54,790
2025	57,288
2026	57,288
2027	57,288
Thereafter	109,802
Less: imputed interest	<u>(72,286)</u>
Total operating lease Liability	<u>\$ 318,734</u>

The Organization had a sub-lease agreement for the usage of a portion of their office facilities. The lease was a month-to-month lease with a monthly rent of \$650. Rent collected during the years ended December 31, 2022 and 2021 amounted to \$5,850 and \$1,300, respectively.

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2022 and 2021

Note 11– Lease Commitments (Continued)

HG entered into a lease agreement for a satellite office in Lake Charles, Louisiana effective November 1, 2021 for a term of one year with a monthly rental of \$1,751 for month one increasing to \$2,101 for the remainder of the lease. Lease payments under this agreement for the years ended December 31, 2022 and 2021 amounted to \$25,212 and \$3,852, respectively. This lease was continued on a month-to-month basis until it was terminated in February of 2023.

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 \$155,770 during 2022 and \$117,200 during 2021. In addition, HG provides reimbursements to her for expenses incurred on behalf of the Organization on an accountable basis. The executive director retired effective December 31, 2022.

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.

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, 2022 and 2021 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>
<u>December 31, 2022</u>				
Assets:				
Unconditional promises to give	\$ -	\$ -	\$ -	\$ -
Investments	2,421,492	-	-	2,421,492
Investments-Endowment	<u>21,689</u>	<u>3,012</u>	<u>-</u>	<u>24,701</u>
Totals in fair value hierarchy	<u>\$2,443,181</u>	<u>\$ 3,012</u>	<u>\$ -</u>	2,446,193
Investments-Endowment measured at Net Asset Value ^(a)				<u>35,547</u>
Total				<u>\$2,481,740</u>

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2022 and 2021

Note 14– Fair Value Measurements (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
December 31, 2021				
Assets:				
Unconditional promises to give	\$ -	\$ -	\$ -	\$ -
Investments	2,863,609	-	-	2,863,609
Investments-Endowment	<u>19,660</u>	<u>3,662</u>	<u>-</u>	<u>23,322</u>
 Totals in fair value hierarchy	<u>\$2,883,269</u>	<u>\$ 3,662</u>	<u>\$ -</u>	2,886,931
 Investments-Endowment measured at Net Asset Value ^(a)				<u>40,926</u>
 Total				<u>\$2,927,857</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, 2022 and 2021 that feature NAV per share are comprised of by various private equity funds, hedge funds, limited liability entities and pooled investment funds.

The changes during the years ended December 31, 2022 and 2021 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.

	<u>Level 3 Beginning Balance</u>	<u>Collections in 2022</u>	<u>Additions in 2022</u>	<u>Level 3 Ending Balance</u>
2022				
Unconditional Promises to Give	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Level 3 Beginning Balance</u>	<u>Collections in 2021</u>	<u>Additions in 2021</u>	<u>Level 3 Ending Balance</u>
2021				
Unconditional Promises to Give	<u>\$ 15,000</u>	<u>\$ (15,000)</u>	<u>\$ -</u>	<u>\$ -</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.

Notes to Financial Statements

Healthy Gulf, Inc.

December 31, 2022 and 2021

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.

	2022	2021
Financial assets at year-end	\$5,354,082	\$4,322,472
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted to the following:		
Resilient Habitat and Healthy Water Campaign	834,566	802,040
Resilient Communities and Climate Justice Campaign	1,819,642	1,242,205
Hurricane Ida Relief	-	27,599
Donor restricted endowment fund	60,248	64,248
Agency funds	<u>1,040,696</u>	<u>813,539</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,598,930</u>	<u>\$1,372,841</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.

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% and 2.5% for 2022 and 2021, respectively, of the compensation of the employee. HG made matching contributions in the amounts of \$18,897 and \$13,730 for the years ended December 31, 2022 and 2021, respectively.

Note 17 – Risks and Uncertainties

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have had and are likely to continue to have a negative impact on the Organization. Certain activities and procedures the Organization typically uses to accomplish its mission have been disrupted. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The related financial impact cannot be reasonably estimated at this time.

The executive director of the organization retired effective December 31, 2022. An interim executive director has been retained and has assumed the role of the previous executive director. There is an ongoing search for a new full-time executive director but one has not been hired at this time.

Note 18 – Evaluation of Subsequent Events

HG has evaluated subsequent events through July 13, 2023, the date which the financial statements were available to be issued and determined that no events occurred that require disclosure.