

BLUE WATER BALTIMORE, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

BLUE WATER BALTIMORE, INC.

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Independent Auditors' Report

To the Board of Directors
Blue Water Baltimore, Inc.
Baltimore, Maryland

We have audited the accompanying financial statements of Blue Water Baltimore, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Water Baltimore, Inc. as of December 31, 2016 and 2015, 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.

Weyrich, Cronin & Sorra, Chtd.

Lutherville, MD
June 19, 2017



BLUE WATER BALTIMORE, INC.Statements of Financial Position
December 31, 2016 and 2015ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash	\$ 412,948	\$ 351,558
Accounts receivable	459,121	229,998
Inventory	32,119	32,339
Prepaid expenses	1,538	808
Other current assets	442	596
	<hr/>	<hr/>
Total Current Assets	906,168	615,299
NET PROPERTY AND EQUIPMENT - AT COST	<hr/>	<hr/>
	762,390	725,361
	<hr/>	<hr/>
	\$ 1,668,558	\$ 1,340,660
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 314,929	\$ 21,313
Accrued expenses	94,304	81,288
Current portion of loans payable	20,936	13,354
Current portion of capital lease	1,343	3,780
Deferred revenue	46,019	108,351
	<hr/>	<hr/>
Total Current Liabilities	477,531	228,086
LONG-TERM DEBT:		
Loans payable	185,503	157,155
Capital lease payable	11,876	5,704
	<hr/>	<hr/>
Total Long-Term Debt	197,379	162,859
NET ASSETS:		
Unrestricted	475,562	436,781
Temporarily restricted	518,086	512,934
	<hr/>	<hr/>
	993,648	949,715
	<hr/>	<hr/>
	\$ 1,668,558	\$ 1,340,660
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See accompanying notes to financial statements

BLUE WATER BALTIMORE, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services										Supporting Services		
	Nursery and Trees	Environmental Construction	Greening	Education and Outreach	Advocacy	Stormwater Reduction	Downspout Disconnection	Waterkeeper	Total	General and Administrative	Fundraising	Total Supporting Services	Total
Advertising	\$ 2,615	\$ -	\$ 403	\$ -	\$ -	\$ 3,600	\$ 1,114	\$ -	\$ 7,732	\$ 13,153	\$ 4,636	\$ 17,789	\$ 25,521
Bad debt	-	-	-	-	-	-	-	-	-	2,500	-	2,500	2,500
Business expenses	393	306	2,383	-	168	4,459	-	1,129	8,838	1,310	419	1,729	10,567
Cost of goods sold - trees and plants	145,288	-	-	-	-	-	-	-	145,288	-	-	-	145,288
Depreciation	3,446	492	8,369	1,969	985	25,106	492	2,954	43,812	3,446	1,969	5,415	49,227
Education and training	74	150	2,094	1,729	675	554	-	-	5,276	1,559	707	2,266	7,542
In-kind services	-	1,400	75	-	115,877	-	-	2,080	119,432	-	17,964	17,964	137,396
Insurance	-	35	474	-	-	-	-	1,875	2,384	38,343	-	36,343	40,727
Interest	7,185	123	508	-	35	76	-	51	7,978	10,875	3,751	14,626	22,604
Miscellaneous	313	58	992	250	140	-	-	98	1,851	5,754	4,945	10,699	12,550
Occupancy	556	-	-	-	-	-	-	-	556	8,200	-	8,200	8,756
Office supplies	340	135	3,574	116	254	1,094	99	89	5,701	713	670	1,383	7,084
Postage and delivery	3,692	-	-	-	-	-	-	217	3,909	3,318	1,647	4,965	8,874
Printing and reproduction	4,576	15	157	-	-	238	556	-	5,542	6,322	1,013	7,335	12,877
Professional fees	1,729	1,748	5,773	27,922	3,500	2,100,457	11,406	76,547	2,229,082	29,521	3,625	33,146	2,262,228
Rebates	-	4,800	-	-	-	18,000	1,730	-	24,530	-	-	-	24,530
Salaries, benefits and payroll taxes	96,345	23,095	432,070	158,071	87,981	311,855	25,952	175,625	1,310,994	171,008	136,828	307,836	1,618,830
Supplies	9,848	3,363	125,497	4,062	8,909	36,454	3,481	1,050	194,664	25,062	5,563	30,625	225,289
Travel and meetings	2,773	167	3,796	4,368	2,467	6,247	117	4,506	24,441	3,298	13,046	16,344	40,785
Utilities	1,948	2,152	1,182	320	-	620	420	740	7,382	5,600	-	5,600	12,982
Vehicle and equipment expense	1,637	6,995	118,160	647	-	11,933	124	7,182	146,678	237	273	510	147,188
	\$ 282,758	\$ 45,034	\$ 705,507	\$ 199,454	\$ 220,991	\$ 2,522,693	\$ 45,491	\$ 274,143	\$ 4,296,070	\$ 330,219	\$ 197,056	\$ 527,275	\$ 4,823,345

See accompanying notes to financial statements

BLUE WATER BALTIMORE, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services										Supporting Services		
	Nursery and Trees	Landscape	Greening	Education and Outreach	Advocacy	Stormwater Reduction	Downspout Disconnection	Waterkeeper	Total	General and Administrative	Fundraising	Total Supporting Services	Total
Advertising	\$ 3,171	\$ -	\$ -	\$ -	\$ 2,017	\$ 1,890	\$ -	\$ 60	\$ 7,138	\$ 6,264	\$ 2,275	\$ 8,539	\$ 15,677
Business expenses	110	2,561	5,166	-	342	3,118	480	1,137	12,914	498	513	1,011	13,925
Cost of goods sold - trees and plants	148,153	-	-	-	-	-	-	-	148,153	-	-	-	148,153
Depreciation	5,080	2,117	10,158	1,270	2,540	7,196	2,117	3,386	33,864	6,350	2,117	8,467	42,331
Education and training	357	359	2,310	125	500	2,758	500	1,313	8,222	1,194	609	1,803	10,025
In-kind services	-	-	2,085	-	-	300	2,240	175	4,800	3,000	1,480	4,480	9,280
Insurance	-	-	1,922	-	-	-	-	471	2,393	32,441	-	32,441	34,834
Miscellaneous	5,208	274	57	52	-	-	-	-	5,591	14,508	1,541	16,049	21,640
Interest	686	75	-	-	1,150	-	-	124	2,035	4,124	3,151	7,275	9,310
Occupancy	3,323	-	6	-	-	-	-	-	3,329	17,249	-	17,249	20,578
Office supplies	86	-	23	-	127	45	20	58	359	6,103	157	6,260	6,619
Postage and delivery	2,095	4	345	-	-	-	35	221	2,700	1,316	572	1,888	4,588
Printing and reproduction	3,953	-	85	28	600	388	36	-	5,090	6,020	1,326	7,346	12,436
Professional fees	807	20,939	15,679	8,960	41,835	281,467	14,606	44,928	429,221	49,759	6,061	55,820	485,041
Rebates	-	-	-	-	-	-	-	-	63,685	-	-	-	63,685
Salaries, benefits and payroll taxes	119,244	55,373	429,088	72,241	128,680	168,498	62,464	157,437	1,193,025	252,815	115,841	368,656	1,561,681
Supplies	14,490	13,851	99,860	375	-	7,978	3,888	4,179	144,621	13,760	831	14,591	159,212
Travel and meetings	4,564	770	2,317	2,094	5,432	1,173	1,553	6,102	24,005	7,074	18,677	25,751	49,756
Utilities	1,927	2,684	560	-	583	355	610	651	7,370	6,527	-	6,527	13,897
Vehicle expense	3,959	35,447	83,900	92	77	4,772	637	13,068	141,952	8,158	33	8,191	150,143
	\$ 317,213	\$ 134,454	\$ 653,561	\$ 85,237	\$ 183,883	\$ 479,938	\$ 152,871	\$ 233,310	\$ 2,240,467	\$ 437,160	\$ 155,184	\$ 592,344	\$ 2,832,811

See accompanying notes to financial statements

BLUE WATER BALTIMORE, INC.

Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 43,933	\$ (95,225)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	49,227	42,331
Noncash contribution	(21,990)	- 0 -
Forgiveness of capital lease obligation	(6,066)	- 0 -
Loss on disposal of property and equipment	- 0 -	1,693
(Increase) decrease in current assets:		
Accounts receivable	(229,123)	(102,436)
Trees and plants inventory	220	(3,300)
Prepaid expenses	(730)	13,025
Other current assets	154	3,107
Increase (decrease) in current liabilities:		
Accounts payable	293,616	(50,212)
Accrued expenses	13,016	18,057
Deferred revenue	(62,332)	65,343
	<u>79,925</u>	<u>(107,617)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment and disposition of leased assets	3,672	2,065
Proceeds from sale of investments	- 0 -	739
Purchase of property and equipment	(540)	(20,366)
	<u>3,132</u>	<u>(17,562)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances from line of credit	- 0 -	70,000
Principal payments on line of credit	- 0 -	(70,000)
Principal payments of notes payable	(18,239)	(12,421)
Principal payments on capital lease obligation	(3,428)	(2,753)
	<u>(21,667)</u>	<u>(15,174)</u>
NET INCREASE (DECREASE) IN CASH	61,390	(140,353)
CASH AT BEGINNING OF YEAR	351,558	491,911
CASH AT END OF YEAR	\$ 412,948	\$ 351,558
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 22,604	\$ 21,640
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Non-cash in-kind income and expenses	\$ 21,519	\$ 9,280
Contributed property and equipment	\$ 21,990	\$ - 0 -
Equipment acquired through capital lease	\$ 13,219	\$ - 0 -
Equipment acquired through notes payable	\$ 54,169	\$ - 0 -
Forgiveness of capital lease	\$ 6,066	\$ - 0 -

See accompanying notes to financial statements

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2016 and 2015

1. Organizations and Summary of Significant Accounting Policies

Nature of Operations - Blue Water Baltimore, Inc. (the Organization) is a grassroots, volunteer-based environmental non-profit organization. The Organization's mission is to restore the quality of Baltimore's rivers, streams and harbor to foster a healthy environment, a strong economy, and thriving communities. The Organization's main sources of revenue are grants, membership dues, donations from the general public, and program service revenues.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosures at the date of the financial statements and certain reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect receivables, payables, and other liabilities. Revenue is recognized when earned and expenses when incurred.

Basis of Presentation - Contributions received or made are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Unrestricted: accounts for net assets without donor imposed restrictions that are available for the support of the Organization.

Temporarily restricted: accounts for net assets that have donor imposed restrictions that permit the Organization to expend the donated assets as specified, and is satisfied either by the passage of time or by actions of the Organization. When the donor restriction expires, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as "net assets released from restrictions."

Permanently restricted: accounts for net assets that have donor imposed restrictions that permit the Organization to expend the income earned from the gifts. However, the Organization cannot expend the original principal. The Organization has no permanently restricted net assets as of December 31, 2016 and 2015.

Revenue Recognition - The Organization recognizes all contributions and support as income in the period received. These amounts are recorded at fair value at the date of the contribution. Contributions and support are reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Accounts Receivable - Accounts receivable are uncollateralized obligations. Accounts receivable are stated at invoice amounts and are presented in the statement of financial position net of allowance of doubtful accounts. Payments are applied to the specific invoices noted on the remittance advice, or, if unspecified, to the earliest unpaid invoices.

Allowance for Doubtful Accounts - The Organization provides an allowance for doubtful accounts, as needed, for amounts deemed uncollectible. The allowance is based on historical experience and management's analysis of accounts receivable. No allowance for uncollectible accounts is provided because management does not deem it necessary based on historical collection experience.

Inventory - Inventory consists of trees and plants purchased or produced for resale and are valued at the lower of cost or market with estimated cost determined on a first-in, first-out (FIFO) basis.

Property and Equipment - The Organization capitalizes property additions over \$1,000 and with a useful life of a year or more. Property and equipment are stated at cost, or if donated, at the fair value at date of gift. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized. The cost of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. The following represents the estimated useful lives:

<u>Category</u>	<u>Years</u>
Buildings and building improvements	39
Furniture	5
Equipment	3
Vehicles	3-5

Conservation Easements - The Organization is party to a conservation easement. This easement is not reflected in the financial statements of the Organization because it bears no monetary value to the Organization.

Valuation of Long-Lived Assets - Generally accepted accounting standards require that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. The Organization recognized no impairment loss related to its long-lived assets for the years ended December 31, 2016 and 2015.

Deferred Revenue - The Organization receives grant monies that are due to be returned in the event that certain conditions are not met. The Organization recognizes grant revenue based on a pro-rata allocation of non-federal match to date, compared to non-federal match required over the grant period. Accordingly, a portion of the grant monies are deferred based on the match and recognized in the grant period in which the conditions are met.

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Income Taxes - The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) as an organization, other than a private foundation, as described in Section 509(a). The Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2013.

Contributions of Long-Lived Assets - The Organization recognizes all tangible property received as income in the period received. Tangible property is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the property. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Nonmonetary donations, such as investments, are recorded at fair value on the date of donation.

Donated Services - The Organization receives a significant amount of donated services from unpaid volunteers who assist in program services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services meeting these criteria are reflected in the accompanying financial statements as in-kind support and are offset by like amounts included in expense. The Organization has an agreement with Baltimore Municipal Golf Corporation to house its inventory of trees and plants on its property at no cost. There is no determinable value for donated rent, and accordingly, is not disclosed in the financial statements.

Functional allocation of expenses - The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs - The Organization expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. Advertising expense was \$25,521 and \$15,677 for the years ended December 31, 2016 and 2015.

2. Conditional Promises to Give and Related Deferred Revenue

National Fish and Wildlife Foundation (NFWF) - 2013 Grant

The Organization was awarded a matching grant from NFWF to fund the Water Audit project over the period of January 1, 2013 to June 30, 2015. The total award was \$400,000 and required a total non-federal match by the Organization of \$882,012. As of December 31, 2015 the project was completed and closed. The Organization has drawn down \$400,000 or 100% of the grant funds as of December 31, 2015. The Organization had received matching funds totaling \$882,012 as of December 31, 2015. The Organization recognizes grant revenue based on a pro-rata allocation of non-federal match to date, compared to non-federal match required over the grant period. Accordingly, revenue of \$173,008 has been recorded on the financial statements for the years ended December 31, 2015. Therefore, \$ -0- of the draw, has been accounted for as a deferred revenue and accrued as a liability as of December 31, 2015. The Organization reflected \$-0- as temporarily restricted net assets at December 31, 2015. Under the terms of the grant, city capital projects qualify as a match. However, those amounts matched with city capital projects are not shown as in-kind contributions on the financial statements because the city retains ownership of these infrastructure assets.

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2016 and 2015

2. Conditional Promises to Give and Related Deferred Revenue (continued)

National Fish and Wildlife Foundation (NFWF) - 2014 Grant

The Organization was awarded a matching grant from NFWF to fund the Blue Water Congregations project over the period of January 1, 2014 to December 30, 2016. During 2016, the period of performance was extended to March 31, 2017. The total award is \$248,573 and requires a total non-federal match by the Organization of \$378,820. The Organization has drawn down \$208,555 or 84% of the grant funds as of December 31, 2016, and \$90,000 or 36% of the grant funds as of December 31, 2015. The Organization has received matching funds totaling \$296,327 and \$145,475 as of December 31, 2016 and 2015. The Organization recognizes grant revenue based on a pro-rata allocation of non-federal match to date, compared to non-federal match required over the grant period. Accordingly, revenue of \$104,443 and \$65,000 has been recorded on the financial statements for the years ended December 31, 2016 and 2015. Therefore, \$14,112 and \$ -0- of the draw has been accounted for as a deferred revenue and accrued as a liability as of December 31, 2016 and 2015. The Organization reflected \$ -0- and \$2,242 as temporarily restricted net assets at December 31, 2016 and 2015. Under the terms of the grant, city capital projects qualify as a match. However, those amounts matched with city capital projects are not shown as in-kind contributions on the financial statements because the city retains ownership of these infrastructure assets.

National Fish and Wildlife Foundation (NFWF) - 2015 Grant

The Organization was awarded a matching grant from NFWF to fund the Deep Blue project over the period of October 1, 2015 to September 30, 2017. The total award is \$500,000 and requires a total non-federal match by the Organization of \$600,000. The Organization has drawn down \$177,741 or 36% of the grant funds as of December 31, 2016, and \$30,000 or 6% of the grant funds as of December 31, 2015. The Organization has received matching funds totaling \$175,000 and \$1,000 as of December 31, 2016 and 2015. The Organization recognizes grant revenue based on a pro-rata allocation of non-federal match to date, compared to non-federal match required over the grant period. Accordingly, revenue of \$145,000 and \$833 has been recorded on the financial statements as of December 31, 2016 and 2015. Therefore, \$31,907 and \$29,167 of the draw has been accounted for as a deferred revenue and accrued as a liability as of December 31, 2016 and 2015. The Organization reflected \$ -0- as temporarily restricted net assets at December 31, 2016 and 2015. Under the terms of the grant, city capital projects qualify as a match. However, those amounts matched with city capital projects are not shown as in-kind contributions on the financial statements because the city retains ownership of these infrastructure assets.

3. Deferred Revenue

In 2015, the Organization received \$79,184 of funding in advance of a construction project. Accordingly, the Organization has reflected that funding as deferred revenue and will recognize it as revenue in the period earned.

Total deferred revenue reported on the statement of financial position is as follows:

	<u>2016</u>	<u>2015</u>
Deep Blue – NFWF 2015	\$ 31,907	\$ 29,167
Blue Water Congregations – NFWF 2014	14,112	- 0 -
Construction advance	<u>- 0 -</u>	<u>79,184</u>
Total deferred revenue	<u>\$ 46,019</u>	<u>\$ 108,351</u>

BLUE WATER BALTIMORE, INC.

Notes to Financial Statements
December 31, 2016 and 2015

4. Net Property and Equipment - At Cost

Property and equipment at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 25,610	\$ 25,610
Buildings and building improvements	815,832	815,832
Furniture	56,513	56,513
Equipment	78,010	80,527
Vehicles	<u>173,823</u>	<u>97,114</u>
	1,149,788	1,075,596
Less: accumulated depreciation	<u>387,398</u>	<u>350,235</u>
Net property and equipment	<u>\$ 762,390</u>	<u>\$ 725,361</u>

5. Long-Term Debt

Long-term debt at December 31 consisted of the following:

	<u>2016</u>	<u>2015</u>
Mortgage payable in current monthly installments of \$1,461 including principal and interest based on a 240 month amortization period with interest of 5.95% and matures in March 2017. The note is collateralized by the organization's remodeled "green" building.	\$ 142,968	\$ 151,539
Auto loan payable in current monthly installments of \$434, including interest of 3.9% and matures in November 2019. The loan is collateralized by the related automobile.	14,398	18,970
Auto loan payable in current monthly installments of \$603, including interest of 4.75% and matures in May 2021. The loan is collateralized by the related automobile.	28,643	-0-
Auto loan payable in current monthly installments of \$415, including interest of 4.75% and matures in July 2021. The loan is collateralized by the related automobile.	<u>20,430</u>	<u>-0-</u>
	206,439	170,509
Less: current portion	<u>20,936</u>	<u>13,354</u>
	<u>\$ 185,503</u>	<u>\$ 157,155</u>

BLUE WATER BALTIMORE, INC.Notes to Financial Statements
December 31, 2016 and 2015

5. Long-Term Debt (continued)

Annual maturities of long-term debt at December 31, 2016 are as follows:

Year ending December 31, 2017	\$	20,936
2018		21,940
2019		22,596
2020		18,849
2021		13,473
Thereafter		<u>108,645</u>
Total	\$	<u>206,439</u>

6. Line of Credit

The Organization has a line of credit from M&T Bank of \$125,000 to fund operational expenses. The line of credit is collateralized by the Organization's bank accounts with M&T Bank. Interest at the rate of the bank's prime rate plus 1% (4.25% at December 31, 2016 and 2015), is payable monthly on outstanding advances. The line of credit may be canceled by either party at any time. The line of credit balance outstanding as of December 31, 2016 and 2015 was \$-0-.

7. Capital Lease Obligation

During 2014 the Organization recognized capital leases associated with two copiers under a 60-month lease, meeting the criteria for capital lease treatment. The lease obligation consists of a monthly payment of \$525 including interest and fees, collateralized by the related office equipment. The equipment was returned in December 2016 with the acquisition of the new equipment noted below.

During 2016 the Organization entered into a capital lease for new copiers under a 60-month lease, meeting the criteria for capital lease treatment. The lease obligation consists of a monthly payment of \$588 including interest, fees, and maintenance, collateralized by the related office equipment.

The cost of equipment under the capital lease was \$13,219 as of December 31, 2016. The accumulated depreciation was \$220 as of December 31, 2016. The balances are included in the statements of financial position in net property and equipment – at cost. Annual depreciation expense totaled \$220 for 2016.

Future minimum lease payments at December 31, 2016 are as follows:

Year ending December 31, 2017	\$	5,127
2018		5,127
2019		5,127
2020		5,127
2021		<u>5,127</u>
		25,636
Less amount representing interest and fees		<u>(12,417)</u>
Present value of net minimum lease payments		<u>13,219</u>
Less: current portion		<u>(1,343)</u>
	\$	<u>11,876</u>

BLUE WATER BALTIMORE, INC.

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8. Temporarily Restricted Net Assets

Temporarily restricted net assets released from/to restriction for the year ended December 31, 2016 and 2015 consist of:

	<u>2016</u>	<u>2015</u>
Advocacy	\$ 145,234	\$ 187,063
Blue Water Congregations	120,797	62,758
Capacity Building	2,253	30,725
Deep Blue	147,741	833
Education/Outreach	13,171	38,924
Greening	593,261	680,201
Institutional Storm Water	2,227,579	305,831
Residential Storm Water	36,674	17,572
Water Audit	-0-	173,008
Waterkeeper	<u>249,003</u>	<u>149,525</u>
Total	<u>\$ 3,535,713</u>	<u>\$ 1,646,440</u>

Temporarily restricted net assets as of December 31, 2016 and 2015 are to be used for the following purposes:

	<u>2016</u>	<u>2015</u>
<u>Restrictions as to Purpose:</u>		
Advocacy	\$ 24,373	\$ 70,107
Blue Water Congregations	-0-	2,242
Capacity Building	97,747	- 0 -
Education/Outreach	9,281	7,781
Greening	118,850	186,062
Institutional Storm Water	117,647	89,585
Residential Storm Water	-0-	36,914
Waterkeeper	<u>150,188</u>	<u>120,243</u>
Total	<u>\$ 518,086</u>	<u>\$ 512,934</u>

9. Pending Litigation

The Organization is a plaintiff or co-plaintiff in several legal matters regarding environmental issues. The proceedings do not involve actual or likely monetary claims against the Organization. Legal expenses incurred and paid by the Organization and included on the statement of activities and changes in net assets amounted to \$ -0- for 2016 and 2015. A substantial portion of litigation costs have been handled on a pro-bono basis by the legal team. During 2016 and 2015, the Organization recognized costs of \$115,877 and \$-0-, respectively, for pro-bono legal services. No accruals have been made for a gain contingency because the outcomes of the cases are uncertain.

10. Related Party Transactions

The Organization acquires contractual services from entities that are related to members of the Board of Directors. During 2016 and 2015, the Organization incurred costs of \$-0- and \$60,185, respectively, for services from entities related to management or members of the Board of Directors. These expenses included stormwater maintenance expenses and are included in the statements of activities and changes in net assets.

BLUE WATER BALTIMORE, INC.

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11. Retirement Plan

The Organization sponsors a Simple Individual Retirement Account (IRA) Plan for the benefit of its full-time employees. Eligible employees may make contributions to the Plan. The Organization matches the first 3% of employees' salaries. Employer contributions to the Plan for the years ended December 31, 2016 and 2015 was \$22,211 and \$21,065, respectively is reported as salaries and benefits expenses. All contributions to the Plan are 100% vested at the time of contribution.

12. Concentrations of Credit Risk

In the ordinary course of business, the Organization's cash balances may exceed the FDIC insurance limits. The Organization continually reviews credit concentrations as part of its asset and liability management.

13. Subsequent Events

Management has evaluated subsequent events through June 19, 2017, the date which the financial statements were available to be issued.

The Organization's mortgage was set to mature on March 16, 2017. On March 16, 2017, the Organization refinanced their mortgage thru March 16, 2022.

In January 2017, the Organization entered into a lease agreement for office space with an annual base rent of \$100,000 or \$8,333 per month with a 2% escalation clause. In addition, in February 2017 the Organization entered into a sublease agreement to lease out a portion of this office space with an annual base rent of \$50,000 or \$4,167 per month with a 2% escalation clause. Occupancy of the space began in April 2017. As a result of the move to the new office space, the Organization signed a letter of intent in May 2017 to sell the Organization's green building and is anticipating an impairment loss on that building during 2017 of approximately \$315,000.