THE ALLIANCE FOR
THE CHESAPEAKE BAY, INC.

FINANCIAL REPORT

DECEMBER 31, 2019

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 13

ANDERSON
DAVIS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Alliance for the Chesapeake Bay, Inc.
Annapolis, Maryland

We have audited the accompanying statements of financial position of The Alliance for the Chesapeake Bay, Inc. (a nonprofit corporation) as of December 31, 2019 and 2018, 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

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 The Alliance for the Chesapeake Bay, Inc. as of December 31, 2019 and 2018, 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.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2020 on our consideration of The Alliance for the Chesapeake Bay, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The Alliance for the Chesapeake Bay, Inc.'s internal control over financial reporting and compliance.

Anderson, Davis & Associates, CPA

Glen Burnie, Maryland
August 21, 2020

THE ALLIANCE FOR THE CHESAPEAKE BAY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash	$ 336,031	$ 108,339
Grants receivable	1,791,166	1,226,380
Prepaid expenses	4,362	8,231
Total current assets	2,131,559	1,342,950
Equipment		
Office equipment	14,638	14,638
Less: accumulated depreciation	(14,638)	(14,638)
	-	-
Total assets	$ 2,131,559	$ 1,342,950
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 912,359	$ 647,977
Accrued expenses	51,237	45,892
Total liabilities	963,596	693,869
Net assets		
Without donor restrictions	275,328	57,662
With donor restrictions	892,635	591,419
Total net assets	1,167,963	649,081
Total liabilities and net assets	$ 2,131,559	$ 1,342,950

See Independent Auditor's Report and the Notes to the Financial Statements.

THE ALLIANCE FOR THE CHESAPEAKE BAY, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
Grants and contracts, government	$ -	$ 6,437,145	$ 6,437,145
Grants and contracts, private	-	881,365	881,365
Public support	383,500	-	383,500
Taste of the Chesapeake event	117,982	-	117,982
Other income	23,900	-	23,900
Investment income, net	128	-	128
Net assets released from restrictions (Note 7):			
Satisfaction of program restrictions	7,017,294	(7,017,294)	-
Total revenues and other support	7,542,804	301,216	7,844,020
Expenses and losses:			
Programs	6,451,466	-	6,451,466
Management and general	779,894	-	779,894
Fundraising	93,778	-	93,778
Total expenses and losses	7,325,138	-	7,325,138
Change in net assets	217,666	301,216	518,882
Net assets, beginning of year	57,662	591,419	649,081
Net assets, end of year	$ 275,328	$ 892,635	$ 1,167,963

THE ALLIANCE FOR THE CHESAPEAKE BAY, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
Grants and contracts, government	$ -	$ 4,594,678	$ 4,594,678
Grants and contracts, private	-	912,687	912,687
Public support	319,651	-	319,651
Taste of the Chesapeake event	142,575	-	142,575
Other income	1,201	-	1,201
Investment income, net	29	-	29
Net assets released from restrictions (Note 7):			
Satisfaction of program restrictions	5,733,457	(5,733,457)	-
Total revenues and other support	6,196,913	(226,092)	5,970,821
Expenses and losses:			
Programs	5,418,687	-	5,418,687
Management and general	723,399	-	723,399
Fundraising	66,223	-	66,223
Total expenses and losses	6,208,309	-	6,208,309
Change in net assets	(11,396)	(226,092)	(237,488)
Net assets, beginning of year	69,058	817,511	886,569
Net assets, end of year	$ 57,662	$ 591,419	$ 649,081

THE ALLIANCE FOR THE CHESAPEAKE BAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019

	Programs	Management and General	Fundraising	Total
Personnel costs	$ 1,792,146	$ 483,100	$ 30,192	$ 2,305,438
Project costs	4,338,554	-	-	4,338,554
Bank fees	-	3,179	-	3,179
Conferences and meetings	-	6,677	-	6,677
Travel	307,538	4,930	-	312,468
Rent and occupancy	-	156,717	-	156,717
Telephone	9,118	5,037	-	14,155
Insurance	-	14,241	-	14,241
Office supplies, postage and printing	4,110	28,911	25,439	58,460
Miscellaneous	-	3,562	-	3,562
Professional fees and contract labor	-	73,540	-	73,540
Fundraising events	-	-	38,147	38,147
	$ 6,451,466	$ 779,894	$ 93,778	$ 7,325,138

THE ALLIANCE FOR THE CHESAPEAKE BAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	Programs	Management and General	Fundraising	Total
Personnel costs	$ 1,654,534	$ 457,455	$ 30,206	$ 2,142,195
Project costs	3,479,289	-	-	3,479,289
Bank fees	-	2,420	-	2,420
Conferences and meetings	-	3,550	-	3,550
Travel	268,441	7,016	-	275,457
Rent and occupancy	-	147,382	-	147,382
Telephone	10,177	3,081	-	13,258
Insurance	-	18,672	-	18,672
Office supplies, postage and printing	6,246	32,996	15,658	54,900
Miscellaneous	-	2,243	-	2,243
Professional fees and contract labor	-	48,584	-	48,584
Fundraising events	-	-	20,359	20,359
	$ 5,418,687	$ 723,399	$ 66,223	$ 6,208,309

THE ALLIANCE FOR THE CHESAPEAKE BAY, INC.
STATEMENTS OF CASH FLOWS
December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 518,882	$ (237,488)
Adjustments to reconcile change in net assets to		
net cash provided by (used in) by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(564,786)	97,643
Prepaid expenses	3,869	2,353
Increase (decrease) in:		
Accounts payable	264,382	(195,495)
Accrued expenses	5,345	10,536
Net cash gained from (used in) operating activities	227,692	(322,451)
Net increase (decrease) in cash	227,692	(322,451)
Cash, beginning of year	108,339	430,790
Cash, end of year	$ 336,031	$ 108,339
Supplementary Information:		
Interest paid	$ -	$ -
Taxes paid	$ -	$ -

See Independent Auditor's Report and the Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. **ORGANIZATION AND PURPOSE**

The Alliance for the Chesapeake Bay, Inc. (the Organization) was incorporated in Maryland in August 1973 and was formed to serve as a neutral forum where Bay-related issues may be analyzed and considered, for the purpose of providing its membership, responsible officials, and the public with a basis for making informed decisions concerning the management of the resources of the Chesapeake Bay. The Alliance for the Chesapeake Bay, Inc. is a nonstock, nonprofit entity.

The Organization's mission statement states:

> "The Alliance brings together communities, companies, and conservationists to improve our lands and waters."

Founded in 1971, The Alliance for the Chesapeake Bay, Inc. is funded by individuals, businesses, governments, and private foundations. The Organization maintains offices in Annapolis, Maryland, Richmond, Virginia, Lancaster, Pennsylvania, and the District of Columbia.

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting
The Organization maintains its financial records and prepares its financial statements on the accrual basis of accounting. Therefore, revenues and related assets are recognized when earned, and expenses and related liabilities are recognized when the obligations are incurred.

Basis of Presentation
During the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 — *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

> *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.
>
> *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash
The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2019, the Organization held $86,031 in excess of federally insured limits.

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income Taxes

The Organization is a nonprofit entity and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, contributions to the Organization are tax deductible under Section 170 of the Internal Revenue Code.

The Organization adopted the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) for Accounting of Uncertainty in Income Taxes without any material effect to the financial statements. These recommendations clarify the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. They also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2019 and 2018. With few exceptions, the Organization's tax returns remain open for three years for federal and state examination.

Donated Services and Goods

As required by FASB ASC 958-605-25, *Accounting for Contributions Received and Contributions Made*, donated services include assistance which creates or enhances non-financial assets or requires specialized skills provided by individuals possessing those skills. Those services would typically need to be purchased if not donated and are recorded by the Organization at their fair value in the period such services are delivered.

Estimates

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

Grants Receivable

Grants receivable at December 31, 2019 and 2018 consist mainly of grants and contracts earned, but not yet received. No allowance for uncollectible accounts has been recorded at December 31, 2019 and 2018, due to any potential uncollectible amounts determined by management as immaterial.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Office supplies, postage, and printing	Time and effort
Travel	Time and effort
Other	Time and effort

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Contributions, Grants, and Support
Contributions and grants received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor/grantor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor/grantor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

New Accounting Pronouncements
On May 28, 2014, Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update outlines a new, single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new model requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. ASU 2019-09 is effective for fiscal years beginning after December 15, 2018. Additionally, in June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,* with the stated purpose of providing guidance in evaluating whether transactions should be accounted for as contributions or exchanges. In addition, the update introduces the concept of barriers in providing additional guidance on identifying conditions that would preclude the recognition of a contribution as revenue. Analysis of various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

Subsequent Events
The Organization has evaluated events and transactions for potential recognition or disclosure through August 21, 2020 the date the financial statements were available to be issued.

Note 3. **PROPERTY AND EQUIPMENT**

Property and equipment is stated at cost. The Organization chooses to capitalize fixed asset additions of $10,000 and greater. Depreciation is provided on the straight-line method over the estimated useful life of the asset. Office equipment is depreciated over a useful life of 5 years. There was no depreciation expense recorded in 2019 or 2018 as all assets have been fully depreciated.

Note 4. **RETIREMENT PLAN**

The Organization has a 403(b)(7) retirement plan whereby eligible employees can contribute to his or her own custodial account, through salary reduction, with certain limitations, as outlined in the Plan document. The Organization incurred no expense during 2019 or 2018 related to the Plan.

Note 5. **RENTAL COMMITMENTS**

The Organization leases office space in Annapolis, Lancaster, Richmond, and the District of Columbia. The rate for the Annapolis office is $6,752 per month and increases 3% annually. The lease expires February 1, 2023. The lease for the Lancaster office space began on September 1, 2017 at a rate of $475 per month for September and October 2017. As of November 2017, the rate increased to $950 per month with an annual increase of 3% and expires on October 31, 2020. The rate for the Richmond office is $1,979 per month with an annual increase of 3%. The lease expires on January 31, 2020. The rate for the District of Columbia lease is $2,775 per month for one year, beginning on December 1, 2019.

Total rent expense on these leases for 2019 and 2018 was $129,379 and $123,920. During 2019 and 2018, the Organization subleased office space in their Annapolis office. The Organization received approximately $23,900 and $1,200 respectively, for 2019 and 2018, in lease payments for the subleased office space, which is recorded in Other Income on the Statements of Activities. Future minimum lease payments are as follows:

2020	$ 168,262
2021	$ 129,382
2022	$ 133,264
2023	$ 51,159
2024	$ 44,866

Note 6. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2019 and 2018 are available for the following purposes:

	2019	2018
Various federal, state and private agency programs	$ 892,635	$ 591,419

Note 7. **NET ASSETS RELEASED FROM RESTRICTIONS**

During the years ended December 31, 2019 and 2018, net assets were released from donor/grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors/grantors.

Purpose restrictions accomplished:

	2019	2018
Various expenses related to performance of federal, state and private agency programs	$ 7,017,294	$ 5,733,457

Note 8. **CONCENTRATION OF REVENUES**

During the years ended December 31, 2019 and 2018, the Organization recognized revenues from United States Environmental Protection Agency of approximately $4,130,652 and $3,252,766, respectively, for program services performed. This represents 53% and 54% of all revenues recognized by the Organization as a whole in 2019 and 2018, respectively.

The Organization receives grants from various agencies of the U.S. Government. Such grants are subject to audit under the provisions of Uniform Guidance. The ultimate determination of amounts received under the U.S. Government grants is based upon the allowance of costs reported to and accepted by the U.S. Government. Audits in accordance with the provisions of OMB Circular A-133 have been completed for the Organization for all required years through 2019. Until such audits have been accepted by the U.S. Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no additional material liability will result from such audits.

Note 9. **LOAN PAYABLE**

The Organization has a line of credit agreement with a bank for an amount up to $115,000. This line of credit is renewable each year. As of December 31, 2019 and 2018, there was no balance or draws on the line of credit. The line of credit is secured by all personal property of the Organization and is payable on demand. Interest is due monthly at prime plus two percent. The interest rate was 7.50% as of December 31, 2019. There was no interest expense for the years ended December 31, 2019 and 2018.

Note 10. **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

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

	2019	2018
Financial assets available at year end		
Cash	$ 336,031	$108,339
Accounts receivable	1,791,166	1,226,380
Total financial assets	2,127,197	1,334,719
Less amounts not available to be used within one year		
Net assets with donor restrictions	892,635	591,419
Financial assets available for general use	$ 1,234,562	743,300

The financial assets available for general use cover approximately two months of expenses. The majority of the Organization's expenses are program expenses reimbursed through restricted grants.

Note 11. **SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus disease ("COVID-19") a pandemic. The extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization.

On April 17, 2020, the Organization obtained approval for a $402,900 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1% but payments are not required until the forgiveness amount has been remitted by the SBA to the lender. The Organization has 24 weeks after the funding of the loan to apply the loan proceeds toward certain permitted uses that would then serve as the basis for calculating the amount of loan forgiveness. At that point, the Organization would apply for loan forgiveness with its lender. The Organization is eligible for forgiveness up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

On June 8, 2020, the Organization applied for and received an Economic Injury Disaster Loan from the Small Business Administration for the purpose of meeting financial obligations and operating expenses that could have been met had the pandemic not occurred. The loan is for $150,000 with a 2.75% interest rate with a 30-year maturity. Payments on this loan are deferred for one year.