THE ALLIANCE FOR
THE CHESAPEAKE BAY, INC.

FINANCIAL REPORT

DECEMBER 31, 2020

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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 not-for-profit corporation) as of December 31, 2020 and 2019, 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, 2020 and 2019, 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 18, 2021 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 18, 2021

THE ALLIANCE FOR THE CHESAPEAKE BAY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash	$ 1,016,568	$ 336,031
Grants receivable	1,963,694	1,791,166
Prepaid expenses	21,815	4,362
Total current assets	3,002,077	2,131,559
Equipment		
Office equipment	14,638	14,638
Less: accumulated depreciation	(14,638)	(14,638)
	-	-
Total assets	$ 3,002,077	$ 2,131,559
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 589,844	$ 912,359
Accrued expenses	87,855	51,237
Deferred revenue	834,939	-
Total liabilities	1,512,638	963,596
Net assets		
Without donor restrictions	940,860	275,328
With donor restrictions	548,579	892,635
Total net assets	1,489,439	1,167,963
Total liabilities and net assets	$ 3,002,077	$ 2,131,559

THE ALLIANCE FOR THE CHESAPEAKE BAY, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
Grants and contracts, government	$ -	$ 6,024,367	$ 6,024,367
Grants and contracts, private	-	1,546,789	1,546,789
Public support	372,103	-	372,103
Taste of the Chesapeake event	97,979	-	97,979
Other income	19,800	-	19,800
Investment income, net	315	-	315
Net assets released from restrictions (Note 8):			
Satisfaction of program restrictions	7,915,212	(7,915,212)	-
Total revenues and other support	8,405,409	(344,056)	8,061,353
Expenses and losses:			
Programs	7,165,579	-	7,165,579
Management and general	932,156	-	932,156
Fundraising	45,042	-	45,042
Total expenses and losses	8,142,777	-	8,142,777
Operating income (loss)	262,632	(344,056)	(81,424)
Non-operating gains:			
Gain on extinguishment of debt	402,900	-	402,900
Change in net assets	665,532	(344,056)	321,476
Net assets, beginning of year	275,328	892,635	1,167,963
Net assets, end of year	$ 940,860	$ 548,579	$ 1,489,439

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 8):			
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 FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Programs	Management and General	Fundraising	Total
Personnel costs	$ 2,030,633	$ 616,762	$ 19,589	$ 2,666,984
Project costs	5,040,376	-	-	5,040,376
Bank fees	-	6,636	-	6,636
Conferences and meetings	-	1,758	-	1,758
Travel	77,747	1,667	-	79,414
Rent and occupancy	-	197,639	-	197,639
Telephone	12,433	10,774	-	23,207
Insurance	-	19,268	-	19,268
Interest	2,247	-	-	2,247
Office supplies, postage, and printing	2,143	19,829	16,887	38,859
Miscellaneous	-	46	-	46
Professional fees and contract labor	-	57,777	-	57,777
Fundraising events	-	-	8,566	8,566
	$ 7,165,579	$ 932,156	$ 45,042	$ 8,142,777

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.
STATEMENTS OF CASH FLOWS
December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 321,476	$ 518,882
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck Protection Program loan forgiveness	(402,900)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(172,528)	(564,786)
Prepaid expenses	(17,453)	3,869
(Decrease) increase in:		
Accounts payable	(322,515)	264,382
Accrued expenses	36,618	5,345
Deferred revenue	834,939	-
Net cash provided by operating activities	277,637	227,692
Cash flows from financing activities:		
Paycheck Protection Program loan proceeds	402,900	-
Economic Injury Disaster Loan proceeds	150,000	-
Economic Injury Disaster Loan principal payments	(150,000)	-
Net cash provided by financing activities	402,900	-
Net increase in cash	680,537	227,692
Cash, beginning of year	336,031	108,339
Cash, end of year	$ 1,016,568	$ 336,031
Supplementary Information:		
Interest paid	$ 2,247	$ -
Taxes paid	$ -	$ -

See the 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, not-for-profit 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

The Organization follows 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 provision requires the Organization to classify net assets into two categories according to donor-imposed restrictions: net assets without donor restrictions and 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.

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, 2020, the Organization held $755,682 in excess of federally insured limits.

Income Taxes

The Organization is a not-for-profit 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.

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

Income Taxes (continued)
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, 2020 and 2019. 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, 2020 and 2019 consist mainly of grants and contracts earned, but not yet received. No allowance for uncollectible accounts has been recorded at December 31, 2020 and 2019, 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

Revenue Recognition
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 2014-09 is effective for fiscal years beginning after December 15, 2018.

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

Revenue Recognition (continued)
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 standards.

The Organization recognizes revenue from grants as work progresses on the related mission. The performance obligations are, generally, performed prior to the Organization receiving the funds from related grants; therefore, revenue is recognized in the year in which the work is performed. Revenue received which relates to subsequent years is recorded as deferred revenue in the Statement of Financial Position.

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give–that is, those with a measurable performance or other barrier and a right of return–are not recognized until the conditions on which they depend have been met.

Contributions Revenue
Contributions are considered to be without donor restrictions unless specifically restricted by the donor. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities. Revenue received with donor restrictions that are met in the same reporting period is reported as support without donor restrictions, and increases net assets without donor restrictions.

Contributions receivable are reported in the Statement of Financial Position at the outstanding contribution balance adjusted for any write-offs and an allowance for potentially uncollectible contributions. The Organization had no contributions receivable for the years ended December 31, 2020 and 2019.

Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at an adjusted risk-free rate of return. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions of cash restricted for the acquisition of long-lived assets are reported as restricted support that increases net assets with donor restrictions. The restrictions are released when the long-lived assets are acquired or placed in service by the Organization. Contributions of property and equipment are recorded as revenue without donor restrictions unless donor stipulations specify how the assets are to be used.

Subsequent Events
The Organization has evaluated events and transactions for potential recognition or disclosure through August 18, 2021, the date the financial statements were available to be issued.

Note 3. **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.

Note 3. **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)**

	2020	2019
Financial assets available at year end		
Cash	$ 1,016,568	$ 336,031
Accounts receivable	1,963,694	1,791,166
Total financial assets	2,980,262	2,127,197
Less amounts not available to be used within one year		
Net assets with donor restrictions	548,579	892,635
Financial assets available for general use	$ 2,431,683	$ 1,234,562

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

Note 4. **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 2020 or 2019 as all assets have been fully depreciated.

Note 5. **DEFERRED REVENUE**

The following table provides information about significant changes in the contract liabilities for the year ended December 31, 2020:

Deferred revenue at December 31, 2019	$ -
Revenue recognized that was included in deferred revenue at the beginning of the year	-
Increase in deferred revenue due to cash and contracts received during the year	834,939
Deferred revenue at December 31, 2020	$ 834,939

Note 6. **LINE OF CREDIT**

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, 2020 and 2019, 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 5.25% as of December 31, 2020. There was no interest expense for the years ended December 31, 2020 and 2019.

Note 7. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2020 and 2019 are available for the following purposes:

	2020	2019
Various federal, state, and private agency programs	$ 548,579	$ 892,635

Note 8. **NET ASSETS RELEASED FROM RESTRICTIONS**

During the years ended December 31, 2020 and 2019, 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.

Note 8. **NET ASSETS RELEASED FROM RESTRICTIONS (continued)**

Purpose restrictions accomplished:

	2020	2019
Various expenses related to performance of federal, State, and private agency programs	$ 7,915,212	$ 7,017,294

Note 9. **CONCENTRATION OF REVENUES**

During the years ended December 31, 2020 and 2019, the Organization recognized revenues from United States Environmental Protection Agency of approximately $4,790,291 and $4,130,652, respectively, for program services performed. This represents 57% and 53% of all revenues recognized by the Organization as a whole in 2020 and 2019, 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 Uniform Guidance have been completed for the Organization for all required years through 2020. 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 10. **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 updated their retirement plan to include an employer match up to 4% of employee deferred wages during the year ended December 31, 2020. The match expense was $13,065 for the year ended December 31, 2020.

Note 11. **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.

Total rent expense on these leases for 2020 and 2019 was $173,967 and $132,154. During 2020 and 2019, the Organization subleased office space in their Annapolis office. The Organization received approximately $19,800 and $23,900 respectively, for 2020 and 2019, 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:

2021	$ 136,190
2022	$ 142,794
2023	$ 51,159
2024	$ 44,866
2025 and beyond	$ 97,787

Note 12. **COVID-19**

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.

Note 13. **DISASTER RELIEF LOANS**

During the year ended December 31, 2020, the Organization obtained a $402,900 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization had 24 weeks after the funding of the loan (covered period) to apply the loan proceeds toward certain permitted uses that would then serve as the basis for calculating the amount of loan forgiveness. The loan was forgiven during the year ended December 31, 2020 and the loan forgiveness revenue is treated as gain on extinguishment of debt in accordance with ASC 470 and is included in non-operating gains in the Statements of Activities.

During the year ended December 31, 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 were deferred for one year. The Organization paid off the loan, including any accrued interest, during the year ended December 31, 2020. Total interest expense for this loan was $2,247.