

**AMERICAN LITTORAL SOCIETY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019 and 2018**

AMERICAN LITTORAL SOCIETY
FINANCIAL STATEMENTS
December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
American Littoral Society
Highlands, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of American Littoral Society (a nonprofit organization), which comprise the statements of financial position 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 American Littoral Society as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements of financial position and combining statements of activities and net assets are presented for additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2020 on our consideration of American Littoral Society'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 American Littoral Society's internal control over financial reporting and compliance.


German, Vreeland & Associates, LLP
Cedar Knolls, New Jersey
July 1, 2020

AMERICAN LITTORAL SOCIETY
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2019 and 2018

ASSETS	2019	2018
Current assets		
Cash and cash equivalents	\$ 583,081	\$ 724,787
Grants receivable	250,723	293,972
Accounts receivable, net	1,592	90
Prepaid expenses	28,469	19,012
Total current assets	863,865	1,037,861
 Security deposits	 2,650	 2,650
 TOTAL ASSETS	 \$ 866,515	 \$ 1,040,511
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 115,430	\$ 247,945
Deferred revenue	119,069	535,106
Total current liabilities	234,499	783,051
 Net assets		
Without donor restrictions	223,815	92,031
With donor restrictions	408,201	165,429
Total net assets	632,016	257,460
 TOTAL LIABILITIES AND NET ASSETS	 \$ 866,515	 \$ 1,040,511

See accompanying notes.

AMERICAN LITTORAL SOCIETY
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2019 and 2018

	2019			2018		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND SUPPORT						
Federal and state government grants	-	\$ 1,000,455	\$ 1,000,455	-	\$ 784,284	\$ 784,284
Foundation grants	268,000	1,306,714	1,574,714	267,500	948,376	1,215,876
Contributions	171,653	-	171,653	101,360	-	101,360
Program revenue	136,492	-	136,492	133,133	-	133,133
Memberships	64,896	-	64,896	69,575	-	69,575
Investment income	1,039	-	1,039	3,307	-	3,307
Rental income	17,314	-	17,314	16,810	-	16,810
Special event revenue	51,673	-	51,673	22,914	-	22,914
Miscellaneous income	5,204	-	5,204	2,553	-	2,553
Total revenue and support	716,271	2,307,169	3,023,440	617,152	1,732,660	2,349,812
Net assets released from restrictions	2,064,397	(2,064,397)	-	1,733,271	(1,733,271)	-
Total revenue and support	2,780,668	242,772	3,023,440	2,350,423	(611)	2,349,812
EXPENSES						
Program	2,137,776	-	2,137,776	1,857,062	-	1,857,062
Management and general	379,214	-	379,214	430,162	-	430,162
Fundraising	131,894	-	131,894	98,508	-	98,508
Total expenses	2,648,884	-	2,648,884	2,385,732	-	2,385,732
EXCESS OF REVENUE AND SUPPORT (UNDER) OVER EXPENSES	131,784	242,772	374,556	(35,309)	(611)	(35,920)
NET ASSETS, Beginning of year	92,031	165,429	257,460	127,340	166,040	293,380
NET ASSETS, End of year	\$ 223,815	\$ 408,201	\$ 632,016	\$ 92,031	\$ 165,429	\$ 257,460

See accompanying notes.

AMERICAN LITTORAL SOCIETY
 STATEMENTS OF FUNCTIONAL EXPENSES
 Year Ended December 31, 2019

2019

	Program Services	Management and General	Fundraising	Total Expenses
Salaries, payroll taxes and fringe benefits	\$ 1,142,065	\$ 238,925	\$ 95,687	\$ 1,476,677
Subcontractors and consultants	494,531	-	-	494,531
Conferences and meetings	74,189	530	-	74,719
Trip fees	63,284	-	-	63,284
Supplies	217,279	9,247	23,346	249,872
Information technology	25,173	1,092	1,680	27,945
Occupancy costs	27,185	29,601	-	56,786
Professional fees	5,250	44,449	-	49,699
Travel expenses	51,808	3,287	486	55,581
Insurance	9,300	31,426	-	40,726
Printing	3,791	4,276	5,514	13,581
Telephone	3,618	5,859	-	9,477
Office expenses	10,814	6,704	1,738	19,256
Postage	3,411	3,743	3,248	10,402
Professional development	6,078	75	195	6,348
Total expenses	\$ 2,137,776	\$ 379,214	\$ 131,894	\$ 2,648,884

See accompanying notes.

AMERICAN LITTORAL SOCIETY
 STATEMENTS OF FUNCTIONAL EXPENSES
 Year Ended December 31, 2018

2018

	Program Services	Management and General	Fundraising	Total Expenses
Salaries, payroll taxes and fringe benefits	\$ 1,015,585	\$ 279,785	\$ 81,685	\$ 1,377,055
Subcontractors and consultants	386,742	-	-	386,742
Conferences and meetings	69,632	-	-	69,632
Trip fees	55,044	-	-	55,044
Supplies	167,288	15,220	9,264	191,772
Information technology	26,967	1,442	1,680	30,089
Occupancy costs	30,950	29,141	-	60,091
Professional fees	1,500	46,558	-	48,058
Travel expenses	66,009	2,873	296	69,178
Insurance	5,087	31,866	-	36,953
Printing	11,396	5,999	1,846	19,241
Telephone	5,388	6,803	-	12,191
Office expenses	6,171	5,822	847	12,840
Postage	4,403	4,653	2,795	11,851
Professional development	4,900	-	95	4,995
Total expenses	\$ 1,857,062	\$ 430,162	\$ 98,508	\$ 2,385,732

See accompanying notes.

AMERICAN LITTORAL SOCIETY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 374,556	\$ (35,920)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Donated stock	999	(89)
Change in operating assets		
Decrease in grants receivable	43,249	111,406
(Increase) decrease in accounts receivable	(1,502)	7,910
(Increase) in prepaid expenses	(9,457)	(17,374)
(Increase) in security deposits	-	(1,600)
(Decrease) in accounts payable and accrued expenses	(132,515)	(38,318)
(Decrease) in deferred revenue	(416,037)	(114,281)
Net cash (used in) operating activities	(140,707)	(88,266)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(999)	(458,000)
Proceeds from sale of investments	-	458,089
Net cash provided by (used in) investing activities	(999)	89
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(141,706)	(88,177)
CASH AND CASH EQUIVALENTS, Beginning of year	724,787	812,964
CASH AND CASH EQUIVALENTS, End of year	\$ 583,081	\$ 724,787

See accompanying notes.

AMERICAN LITTORAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the American Littoral Society (the “Society”) have been prepared on the accrual basis of accounting. The significant accounting policies followed by the Society are described below, as to enhance the usefulness of the financial statements to the reader.

Organization

The Society was established on March 14, 1963 as a not-for-profit association for the protection and preservation of the oceans and related wildlife. The Society’s programs are primarily supported through grants and contributions.

The Society operates the following regional offices: American Littoral Society Headquarters Mid Atlantic Chapter (“HQ”), American Littoral Society Northeast Chapter (“NE”), American Littoral Society Southeast Chapter (“SE”) and Ocean Policy.

HQ, NE and SE are primarily dedicated to the study and conservation of aquatic life and its habitat, to encourage this study by observation and ways of fishes and other aquatic animals; to study aquatic flora; to collect and publish records of natural history observations; to establish educational programs in aquatic natural history; to assist members in solving problems of scientific study, identification and description of aquatic forms; to foster interest in aquatic life and public awareness of the value of conservation programs; to promote physical and visual access to the sea and the entrances to same; and to act affirmatively to protect the environment.

Ocean Policy is primarily dedicated to strengthening the strategic direction for and coordination of work undertaken by a larger decentralized network of organizations seeking principally to reform ocean policy in the United States.

Tax Status and Incorporation

The Society was incorporated under Title 15 of the revised statutes of the State of New Jersey as a not-for-profit corporation. The corporation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for Federal income taxes. The Society has no uncertain tax positions at December 31, 2019 and 2018. There are no tax years open for examination by the Internal Revenue Service prior to 2016. In addition, there was no interest or penalties related to income taxes included in the financial statements.

Financial Statement Presentation

The Society reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors; net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Support Recognition

The Society recognizes contributions as support when they are received or unconditionally pledged and records these contributions as without donor restrictions or with donor restrictions according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, with donor restrictions net assets are reclassified and reported in the statements of activities as net assets released from restrictions.

AMERICAN LITTORAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue Recognition

The Society accounts for those contract revenues which have been determined to be exchange transactions in the statements of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. Program revenues received in advance of their usage are classified as deferred revenue in the statements of financial position. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance.

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity (three months or less) that they present insignificant risk of changes in value because of changes in interest rates except for those managed as a component of the Society's investment portfolio.

Concentration of credit risk

Financial investments which potentially subject the Society to concentrations of credit risk consist of cash and receivables. In an attempt to limit credit risk, the Society places all funds with high quality financial institutions. Management has not experienced any losses. Receivables are due from various governmental agencies with which the Society has a long history of collecting payments, which reduces credit risk.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Society provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of payors to meet their obligations. It is the Society's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Valuation of Long-Lived Assets

In accordance with the accounting pronouncements related to accounting for the impairment or disposal of long-lived assets, the Society reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these financial statements.

Fixed Assets and Depreciation

Fixed assets are recorded at cost when purchased, or at fair value at date of gift. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Major renewals and betterments are charged to fixed assets; maintenance, minor repairs and replacements which do not improve or extend the life of the respective assets are expensed currently.

Fair Value of Financial Instruments

The fair value of financial instruments is the amount at which the instrument could be exchanged in a current transaction between willing parties. The financial instruments reported in the statements of financial position equal or approximate their fair values.

AMERICAN LITTORAL SOCIETY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 included in the financial statements. Accordingly, actual results could differ from those estimates.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among programs and supporting services.

Contributed Services

The Society is dependent upon a substantial number of volunteers who contribute significant amounts of their time in program activities. The Society did not reflect an amount in the financial statements for contributed services, as these services do not meet the criteria for recognition as contributed services.

Financial Dependency

The Society receives a substantial amount of support from foundation grants. The Society is economically dependent on these grants to carry out its operations.

NOTE 2 – DEFERRED REVENUE

Deferred revenue represents funds received for programs that will be completed in future periods.

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for purposes as designated by the donor as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
HQ	\$ 207,792	\$ 56,150
NE	27,857	-
SE	-	-
Ocean Policy	172,552	109,279
	<u>\$ 408,201</u>	<u>\$ 165,429</u>

NOTE 4 – CONTINGENCY

The Society has received Federal and state grants. Entitlement to the resources is conditional upon compliance with terms and conditions of the grant agreements and applicable regulations. Substantially all grants are subject to financial and compliance audits by the grantors.

AMERICAN LITTORAL SOCIETY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 5 – COMMITMENTS

The Society leases office space in the Highlands (Sandy Hook), New Jersey from the U.S. Department of Interior, National Park Service (“NPS”). The Society’s partnership agreement with NPS was extended through May 23, 2022. The Society has agreed to pay for capital improvements to the building in place of fixed monthly rent. In addition, the Society subleased a portion of its Sandy Hook office space on a month-to-month basis for \$1,443 per month through December 31, 2019.

The Society has an operating lease for office space in Trenton, New Jersey. The lease was renewed through August 31, 2018 with monthly rental payments of \$591. As of August 31, 2018, the lease was terminated.

On February 1, 2018, the Society entered into a license agreement with Coalition Downtown LLC, for office space in Boston, Massachusetts. The initial agreement provided for a prepayment of \$17,920, which included a security deposit of \$1,600, and terminated on March 31, 2019. The license agreement was renewed on April 1, 2019 for a six month term with a prepayment of \$6,800. At year-end 2019, the Society was in the process of negotiating new terms of the license agreement. For the final quarter’s rent, the Society accrued for \$3,502 as of December 31, 2019.

The Society entered into a two year operating lease for office space in Millville, New Jersey commencing on December 15, 2016. The lease provides for monthly rental payments of \$1,050. The lease was renewed for a second additional year, terminating December 15, 2020, under the same terms.

The Society leases office space in Broad Channel, New York from the director of that program on a month-to-month basis for \$1,380 per month.

The following is a schedule by year of future minimum payments required under the leases as of December 31, 2019 and 2018:

	2019	2018
2019	\$ -	\$ 12,600
2020	12,600	-
	\$ 12,600	\$ 12,600

NOTE 6 – PENSION PLAN

The Society established a 401(k) Profit-Sharing Plan. The Plan covers employees who meet certain eligibility requirements. Employees who satisfy the eligibility requirements may make salary reduction contributions to the Plan. The Society does not make matching contributions to the Plan.

AMERICAN LITTORAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Society’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations:

	2019	2018
Cash and cash equivalents	\$ 583,081	\$ 724,787
Grants receivable	250,723	293,972
Accounts receivable	1,592	90
Total financial assets	835,396	1,018,849
Contractual or donor-imposed restrictions	(459,770)	(550,535)
Financial assets available to meet cash needs for general expenditures within one year	\$ 375,626	\$ 468,314

The Society’s working capital and cash flows have seasonal variations during the year. As part of the Society’s liquidity management, it invests cash in excess of daily requirements in certificates of deposits and money market funds.

NOTE 8 – RECENT ACCOUNTING PRONOUNCEMENTS

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve the scope and the accounting guidance for contributions received and made. Under prior guidance it could be difficult to characterize grants and similar contracts with resource providers as either exchange transactions or contributions. The new guidance was issued to assist entities in evaluating whether transactions should be accounted for as contributions or exchange transactions. ASU 2018-08 is effective for annual periods beginning after December 15, 2018.

In February 2016, FASB issued ASU 2016-02, (Topic 842): *Leases*, which will require leases to be recorded as an asset on the statement of financial position for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for not-for-profit organizations for fiscal years beginning after December 15, 2020, with early adoption permitted. The Society is evaluating the impact the pronouncement may have on the financial statements.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 1, 2020, the date on which the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.