

# **REEF ENVIRONMENTAL EDUCATION FOUNDATION**

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**FINANCIAL STATEMENTS  
WITH  
ACCOUNTANT'S REPORT  
December 31, 2019**

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**SULLIVAN & FENGLER CERTIFIED PUBLIC ACCOUNTANT'S**

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**CERTIFIED PUBLIC ACCOUNTANTS**

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To the Board of Trustees of  
Reef Environmental Education Foundation  
Key Largo, Florida

Management is responsible for the accompanying financial statements of Reef Environmental Education Foundation, (REEF/Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

*Sullivan & Fengler*

Sullivan & Fengler  
Fort Lauderdale, FL  
August 5, 2020

**FINANCIAL STATEMENTS**

**REEF ENVIRONMENTAL EDUCATION FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2019

ASSETS

Cash	\$ 562,934
Cash - restricted	301,941
Accounts receivable (Note B)	6,662
Prepaid expenses	9,040
Inventory (Note B)	22,204
Fixed assets net of accumulated Depreciation of \$182,436 (Note G)	541,403
Deposits	<u>3,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,447,184</u></b>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 15,702
Accrued expenses	32,224
Deferred revenue trip deposits (Net)	158,881
Mortgage payable (Note I)	<u>60,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>266,807</u></b>

<b>Net Assets:</b>	
Without donor restrictions	684,326
Board designated (Note F)	<u>194,110</u>
Total without donor restriction	878,436
With donor restrictions (Note H)	<u>301,941</u>
<b>TOTAL NET ASSETS</b>	<b><u>1,180,377</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$1,447,184</u></b>

The accompanying notes are an integral part of these statements.

**REEF ENVIRONMENTAL EDUCATION FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, support, and gains			
Grants, awards, contributions	\$ 614,925	\$ 64,658	\$ 679,583
In-kind contribution (Note D)	29,390	-	29,390
Program income	702,670	-	702,670
Merchandise sale net	41,790	-	41,790
Interest	1,489	-	1,489
Other	26,618	-	26,618
Net assets released from restrictions:			
Satisfaction of restriction	35,643	<35,643>	-
Total revenue, support, and gains	<u>1,452,525</u>	<u>29,015</u>	<u>1,481,540</u>
 Expenses and losses:			
Program services			
Education programs	<u>1,231,902</u>	-	<u>1,231,902</u>
 Supporting expenses:			
Management and general	151,592	-	151,592
Fund raising and development	87,449	-	87,449
Total supporting services	<u>239,041</u>	-	<u>239,041</u>
Total expenses and losses	<u>1,470,943</u>	-	<u>1,470,943</u>
 CHANGE IN NET ASSETS	 <18,418>	 29,015	 10,597
Net assets Beginning of year	<u>896,854</u>	<u>272,926</u>	<u>1,169,780</u>
Net assets End of year	<u>\$ 878,436</u>	<u>\$301,941</u>	<u>\$1,180,377</u>

The accompanying notes are an integral part of these statements.

**REEF ENVIRONMENTAL EDUCATION FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2019

	<u>Program Services</u>	<u>Management General</u>	<u>Fundraising Development</u>	<u>Total Support</u>	<u>Total</u>
Salaries	\$ 299,003	\$ 92,339	\$ 48,368	\$140,707	\$ 439,710
Payroll taxes	<u>20,782</u>	<u>6,418</u>	<u>3,362</u>	<u>9,780</u>	<u>30,562</u>
	319,785	98,757	51,730	150,487	470,272
Educational programs	665,665	-	-	-	665,665
Community awareness/education	18,790	-	-	-	18,790
Contract Labor	63,225	-	-	-	63,225
Insurance	30,676	7,887	4,644	12,531	43,207
Interns	32,961	-	-	-	32,961
Volunteers	19,600	-	-	-	19,600
Postage/printing/office	10,737	4,578	17,311	21,889	32,626
Bank fees	-	23,138	-	23,138	23,138
License/permits/fees	-	748	3,906	4,654	4,654
Professional fees	4,784	3,483	4,784	8,267	13,051
Dues and subscriptions	7,190	1,798	-	1,798	8,988
Equipment small and rental	8,859	-	-	-	8,859
Utilities	12,844	3,537	2,234	5,771	18,615
Occupancy	22,200	762	481	1,243	23,443
Interest expense	<u>-</u>	<u>2,400</u>	<u>-</u>	<u>2,400</u>	<u>2,400</u>
Total expenses before Depreciation	1,217,316	147,088	85,090	232,178	1,449,494
Depreciation	<u>14,586</u>	<u>4,504</u>	<u>2,359</u>	<u>6,863</u>	<u>21,449</u>
Total Expenses	<u>\$1,231,902</u>	<u>\$151,592</u>	<u>\$ 87,449</u>	<u>\$239,041</u>	<u>\$1,470,943</u>
Percentage to total expense	84%	10%	6%	16%	100%

The accompanying notes are an integral part of this statement.

**REEF ENVIRONMENTAL EDUCATION FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2019

<b>CASH FLOWS FROM &lt;TO&gt; OPERATING ACTIVITIES</b>	
Change in net assets	\$ 10,597
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	21,449
<Increase> decrease in operating assets:	
Accounts receivable	<520>
Prepaid expenses	<1,088>
Inventory	<13,463>
Deposits	<700>
Increase <decrease> in operating liabilities:	
Accounts payable/accrued expense	<45,604>
Deferred revenue	<u>79,444</u>
Net assets provided by operating activities	<u>50,115</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	50,115
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>814,760</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$864,875</u>
<b>SUPPLEMENTAL DATA</b>	
Interest	<u>\$ 2,400</u>
Taxes	<u>\$ -</u>

The accompanying notes are an integral part of these statements.



## **NOTES TO FINANCIAL STATEMENTS**

# REEF ENVIRONMENTAL EDUCATION FOUNDATION

## Notes to Financial Statements

December 31, 2019

### NOTE A – NATURE OF ACTIVITIES

#### Nature of Activities

Reef Environmental Education Foundation, was organized as a nonprofit organization in 1990 and is based in Key Largo, Florida. REEF's mission is to conserve marine ecosystems for their recreational, commercial, and intrinsic value by educating, enlisting and enabling divers and other marine enthusiasts to become active stewards and citizen scientists. REEF links the diving community with scientists, resource managers and conservationists through marine-life data collection and related activities. REEF is primarily supported through grants, donor contributions and program services.

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" (Topic 958). This is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expiration of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature either in the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of qualitative and quantitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

#### Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

##### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions are available for use in general operating operations and are not subject to donor or grantor restrictions.

##### *Net Assets With Donor Restrictions*

Net assets with donor restrictions consist of assets whose use is limited by donor/grantor imposed, time and/or purpose restrictions. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

# REEF ENVIRONMENTAL EDUCATION FOUNDATION

## Notes to Financial Statements

December 31, 2019

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

#### Net Assets

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the same reporting periods in which the revenue is recognized. All other donor-restrictions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

#### Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures incurred, respectively.

#### Grants/Contributions

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor/grantor-imposed restrictions. Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions and grants are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

#### Donated Services

Donated services (in-kind donations) are recognized as contributions if the services create or enhance non-financial assets, or require specialized skills, are performed by with those skills, and would otherwise be purchased by the Organization. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation.

Many individuals volunteer their time and perform a variety of tasks that assist REEF. These services do not meet the criteria for recognition as contributed services.

#### Receivables

Accounts receivable are carried at face amounts less an allowance for doubtful accounts. On a periodic basis, they are evaluated and an allowance for doubtful accounts is established based on a combination of specific customer circumstances, credit conditions and our history of write-offs and collections.

#### Income Taxes

The Organization qualified as a tax-exempt organization under section 501 (c)(3) of the Internal Revenue Code. The Organization also qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Income from certain Organization activities not directly related to its tax-exempt purpose is subject to income tax. The current and previous three years remain subject to examination by the IRS.

# REEF ENVIRONMENTAL EDUCATION FOUNDATION

## Notes to Financial Statements

December 31, 2019

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Salaries and benefits	Time and effort
Depreciation	Time and effort
Professional fees	Time and effort
Insurance	Time and effort
Printing and office	Time and effort
Utilities	Time and effort
Postage/printing/office	Time and effort

#### Inventory

Inventory consists of books, publications, digital media and other dive related items held for sale. Inventory is valued at cost using the first-in, first-out method. Management performs periodic assessments to determine the existence of expired, damaged or obsolete inventories and records, if necessary, a provision to reduce such inventories to net realizable value.

#### Advertising

Advertising costs are charged to operation when incurred. REEF incurred \$18,790 in advertising cost for the year ended December 31, 2019.

#### Property and Equipment

Property and equipment are depreciated using the straight-line and double declining balance methods. Estimated useful life; buildings 39 years, improvements 7 to 15 years and machinery and equipment 7 years. All acquisitions of property and equipment and all expenditures for repairs, maintenance, and betterment's that materially prolong the useful lives of assets in excess of \$500 are capitalized.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

# REEF ENVIRONMENTAL EDUCATION FOUNDATION

## Notes to Financial Statements

December 31, 2019

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. A portion of the cash balance is restricted for program specific use (see Note H).

### NOTE C – COMMITMENTS AND CONTINGENCIES

#### Concentration of Credit Risk

The Organization has deposits in financial institutions that exceed the federally insured limits for insurance. REEF maintains its cash with high quality financial institutions which the Organization feels limits these risks. As of December 31, 2019, the Foundation had approximately \$380,000 over the limit.

REEF has entered into agreements for dive programs in 2020 requiring deposits for charters, and has taken deposits from participants, these are reflected net in trip deposits. Certain portions of the deposits are non-refundable.

### NOTE D – CONTRIBUTED SERVICES AND MATERIALS

REEF received \$29,390 in contributed services and materials for the year ending December 31, 2019. The support is recorded as in-kind contributions, valued at fair market value, in the statement of activities with the offsetting expense on the statement of functional expenses as program expense.

### NOTE E – SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact operations. Other financial impacts could occur though such potential impacts are unknown at this time.

### NOTE F – BOARD RESTRICTED NET ASSETS

Board restricted net assets represents the remaining funds received from the BP Oil Spill settlement, the board has restricted the use to board approved expenditures.

### NOTE G – FIXED ASSETS

Property and equipment as of December 31, 2019:

Land and building	\$585,146
Building improvements	12,477
Machinery and equipment	126,245
Accumulated depreciation	<182,436>
	<u>\$541,403</u>

The aggregate depreciation charged to operations was \$21,449 for the year ended December 31, 2019.

# REEF ENVIRONMENTAL EDUCATION FOUNDATION

## Notes to Financial Statements

December 31, 2019

### NOTE H - NET ASSETS DONOR RESTRICTED

Net assets with donor restrictions as of December 31, 2019, consists of the following:

<u>Program</u>	
REEF House	\$ 84,471
Tech Center	93,300
Outreach	72,155
Marine Conservation Center	5,000
Volunteer Fish survey Program	29,000
Grouper Moon Project	4,460
Interns	<u>13,555</u>
	<u>\$301,941</u>

### NOTE I - MORTGAGE PAYABLE – RELATED PARTIES

Mortgage payable as of December 31, 2019, consist of three separate \$20,000 notes (total \$60,000) payable to Board Trustees which were issued in connection with REEF's acquisition of real property in Key Lago, Florida in September 2001. The notes are interest only at an annual simple rate of 7%, paid quarterly. The notes are fully collateralized by the real property owned by REEF. Interest expense in connection with the notes amounted to \$2,400 for the year ended December 31, 2019.

### NOTE J - LIQUIDITY AND AVAILABILITY OF RESOURCES

REEF Environmental Education Foundation, Inc., maintains a policy of operating within a prudent range of financial soundness and stability, structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due and operating within the annual approved budget. The Organization received contributions restricted by donors, and considers contribution restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. To achieve this, the Organization forecasts its future cash flows and monitors its liquidity on a monthly basis.

REEF Environmental Education Foundation, Inc.'s financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$864,875
Accounts receivable	<u>6,662</u>
Total financial assets available within one year	871,537
Less:	
Amount unavailable for general expenditures within one year:	
Restricted by donors with purpose restrictions	<u>301,941</u>
Total financial assets available to management within one year	<u>\$569,596</u>