

REEF ENVIRONMENTAL EDUCATION FOUNDATION

**FINANCIAL STATEMENTS
WITH
INDEPENDENT ACCOUNTANT'S REVIEW REPORT
December 31, 2020**

SULLIVAN & FENGLER CERTIFIED PUBLIC ACCOUNTANT'S

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

(We) have reviewed 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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Sullivan & Fengler

Sullivan & Fengler CPA
Fort Lauderdale, FL
May 4, 2021

FINANCIAL STATEMENTS

REEF ENVIRONMENTAL EDUCATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Cash -unrestricted	\$ 619,485
Cash - restricted	339,395
Accounts receivable (Note B)	106,250
Prepaid expenses	8,529
Inventory (Note B)	23,814
Fixed assets net of accumulated Depreciation of \$204,319 (Note H)	538,169
Deposits	<u>4,950</u>
TOTAL ASSETS	<u>\$1,640,592</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 81,925
Deferred revenue trip deposits (Net)	232,723
Debt-Paycheck Protection Program (Note D)	<u>99,049</u>
TOTAL LIABILITIES	<u>413,697</u>

Net Assets:	
without donor restrictions	693,390
Board designated (Note G)	<u>194,110</u>
Total without donor restriction	887,500
with donor restrictions (Note I)	<u>339,395</u>
TOTAL NET ASSETS	<u>1,226,895</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,640,592</u>

The accompanying notes are an integral part of these statements.

REEF ENVIRONMENTAL EDUCATION FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, support, and gains			
Grants, awards, contributions	\$ 536,685	\$ 83,188	\$ 619,873
In-kind contribution (Note F)	10,314	-	10,314
Program income	240,933	-	240,933
COVID funding	19,518	-	19,518
Interest	844	-	844
Other	10,756	-	10,756
Net assets released from restrictions:			
Satisfaction of restriction	<u>45,734</u>	<u><45,734></u>	<u>-</u>
Total revenue, support, and gains	<u>864,784</u>	<u>37,454</u>	<u>902,238</u>
 Expenses and losses:			
Program services	<u>722,327</u>	<u>-</u>	<u>722,327</u>
 Supporting expenses:			
Management and general	71,771	-	71,771
Fund raising and development	<u>61,622</u>	<u>-</u>	<u>61,622</u>
Total supporting services	<u>133,393</u>	<u>-</u>	<u>133,393</u>
Total expenses and losses	<u>855,720</u>	<u>-</u>	<u>855,720</u>
 CHANGE IN NET ASSETS	9,064	37,454	46,518
Net assets Beginning of year	<u>878,436</u>	<u>301,941</u>	<u>1,180,377</u>
Net assets End of year	<u>\$ 887,500</u>	<u>\$339,395</u>	<u>\$1,226,895</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, 2020

	<u>Program Services</u>	<u>Management General</u>	<u>Fundraising Development</u>	<u>Total Support</u>	<u>Total</u>
Salaries	\$ 342,013	\$ 30,178	\$ 30,178	\$ 60,356	\$ 402,369
Payroll taxes	<u>27,203</u>	<u>2,400</u>	<u>2,400</u>	<u>4,800</u>	<u>32,003</u>
	369,216	32,578	32,578	65,156	434,372
Educational programs	170,248	-	-	-	170,248
Community awareness/education	8,254	-	-	-	8,254
Contract labor	38,914	350	-	350	39,264
Insurance	22,429	10,788	1,979	12,767	35,196
Interns	34,113	-	-	-	34,113
Volunteers	9,910	-	-	-	9,910
Postage/printing/office	10,300	4,601	19,477	24,078	34,378
Bank fees	-	13,334	-	13,334	13,334
License/permits/fees	1,271	42	-	42	1,313
Professional fees	6,015	5,120	6,015	11,135	17,150
Dues and subscriptions	8,742	2,185	-	2,185	10,927
Equipment small and rental	3,199	-	-	-	3,199
Utilities	13,965	1,232	1,232	2,464	16,429
Occupancy	3,867	341	341	682	4,549
Interest expense	<u>-</u>	<u>1,200</u>	<u>-</u>	<u>1,200</u>	<u>1,200</u>
Total expenses before Depreciation	700,443	71,771	61,622	133,393	833,836
Depreciation	<u>21,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,884</u>
Total Expenses	<u>\$ 722,327</u>	<u>\$ 71,771</u>	<u>\$ 61,622</u>	<u>\$133,393</u>	<u>\$ 855,720</u>
Percentage to total expense	85%	8%	7%	15%	100%

The accompanying notes are an integral part of this statement.

REEF ENVIRONMENTAL EDUCATION FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020

CASH FLOWS FROM <TO> OPERATING ACTIVITIES	
Change in net assets	\$ 46,518
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	21,884
<Increase> decrease in operating assets:	
Accounts receivable	<99,588>
Prepaid expenses	511
Inventory	<1,610>
Deposits	<1,950>
Increase <decrease> in operating liabilities:	
Accounts payable/accrued expense	33,999
Deferred revenue	<u>73,842</u>
Net assets provided by operating activities	<u>73,606</u>
Cash flows from <to> financing activities	
Payments on mortgage loan	<20,000>
Forgiveness of debt mortgage loan	<40,000>
Proceeds from PPP loan	<u>99,049</u>
	<u>39,049</u>
Cash flows to investing activities	
Purchase of fixed assets	<u><18,650></u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	94,005
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>864,875</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$958,880</u>
SUPPLEMENTAL DATA	
Interest	<u>\$ 1,200</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, 2020

NOTE A – NATURE OF ACTIVITIES

Nature of Activities

REEF was established as a nonprofit organization in 1990. REEF conserves marine environments worldwide. The mission is to protect biodiversity and ocean life by actively engaging and inspiring the public through citizen science, education, and partnerships with the scientific community. REEF connects ocean enthusiasts and the dive community with scientists and resource managers through data collection activities and education initiatives. The REEF Campus in Key Largo, FL serves as a visitors center for education and outreach to the public. In 2020, REEF continued to protect marine environments through education, service and research. 85% of revenue directly supports programs to conserve marine environments through the Volunteer Fish Survey Project, protect endangered species through the Grouper Moon Project, reduce the impacts of invasive species, all while educating and engaging the public to protect the oceans. 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.

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.

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.

REEF ENVIRONMENTAL EDUCATION FOUNDATION

Notes to Financial Statements

December 31, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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 qualifies 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.

Advertising

Advertising costs are charged to operation when incurred. REEF incurred \$8,254 in advertising cost for the year ended December 31, 2020.

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.

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 I).

REEF ENVIRONMENTAL EDUCATION FOUNDATION

Notes to Financial Statements

December 31, 2020

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.

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.

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.

Trip Deposits

REEF has entered into agreements for dive programs in 2021 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.

REEF ENVIRONMENTAL EDUCATION FOUNDATION

Notes to Financial Statements

December 31, 2020

NOTE D – DEBT

Debt on December 31, 2020 consist of a loan entered into through a local financial institution, the Organization received \$99,049 from the U.S. Small Business Administration as part of the Paycheck Protection Program which is designed to provide a direct incentive for small businesses to keep their workers on the payroll. If certain criteria are met, this loan could be forgiven by the SBA. Management believes they will meet the criteria for the loan to be forgiven.

NOTE E - UNCERTAINTIES

Pandemic

The coronavirus (COVID-19) outbreak has caused disruption in international and U.S. economies and markets. The coronavirus and fear of further spread has caused quarantines, cancellation of events, and overall reduction in business and economic activity. On March 11, 2020, the World Health Organization designated the coronavirus outbreak as a pandemic. Management and the Board of Directors continue to evaluate and monitor the potential adverse effect that this event may have on the Organization's financial position, operations, and cash flows. As described in Note D, the Organization entered into a Paycheck Protection Program loan through the Small Business Administration.

NOTE F – CONTRIBUTED SERVICES AND MATERIALS

REEF received \$10,314 in contributed services and materials for the year ending December 31, 2020. 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 G – 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 H – FIXED ASSETS

Property and equipment as of December 31, 2020:

Land and building	\$599,846
Building improvements	12,447
Machinery and equipment	130,195
Accumulated depreciation	<204,319>
	<u>\$538,169</u>

The aggregate depreciation charged to operations was \$21,884 for the year ended December 31, 2020.

REEF ENVIRONMENTAL EDUCATION FOUNDATION

Notes to Financial Statements

December 31, 2020

NOTE I - NET ASSETS DONOR RESTRICTED

Net assets with donor restrictions as of December 31, 2020, consists of the following:

<u>Program</u>	
REEF House/Tech Center	\$177,771
Outreach	72,155
Volunteer Fish Survey Program	29,000
Program expansion	20,000
Trips	9,248
Grouper Moon Project	4,781
Nature Days	3,940
Interns	22,500
	<u>\$339,395</u>

NOTE J - MORTGAGE PAYABLE – RELATED PARTIES

Mortgage payable consisted 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 Largo, Florida in September 2001. The notes were interest only at an annual simple rate of 7%, paid quarterly. The notes were fully collateralized by the real property owned by REEF. Interest expense in connection with the notes amounted to \$1,200 for the year ended December 31, 2020. During 2020 \$20,000 was repaid and \$40,000 was forgiven and contributed to REEF.

NOTE K - 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	\$ 960,937
Accounts receivable	<u>104,450</u>
Total financial assets available within one year	<u>1,065,387</u>
Less:	
Amount unavailable for general expenditures within one year:	
Restricted by donors with purpose restrictions	<u>339,395</u>
Total financial assets available to management within one year	<u>\$ 725,992</u>