

GROUP FOR THE EAST END, INC.

Financial Statements

for the years ended

December 31, 2019 and 2018

GROUP FOR THE EAST END, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Group for the East End, Inc.
Southold, New York 11971

We have audited the accompanying financial statements of Group for the East End, Inc. (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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Group for the East End, 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.

Sabel and Oplinger

Sabel & Oplinger, CPA, PC
Southampton, New York

June 22, 2020

GROUP FOR THE EAST END, INC.

Statements of Financial Position

	December 31	
	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash in bank:		
Unrestricted	\$ 337,352	\$ 673,687
Restricted	316,624	263,994
Prepaid expenses	<u>1,493</u>	<u>51,131</u>
Total Current Assets	<u>655,469</u>	<u>988,812</u>
Property and equipment, net (Note 7)	<u>1,226,625</u>	<u>1,150,061</u>
Other Asset		
Security deposit	<u>100</u>	<u>100</u>
Total Assets	<u>\$ 1,882,194</u>	<u>\$ 2,138,973</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 23,188	\$ 22,536
Accrued expenses	11,742	30,536
Payroll taxes payable	376	298
Current portion of mortgage payable (Note 8)	<u>36,815</u>	<u>35,286</u>
Total Current Liabilities	<u>72,121</u>	<u>88,656</u>
Long Term Liability		
Mortgage payable, less current portion (Note 8)	<u>310,696</u>	<u>347,511</u>
Net Assets		
Without donor restrictions	1,340,608	1,438,812
With donor restrictions (Note 9)	<u>158,769</u>	<u>263,994</u>
Total Net Assets	<u>1,499,377</u>	<u>1,702,806</u>
Total Liabilities and Net Assets	<u>\$ 1,882,194</u>	<u>\$ 2,138,973</u>

See Independent Auditors' Report and
Notes to Financial Statements

GROUP FOR THE EAST END, INC.

Statements of Activities

for the years ended

			<u>December 31</u>	
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>2019</u>	<u>2018</u>
Revenues and Support				
Contributions	\$ 285,325	\$ -	\$ 285,325	\$ 223,658
Bequests	-	-	-	410,905
Public educational programs	106,418	-	106,418	82,310
Grants	94,897	64,116	159,013	152,300
Special events, net (Note 10)	442,490	-	442,490	444,037
Rental income	8,970	-	8,970	7,431
Interest and Dividends	-	-	-	70
Net assets released from restrictions	<u>169,341</u>	<u>(169,341)</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>1,107,441</u>	<u>(105,225)</u>	<u>1,002,216</u>	<u>1,320,711</u>
Expenses				
Conservation advocacy, environmental education and community planning	961,098	-	961,098	864,129
Supporting Services:				
Administrative and general	142,319	-	142,319	138,509
Fundraising	<u>102,228</u>	<u>-</u>	<u>102,228</u>	<u>81,079</u>
Total Expenses	<u>1,205,645</u>	<u>-</u>	<u>1,205,645</u>	<u>1,083,717</u>
Change in Net Assets	(98,204)	(105,225)	(203,429)	236,994
Net Assets, beginning of year	<u>1,438,812</u>	<u>263,994</u>	<u>1,702,806</u>	<u>1,465,812</u>
Net Assets, end of year	<u>\$ 1,340,608</u>	<u>\$ 158,769</u>	<u>\$ 1,499,377</u>	<u>\$ 1,702,806</u>

See Independent Auditors' Report and
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GROUP FOR THE EAST END, INC.

Statements of Functional Expenses

for the years ended

	Conservation advocacy, environmental education, and community planning	Administrative and General	Fundraising	December 31	
				2019	2018
Salaries	\$ 514,542	\$ 78,778	\$ 35,187	628,507	\$ 672,599
Payroll taxes	36,444	5,580	2,492	44,516	48,941
Employee benefits	89,108	22,708	6,136	117,952	104,674
Accounting	-	20,780	-	20,780	10,065
Advertising	-	-	-	-	208
Bank and credit card fees	-	-	16,941	16,941	11,947
Consultants	33,024	3,840	1,536	38,400	27,000
Dues and subscriptions	1,176	-	-	1,176	5,247
Education	140,120	-	-	140,120	42,104
Insurance	13,330	1,550	620	15,500	14,901
Interest expense	13,405	1,559	623	15,587	17,052
Legal	45,482	-	-	45,482	30,000
Office expenses	11,997	1,395	558	13,950	12,315
Payroll processing fees	247	29	11	287	451
Postage and shipping	463	54	18,478	18,995	8,106
Printing and publications	730	85	17,261	18,076	15,043
Public outreach programs	9,758	-	-	9,758	8,525
Reference materials	59	7	3	69	64
Repairs and maintenance	9,314	1,083	433	10,830	4,834
Telephone	5,512	641	256	6,409	7,198
Travel and conferences	12,482	1,451	581	14,514	16,546
Utilities	4,943	575	230	5,748	6,189
Total Expenses before Depreciation	<u>942,136</u>	<u>140,115</u>	<u>101,346</u>	<u>1,183,597</u>	<u>1,064,009</u>
Depreciation	<u>18,962</u>	<u>2,204</u>	<u>882</u>	<u>22,048</u>	<u>19,708</u>
Total Expenses	<u>\$ 961,098</u>	<u>\$ 142,319</u>	<u>\$ 102,228</u>	<u>1,205,645</u>	<u>1,083,717</u>

GROUP FOR THE EAST END, INC.

Statements of Cash Flows

for the years ended

	December 31	
	2019	2018
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ (203,429)	\$ 236,994
Adjustments to reconcile the changes in net assets to net cash (used) provided by operating activities:		
Depreciation	22,048	19,708
(Increase) Decrease in:		
Other receivables	-	33,337
Prepaid expenses	49,639	(50,549)
Increase (Decrease) in:		
Accounts payable	651	(10,385)
Accrued expenses	(18,794)	29,988
Payroll tax payable	77	(5,841)
Net Cash (Used) Provided by Operating Activities	(149,808)	253,252
<u>Cash Flows from Investing Activities:</u>		
Expenditures for property and equipment, net	(98,611)	-
Net Cash (Used) by Investing Activities	(98,611)	-
<u>Cash Flows from Financing Activities:</u>		
Debt repayment	(35,286)	(33,820)
Net Cash (Used) by Financing Activities	(35,286)	(33,820)
Net (Decrease) Increase in Cash	(283,705)	219,432
Cash, beginning of year	937,681	718,249
Cash, end of year	\$ 653,976	\$ 937,681

Continued

See Independent Auditors' Report and
Notes to Financial Statements

GROUP FOR THE EAST END, INC.

Statements of Cash Flows

for the years ended

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Cash , end of year consists of:		
Without donor restrictions	\$ 337,352	\$ 673,687
With donor restrictions	<u>316,624</u>	<u>263,994</u>
Total Cash, end of year	<u>\$ 653,976</u>	<u>\$ 937,681</u>
Supplemental Disclosure:		
Interest expense	\$ 15,587	\$ 17,052
In-kind donations	\$ 21,797	\$ 11,633

See Independent Auditors' Report and
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GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2019

Note 1 - Nature of the Organization

The Group for the East End, Inc. (the Organization) protects and restores the environment of eastern Long Island through education, citizen action, and professional advocacy. The not-for-profit organization was incorporated in 1972 as the Group for America's South Fork, Inc. The certificate of incorporation was amended in 2007 and the name changed to the Group for the East End, Inc.

Note 2 - Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 22, 2020 the date that the financial statements were available to be issued.

Note 3 - Summary of Significant Accounting Policies

The summary of significant accounting policies of the Group for the East End is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who are responsible for their integrity and objectivity.

New Accounting Pronouncement

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.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2019

Note 3 - Continued

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 the 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 statements of activities.

Summarized Financial Information for 2018

The financial statements include prior year summarized comparative information in total but not by net asset class in the Statement of Activities. In addition, prior year expenses are shown by natural expenses on the Statement of Functional Expenses and only in total by functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with United States generally accepted accounting principles. Accordingly, such information should only be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Cash in Bank

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash. The Organization deposits its cash and cash equivalents with what it believes to be a quality financial institution. The Organization believes no significant concentration of credit risk exists with respect to its cash and cash equivalents.

GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2019

Note 3 - Continued

Use of 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. Accordingly, actual results could differ from those estimates.

Property, Equipment and Depreciation

Expenditures for property and equipment are capitalized at cost. Donated assets are capitalized at their fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Contributions

Contributions received are recorded as net assets without donor restrictions or not assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions 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 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.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

In-kind Donations and Services

In-kind donations are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statements of activities and statements of functional expenses. In-kind donations are located as follows:

Stock Donations - general	\$ 21,797
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A substantial number of volunteers have made significant contributions of their time in furtherance of the Organization's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognitions under US GAAP.

GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2019

Note 4 - Availability and Liquidity

The following represents the Organization's financial assets are as follows:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 653,976	\$ 937,681
Less financial assets not available to be used within one year:		
Net assets with donor restrictions	(316,624)	(263,994)
Financial assets available to meet the cash needs for general expenditures within one year of the date of the statements of financial position.	<u>\$ 337,352</u>	<u>\$ 673,687</u>

The Organization maintains financial assets to meet operating expenses. As part of its liquidity plan, excess cash, if any, is reserved in its checking account.

Note 5 - Tax Exempt Status

The Organization has been classified by the Internal Revenue Service as a publicly supported tax-exempt charity pursuant to IRC Section 501 (c) (3) and as a not-for-profit corporation under the laws of New York State. Accordingly, no provision for Federal or State income taxes is required. As of December 31, 2019, no amounts have been recognized for uncertain income tax positions. The Organization's tax returns for the year 2016 and forward are subject to the usual review by the appropriate taxing authorities.

GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2019

Note 6 - 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Advertising	Percentage of time spent
Salaries and benefits	Percentage of time spent
Insurance	Percentage of square footage
Interest Expenses	Percentage of square footage
Payroll Taxes	Percentage of time spent
Repairs and maintenance	Percentage of time spent
Telephone	Percentage of square footage
Employee benefits	Percentage of square footage
Consultants	Percentage of time spent
Office and related	Percentage of square footage
Travel and conferences	Percentage of time spent
Depreciation	Percentage of square footage
Utilities	Percentage of square footage

Note 7 - Property, Equipment and Depreciation

The expenditures for property and equipment are capitalized at cost. The following is a summary as of:

	<u>December 31</u>		<u>Depreciable Life- Straight Line</u>
	<u>2019</u>	<u>2018</u>	
Land	\$ 652,242	\$ 652,242	No depreciation
Building and improvements	761,956	679,024	39 Years
Office equipment	74,012	58,331	5 years
Office furniture	40,257	40,257	7 years
Website development	20,100	20,100	3 years
Closing costs	3,233	3,233	15 years
Less: accumulated depreciation	<u>(325,175)</u>	<u>(303,126)</u>	
	<u>\$ 1,226,625</u>	<u>\$ 1,150,061</u>	

GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2019

Note 8 - Mortgage

The Organization's principal offices are located in Southold, New York in a commercial building secured by a mortgage with Suffolk County National Bank. The principal and interest payments are based upon a twenty-year amortization with a maturity date of January 4, 2028. A new interest rate of 4.25% was negotiated effective November 4, 2016 until January 4, 2028. The mortgage note requires monthly principal and interest payments of \$4,239.40.

Future maturities of the long-term debt are as follows:

Years ending December 31

2020	\$	36,815
2021		38,400
2022		40,075
2023		41,812
2024		43,624
Thereafter		<u>146,785</u>
Total		<u>347,511</u>
Less: Current portion		<u>(36,815)</u>
Total Long-Term Portion	\$	<u>310,696</u>

Note 9 - Net Assets

Net assets with donor restrictions are as follows at December 31, 2019:

Specific Purpose:

East End Clean Water Campaign	\$	44,973
Goldsmiths inlet		1,829
Save Cutchogue		765
Hook & Town Pond, EH		79,200
LI Community		20,000
Sierra Club – Passthrough Grant		11,000
Coastal clean-up		<u>1,002</u>
Total Net Assets with Donor Restrictions	\$	<u>158,769</u>

GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2019

Note 9 - Continued

Net assets without donor restrictions are as follows at December 31, 2019:

Undesignated	\$ 1,193,002
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Net assets released from net assets with donor restrictions are as follows at December 31, 2019:

Specific purpose:

Clean water	\$ 110,000
Unified water study	11,800
Communication costs	27,616
Osprey conservation	6,925
Sierra Club – Passthrough Grant	11,000
Education	<u>2,000</u>
Total	<u>\$ 169,341</u>

Note 10 - Special Events, Net

Revenue attributable to special events represent total proceeds less expenses and are summarized as follows:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Proceeds	\$ 576,491	\$ 605,291
Expenses	<u>(134,001)</u>	<u>(161,254)</u>
Revenues, net	<u>\$ 442,490</u>	<u>\$ 444,037</u>

Note 11 - Principal Source of Support

The Board contributed \$180,069 or 16% of gross revenue in 2019 and \$180,069 or 16% of gross revenue in 2018.

See Independent Auditors' Report

GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2019

Note 12 - Subsequent Events

As a result of the current COVID-19 pandemic, economic uncertainties have arisen which are likely to negatively impact fundraising, program service and donations.

While the 2020 Annual Benefit was cancelled Management was able to raise comparable funds through SBA financing and through a donor campaign.

Other financial impacts could occur though such potential impacts are unknown at this time. These potential losses have not been recognized and are not required to be recognized in these financial statements.