

GROUP FOR THE EAST END, INC.

Financial Statements

for the years ended

December 31, 2018 and 2017

GROUP FOR THE EAST END, INC.

Table of Contents

	Page
Independent Auditors' Report	2 - 3
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7 - 8
Notes to Financial Statements	9 - 16

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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, 2018 and 2017, 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, 2018 and 2017, 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 & Oplinger

Sabel & Oplinger, CPA, PC
Southampton, New York

May 23, 2019

GROUP FOR THE EAST END, INC.

Statements of Financial Position

	December 31	
	2018	2017
Assets		
Current Assets		
Cash in bank: (Note 3)		
Unrestricted	\$ 673,687	\$ 507,169
Restricted	263,994	211,080
Other receivables	-	33,338
Prepaid expenses	51,131	582
Total Current Assets	988,812	752,169
Property and equipment, net (Note 7)	1,150,061	1,169,769
Other Asset		
Security deposit	100	100
Total Assets	\$ 2,138,973	\$ 1,922,038
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 22,536	\$ 32,922
Accrued expenses	30,536	548
Payroll taxes payable	298	6,139
Current portion of mortgage payable (Note 8)	35,286	33,820
Total Current Liabilities	88,656	73,429
Long Term Liability		
Mortgage payable, less current portion (Note 8)	347,511	382,797
Net Assets		
Without donor restrictions	1,438,812	1,254,732
With donor restrictions (Note 9)	263,994	211,080
Total Net Assets	1,702,806	1,465,812
Total Liabilities and Net Assets	\$ 2,138,973	\$ 1,922,038

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>2018</u>	<u>2017</u>
Revenues and Support				
Contributions	\$ 223,658	\$ -	\$ 223,658	\$ 254,835
Bequests	410,905	-	410,905	62,812
Public educational programs	82,310	-	82,310	105,470
Grants	-	152,300	152,300	184,503
Special events, net (Note 10)	444,037	-	444,037	371,992
Interest and dividends	70	-	70	496
Rental income	7,431	-	7,431	8,390
Net assets released from restrictions	<u>99,386</u>	<u>(99,386)</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>1,267,797</u>	<u>52,914</u>	<u>1,320,711</u>	<u>988,498</u>
Expenses				
Conservation advocacy, environmental education and community planning	864,129	-	864,129	782,310
Supporting Services:				
Administrative and general	138,509	-	138,509	131,492
Fundraising	<u>81,079</u>	<u>-</u>	<u>81,079</u>	<u>69,781</u>
Total Expenses	<u>1,083,717</u>	<u>-</u>	<u>1,083,717</u>	<u>983,583</u>
Change in Net Assets	184,080	52,914	236,994	4,915
Net Assets, beginning of year	<u>1,254,732</u>	<u>211,080</u>	<u>1,465,812</u>	<u>1,460,897</u>
Net Assets, end of year	<u>\$ 1,438,812</u>	<u>\$ 263,994</u>	<u>\$ 1,702,806</u>	<u>\$ 1,465,812</u>

See Independent Auditors' Report and
Notes to Financial Statements

GROUP FOR THE EAST END, INC.

Statements of Functional Expense

for the years ended

	Conservation advocacy, environmental education, and community planning	Administrative and General	Fundraising	December 31	
				2018	2017
Salaries	\$ 549,146	\$ 86,828	\$ 36,626	672,600	\$ 627,630
Payroll taxes	39,958	6,318	2,665	48,941	43,999
Employee benefits	76,576	22,210	5,888	104,674	111,284
Accounting	-	10,065	-	10,065	9,555
Advertising	179	20	8	207	463
Bank and credit card fees	-	-	11,947	11,947	10,158
Consultants	23,220	2,700	1,080	27,000	20,450
Dues and subscriptions	5,247	-	-	5,247	3,530
Education	42,104	-	-	42,104	33,792
Insurance	12,815	1,490	596	14,901	13,862
Interest expense	14,665	1,705	682	17,052	18,459
Legal	30,000	-	-	30,000	-
Office expenses	10,591	1,231	493	12,315	12,133
Payroll processing fees	388	45	18	451	838
Postage and shipping	1,230	143	6,733	8,106	7,794
Printing and publications	2,582	300	12,161	15,043	7,287
Public outreach programs	8,525	-	-	8,525	11,522
Reference materials	55	6	3	64	180
Repairs and maintenance	4,158	483	193	4,834	5,763
Telephone	6,190	720	288	7,198	5,972
Travel and conferences	14,229	1,655	662	16,546	13,407
Utilities	5,322	619	248	6,189	5,273
Total Expenses before Depreciation	847,180	136,538	80,291	1,064,009	963,351
Depreciation	16,949	1,971	788	19,708	20,232
Total Expenses	\$ 864,129	\$ 138,509	\$ 81,079	1,083,717	\$ 983,583

GROUP FOR THE EAST END, INC.

Statements of Cash Flows

for the years ended

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 236,994	\$ 4,915
Adjustments to reconcile the changes in net assets to net cash provided by operating activities:		
Depreciation	19,708	20,232
(Increase) Decrease in:		
Other receivables	33,337	(27,897)
Prepaid expenses	(50,549)	(24)
Increase (Decrease) in:		
Accounts payable	(10,385)	26,899
Accrued expenses	29,988	(7,415)
Payroll tax payable	(5,841)	5,903
Net Cash Provided by Operating Activities	<u>253,252</u>	<u>22,613</u>
<u>Cash Flows from Investing Activities:</u>		
Expenditures for property and equipment, net	<u>-</u>	<u>(14,000)</u>
Net Cash (Used) by Investing Activities	<u>-</u>	<u>(14,000)</u>
<u>Cash Flows from Financing Activities:</u>		
Debt repayment	<u>(33,820)</u>	<u>(32,414)</u>
Net Cash (Used) by Financing Activities	<u>(33,820)</u>	<u>(32,414)</u>
Net Increase (Decrease) in Cash	219,432	(23,801)
Cash, beginning of year	<u>718,249</u>	<u>742,050</u>
Cash, end of year	<u>\$ 937,681</u>	<u>\$ 718,249</u>

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>2018</u>	<u>2017</u>
Cash , end of year consists of:		
Without donor restrictions	\$ 673,687	\$ 507,169
With donor restrictions	<u>263,994</u>	<u>211,080</u>
Total Cash, end of year	<u>\$ 937,681</u>	<u>\$ 718,249</u>
Supplemental Disclosure:		
Interest expense	\$ 17,052	\$ 11,922
In-kind donations	\$ 11,633	\$ -

See Independent Auditors' Report and
Notes to Financial Statements

GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2018

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 May 23, 2019 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:

See Independent Auditors' Report

GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2018

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 2017

The financial statements include prior year summarized comparative information in total but not by net asset class in the Statement of Activities and Functional Expenses. 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, 2017, 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. Restricted cash consists of cash funds with donor restrictions of \$263,994. Cash is reflected on the statement of cash flows as follows:

Unrestricted cash	\$ 673,687
Restricted cash	263,994
Total Cash	<u>\$ 937,681</u>

GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2018

Note 3 - Continued

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.

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.

GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2018

Note 3 - Continued

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	\$	11,633
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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.

Note 4 - Availability and Liquidity

The following represents the Organization's financial assets at December 31, 2018:

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

GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2018

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, 2018, no amounts have been recognized for uncertain income tax positions. The Organization's tax returns for the year 2015 and forward are subject to the usual review by the appropriate taxing authorities.

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

GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2018

Note 7 - Property, Equipment and Depreciation

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

	December 31	
	<u>2018</u>	<u>2017</u>
Land	\$ 652,242	\$ 652,242
Building and improvements	679,024	679,024
Office equipment	58,331	58,331
Office furniture	40,257	40,257
Website development	20,100	20,100
Closing costs	3,233	3,233
Less: accumulated depreciation	<u>(303,126)</u>	<u>(283,418)</u>
	<u>\$ 1,150,061</u>	<u>\$ 1,169,769</u>

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

2019	\$ 35,286
2020	36,815
2021	38,400
2022	40,075
2023	41,812
Thereafter	<u>190,409</u>
Total	<u>382,797</u>
Less: Current portion	<u>(35,286)</u>
Total Long-Term Portion	<u>\$ 347,511</u>

GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2018

Note 9 - Net Assets

Net assets with donor restrictions are as follows at December 31, 2018:

Specific Purpose:

Clean water	\$	138,772
Communication Costs		18,500
Goldsmith's Inlet		1,829
Save Cutchogue		765
Osprey Conservation		1,925
Hook Pond		79,200
Sierra Club Pass through Grant		22,000
Coastal clean-up		<u>1,003</u>
Total Net Assets with Donor Restrictions	\$	<u>263,994</u>

Net assets without donor restrictions are as follows at December 31, 2018:

Undesignated	\$	1,339,426
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Net assets released from net assets with donor restrictions are as follows at December 31, 2018:

Specific purpose:

Clean water	\$	<u>99,386</u>
Total Net Assets with Donor Restrictions	\$	<u>99,386</u>

GROUP FOR THE EAST END, INC.

Notes to Financial Statements

December 31, 2018

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>2018</u>	<u>2017</u>
Proceeds	\$ 605,291	\$ 587,308
Expenses	<u>(161,254)</u>	<u>(215,316)</u>
Revenues, net	<u>\$ 444,037</u>	<u>\$ 371,992</u>

Note 11 - Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.