

**NEW YORK HARBOR
FOUNDATION, INC.**

**Financial Statements
For the Years Ended
June 30, 2016
and
June 30, 2015**

Independent Auditor's Report

To the Board of Directors of
New York Harbor Foundation, Inc.

We have audited the accompanying financial statements of New York Harbor Foundation, Inc. which comprise the statements of financial position as of June 30, 2016 and June 30, 2015 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 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 New York Harbor Foundation, Inc. as of June 30, 2016 and June 30, 2015 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty + Donnelly LLP

October 5, 2016

NEW YORK HARBOR FOUNDATION, INC.

Statements of Financial Position

Assets

	<u>June 30</u>	
	<u>2016</u>	<u>2015</u>
Current assets		
Cash	\$ 643,049	\$ 466,265
Investments, at fair value	128,670	200,379
Grants, contracts and contributions receivable, current portion	543,941	283,939
Prepaid expenses and other assets	<u>273,275</u>	<u>235,653</u>
Total current assets	1,588,935	1,186,236
Property and equipment, net	105,755	127,655
Grants, contracts and contributions receivable, net of current portion	<u>450,000</u>	<u>-</u>
Total assets	<u>\$2,144,690</u>	<u>\$1,313,891</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 190,296	\$ 127,580
Unearned revenue	<u>55,000</u>	<u>85,000</u>
Total current liabilities	<u>245,296</u>	<u>212,580</u>
Net assets		
Unrestricted	717,964	560,334
Temporarily restricted	<u>1,181,430</u>	<u>540,977</u>
Total net assets	<u>1,899,394</u>	<u>1,101,311</u>
Total liabilities and net assets	<u>\$2,144,690</u>	<u>\$1,313,891</u>

See notes to financial statements.

NEW YORK HARBOR FOUNDATION, INC.

Statements of Activities

For the Years Ended June 30, 2016 and June 30, 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue						
Grants, contracts and contributions	\$1,321,673	\$1,307,577	\$2,629,250	\$ 567,711	\$ 886,705	\$1,454,416
Special events, net of direct expenses of \$243,733 in 2016 and \$262,985 in 2015	471,815	-	471,815	325,249	-	325,249
Program service fees	7,350	-	7,350	61,986	-	61,986
In-kind contributions	17,531	-	17,531	-	-	-
Net investment (loss)	(5,570)	-	(5,570)	(210)	-	(210)
Other	26,878	-	26,878	29,666	-	29,666
Net assets released from restrictions	667,124	(667,124)	-	649,214	(649,214)	-
Total public support and revenue	<u>2,506,801</u>	<u>640,453</u>	<u>3,147,254</u>	<u>1,633,616</u>	<u>237,491</u>	<u>1,871,107</u>
Expenses						
Program services	1,855,520	-	1,855,520	1,570,814	-	1,570,814
Management and general	319,574	-	319,574	172,721	-	172,721
Development	174,077	-	174,077	120,412	-	120,412
Total expenses	<u>2,349,171</u>	<u>-</u>	<u>2,349,171</u>	<u>1,863,947</u>	<u>-</u>	<u>1,863,947</u>
Increase (decrease) in net assets	157,630	640,453	798,083	(230,331)	237,491	7,160
Net assets, beginning of year	<u>560,334</u>	<u>540,977</u>	<u>1,101,311</u>	<u>790,665</u>	<u>303,486</u>	<u>1,094,151</u>
Net assets, end of year	<u>\$ 717,964</u>	<u>\$1,181,430</u>	<u>\$1,899,394</u>	<u>\$ 560,334</u>	<u>\$ 540,977</u>	<u>\$1,101,311</u>

See notes to financial statements.

NEW YORK HARBOR FOUNDATION, INC.

Statements of Functional Expenses
For the Years Ended June 30, 2016 and June 30, 2015

	2016			2015		
	Management and		Program Services	Management and		Program Services
	General	Development		General	Development	
	Program Services	Total	Program Services	Total	Program Services	Total
Salaries	\$ 611,771	\$ 101,214	\$ 712,985	\$ 382,878	\$ 65,235	\$ 448,113
Payroll taxes and employee benefits	133,502	26,163	159,665	82,931	14,781	97,712
Contract services and professional fees	630,164	124,510	754,674	157,612	50,821	208,433
Charitable contributions	-	-	-	252,023	-	252,023
Program	358,463	59	358,522	525,849	-	525,849
Scholarships and internships	15,851	-	15,851	16,629	-	16,629
Supplies	320	4,550	4,870	-	5,135	5,135
Automobile	2,056	65	2,121	5,772	-	5,772
Printing, copying and mailing	14,569	2,314	16,883	8,937	2,606	11,543
Travel and meals	53,201	12,294	65,495	52,297	5,354	57,651
Insurance	4,583	11,512	16,095	12,508	6,189	18,697
Facilities and equipment rental	14,808	436	15,244	25,411	220	25,631
Marine fuel	3,355	-	3,355	12,229	-	12,229
Bank fees	-	404	404	45	-	45
Depreciation	-	21,900	21,900	-	19,727	19,727
Other	12,877	14,153	27,030	35,693	1,164	36,857
Total	\$1,855,520	\$ 319,574	\$2,175,094	\$1,570,814	\$ 172,721	\$1,743,535

See notes to financial statements.

NEW YORK HARBOR FOUNDATION, INC.

Statements of Cash Flows

	For Year	
	Ended June 30	
	2016	2015
Cash flows from operating activities		
Increase in net assets	\$ 798,083	\$ 7,160
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	21,900	19,727
Donated stock	(322,595)	(136,274)
Proceeds from sale of donated stock	324,352	-
Realized and unrealized losses on investments	8,062	1,794
(Increase) decrease in assets		
Grants, contracts and contributions receivable	(710,002)	(253,939)
Prepaid expenses and other assets	(37,622)	194,326
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	62,716	22,248
Unearned revenue	(30,000)	65,000
Net cash provided by (used in) operating activities	<u>114,894</u>	<u>(79,958)</u>
Cash flows from investing activities		
Purchases of investments	(1,658)	(88,747)
Proceeds on the sale of investments	<u>63,548</u>	<u>142,033</u>
Net cash provided by investing activities	<u>61,890</u>	<u>53,286</u>
Net increase (decrease) in cash	176,784	(26,672)
Cash, beginning of year	<u>466,265</u>	<u>492,937</u>
Cash, end of year	<u>\$ 643,049</u>	<u>\$ 466,265</u>

NEW YORK HARBOR FOUNDATION, INC.**Notes to Financial Statements
June 30, 2016 and June 30, 2015****Note 1 – Nature of organization**

The New York Harbor Foundation, Inc. (the “Foundation”) is a non-profit organization. The Foundation was organized to promote the public good by identifying and carrying out activities that improve awareness of the existence and condition of the New York Harbor and access to the New York Harbor. The Foundation will meet these purposes through conducting research, information outreach activities and designing and running services to improve the quality of the New York Harbor. The Foundation’s mission is to create and support a diverse network of environmentally literate schools, students and communities working together to restore New York Harbor.

Note 2 – Summary of significant accounting policies**Net assets**

The Foundation reports information regarding its financial position and activities in two classes of net assets as follows:

- Unrestricted net assets, which consist of amounts that can be spent at the discretion of the Foundation; and
- Temporarily restricted net assets, which consist of grants, contracts and contributions that are either restricted by the donor for a specific purpose or relate to future periods.

Grants, contracts and contributions

The Foundation records grants, contracts and contributions as unrestricted revenue unless the donor restricts the grant, contract or contribution for a specific purpose or future periods. Grants, contracts and contributions received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted support. When a donor stipulation regarding a temporarily restricted assets expires, i.e., when a stipulated time restriction ends or the purpose for the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Cash equivalents

The Foundation considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. As of June 30, 2016 and June 30, 2015, the Foundation had no cash equivalents.

NEW YORK HARBOR FOUNDATION, INC.**Notes to Financial Statements (continued)
June 30, 2016 and June 30, 2015****Note 2 – Summary of significant accounting policies (continued)****Investments**

The Foundation's investments are recorded at fair value. The value of the Foundation's investments has been determined by using publicly reported market quotes. Net realized gains or (losses) on the sale of investments are determined using the first-in, first-out method and along with the net unrealized gain or (loss) on investments, are recorded in the statements of activities as part of investment return (loss).

Fair value measurements

Fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. Fair value measurements are required to be separately disclosed by level within the fair value hierarchy. At June 30, 2016 and June 30, 2015, the Foundation's investments are deemed to be Level 1, their fair value are measured using quoted prices in active markets.

Grants, contracts and contributions receivable

Grants, contracts and contributions, including unconditional promises to give, are recognized as revenue in the period received and when any conditions on which they depend have been substantially met.

Bequests are recorded as revenue when a legally binding obligation is received and when a fair value can be determined.

Allowance for doubtful accounts

The Foundation deems all grants, contracts and contributions receivable to be collectible and, accordingly, an allowance for doubtful accounts is not necessary. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Property and equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Foundation capitalizes, as property and equipment, expenditures for such assets in excess of \$5,000 with an estimated useful life greater than 3 years. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years.

NEW YORK HARBOR FOUNDATION, INC.**Notes to Financial Statements (continued)****June 30, 2016 and June 30, 2015****Note 2 – Summary of significant accounting policies (continued)**Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

In-kind contributions

For the year ended June 30, 2016, the Foundation received in-kind contributions of legal services of \$17,531, which has been recorded as revenue and a corresponding expense in the accompanying financial statements. There were no in-kind contributions in 2015.

In addition, a number of volunteers, including members of the Board of Directors, have donated significant amounts of their time in the Foundation's program and supporting services. These donated services have not been recorded in the accompanying statements of activities because they do not meet the criteria for recording such services.

Functional allocation of 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 the programs and supporting services benefited.

Concentrations of credit risk

The Foundation's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, investments and receivables. The Foundation places its cash with what it believes to be quality financial institutions. The Foundation's investments are exposed to various risks, such as interest rate, market volatility, liquidity and credit. Due to the level of uncertainty related to the aforementioned risks, it is at least reasonably possible that changes in these risks could have a material effect on the amounts reported in the statements of financial position and the statements of activities. The Foundation's receivables are monitored and deemed collectible by management. As a result, the Foundation believes no significant concentrations of credit risk exist with respect to its cash, investments and receivables.

Subsequent events

The Foundation has evaluated events and transactions for potential recognition or disclosure through October 5, 2016, which is the date the financial statements were available to be issued.

Reclassification

Certain items in the 2015 financial statements have been reclassified for comparative purposes only.

NEW YORK HARBOR FOUNDATION, INC.

**Notes to Financial Statements (continued)
June 30, 2016 and June 30, 2015**

Note 3 – Investments

Investments consist of the following as of June 30, 2016 and June 30, 2015:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 76,677	\$ 70,385	\$ 91,429	\$ 89,692
Exchange-traded products	58,359	58,285	104,644	110,687
Total	\$ 135,036	\$ 128,670	\$ 196,073	\$ 200,379

The components of net investment (loss) consist of the following for the years ended June 30, 2016 and June 30, 2015:

	2016	2015
Interest and dividends	\$ 3,946	\$ 2,595
Realized gain on sales of investments	2,610	3,465
Unrealized (loss) on investments	(10,672)	(5,259)
Investment management fees	(1,454)	(1,011)
Net investment (loss)	\$ (5,570)	\$ (210)

Note 4 – Grants, contracts and contributions receivable

At June 30, 2016 and June 30, 2015, grants, contracts and contributions receivable are expected to be collected as follows:

	2016	2015
Receivable in less than one year	\$ 543,941	\$ 283,939
Receivable in one to five years	450,000	-
Total	\$ 993,941	\$ 283,939

Note 5 – Property and equipment

Property and equipment consist of the following at June 30, 2016 and June 30, 2015:

	2016	2015
Furniture and equipment	\$ 142,470	\$ 142,470
Vehicle	11,300	11,300
Total property and equipment	153,770	153,770
Less accumulated depreciation	48,015	26,115
Net property and equipment	\$ 105,755	\$ 127,655

NEW YORK HARBOR FOUNDATION, INC.

Notes to Financial Statements (continued)
June 30, 2016 and June 30, 2015Note 6 – Temporarily restricted net assets

The amounts released from restrictions during the year ended June 30, 2016 are for the following:

<u>Description</u>	<u>Amount</u>
New York Harbor School	
After school	\$ 57,432
College office	69,325
CTE	19,201
General	35,000
Lettie G. Howard	183,600
Waterfront	1,605
Billion Oyster Project	
General	94,695
Public engagement	114,796
Reef construction	5,000
Shell collection	60,474
Administration	<u>25,996</u>
Total	<u>\$ 667,124</u>

At June 30, 2016, temporarily restricted net assets are available for the following:

<u>Description</u>	<u>Amount</u>
New York Harbor School	
After school	\$ 830,210
Lettie G. Howard	67,400
Billion Oyster Project	
General	65,570
Public engagement	159,204
Reef construction	34,501
Administration	<u>24,545</u>
Total	<u>\$1,181,430</u>

NEW YORK HARBOR FOUNDATION, INC.**Notes to Financial Statements (continued)****June 30, 2016 and June 30, 2015****Note 7 – Boat donation agreements**

The Foundation entered into two boat donation agreements with a nonprofit organization for the use of two sailing vessels. Under the agreements, the Foundation acquired title to the vessels, and both the donor and the Foundation have the right to cause the vessels to be transferred back to the donor and sold, in which case the proceeds will be split equally. During 2015, the Foundation transferred title to one of the vessels back to the nonprofit organization.

Note 8 – Program services expense

Program services expense in 2015 includes the contribution by the Foundation to New York Harbor School of a navigational bridge simulator consisting of hardware, software and related assets valued at \$252,023.

Note 9 – Tax status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is classified as a publicly supported organization as described in Section 509(a)(1) and 170(b)(1)(A)(vi) and not as a private foundation; therefore, the Foundation qualifies for the maximum charitable contribution deductions for donors.