

Rocking the Boat, Inc.

Audited Financial Statements

December 31, 2023



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Independent Auditor's Report

To the Board of Directors of
Rocking the Boat, Inc.

Opinion

We have audited the accompanying financial statements of Rocking the Boat, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2023, 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 our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sax CPAs LLP

New York, NY
September 10, 2024

Rocking the Boat, Inc.

Statement of Financial Position

At December 31, 2023
(With comparative totals at December 31, 2022)

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 1,701,923	\$ 1,058,997
Contributions receivable	1,040,077	119,674
Government grant receivables	339,206	218,412
Program and other receivables, net	37,165	40,576
Investments	1,305,432	9,875
Prepaid expenses and other assets	39,531	34,747
Property and equipment, net	2,515,573	2,643,514
Cash held for board designated reserve	-	10,746
Investments held for board designated reserve	-	1,028,354
Cash restricted for endowment	-	23,492
Contribution receivables restricted for endowment	-	3,896
Investments restricted for endowment	1,381,400	1,187,797
TOTAL ASSETS	<u>\$ 8,360,307</u>	<u>\$ 6,380,080</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 145,920	\$ 93,383
Deferred revenue	2,718	-
Mortgage payable	529,323	620,700
Total liabilities	<u>677,961</u>	<u>714,083</u>
NET ASSETS		
Without donor restrictions		
Undesignated	4,661,947	2,927,510
Board designated	-	1,039,100
Total net assets without donor restrictions	<u>4,661,947</u>	<u>3,966,610</u>
With donor restrictions		
For future programs and time periods	1,638,999	484,202
Donor restricted endowment	1,381,400	1,215,185
Total net assets with donor restrictions	<u>3,020,399</u>	<u>1,699,387</u>
Total net assets	<u>7,682,346</u>	<u>5,665,997</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,360,307</u>	<u>\$ 6,380,080</u>

The attached notes and auditor's report are an integral part of these financial statements.

Rocking the Boat, Inc.

Statement of Activities

For the year ended December 31, 2023
(With comparative totals for the year ended at December 31, 2022)

	With Donor Restrictions			Total With Donor Restrictions	Total 12/31/23	Total 12/31/22
	Without Donor Restrictions	Future Programs and periods	Endowment			
PUBLIC SUPPORT AND REVENUE						
Contributions	\$ 1,674,658	\$ 2,115,000	\$ -	\$ 2,115,000	\$ 3,789,658	\$ 2,075,539
Special events (net of expenses with a direct benefit to donor)	645,111	-	-	-	645,111	148,619
Government grants	382,958	-	-	-	382,958	642,065
Employee Retention Tax Credit	-	-	-	-	-	145,368
In-kind contributions	92,054	-	-	-	92,054	8,251
Fee for service	83,459	-	-	-	83,459	76,487
Interest and dividends	59,300	-	20,983	20,983	80,283	32,213
Other income	12,886	-	-	-	12,886	16,038
Net assets released from restriction	1,005,375	(960,203)	(45,172)	(1,005,375)	-	-
Total public support and revenue	<u>3,955,801</u>	<u>1,154,797</u>	<u>(24,189)</u>	<u>1,130,608</u>	<u>5,086,409</u>	<u>3,144,580</u>
EXPENSES						
Program services	2,581,134	-	-	-	2,581,134	2,175,865
Supporting services:						
Management and general	377,557	-	-	-	377,557	434,201
Fundraising	412,424	-	-	-	412,424	500,177
Total supporting services	<u>789,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>789,981</u>	<u>934,378</u>
Total expenses	<u>3,371,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,371,115</u>	<u>3,110,243</u>
Change in net assets from operating activity	<u>584,686</u>	<u>1,154,797</u>	<u>(24,189)</u>	<u>1,130,608</u>	<u>1,715,294</u>	<u>34,337</u>
Non-operating activity:						
Investment return	110,651	-	190,404	190,404	301,055	(349,930)
Total non-operating activity	<u>110,651</u>	<u>-</u>	<u>190,404</u>	<u>190,404</u>	<u>301,055</u>	<u>(349,930)</u>
Change in net assets	695,337	1,154,797	166,215	1,321,012	2,016,349	(315,593)
NET ASSETS, beginning of year	<u>3,966,610</u>	<u>484,202</u>	<u>1,215,185</u>	<u>1,699,387</u>	<u>5,665,997</u>	<u>5,981,590</u>
NET ASSETS, end of year	<u>\$ 4,661,947</u>	<u>\$ 1,638,999</u>	<u>\$ 1,381,400</u>	<u>\$ 3,020,399</u>	<u>\$ 7,682,346</u>	<u>\$ 5,665,997</u>

The attached notes and auditor's report are an integral part of these financial statements.

Rocking The Boat, Inc.

Statement of Functional Expenses

For the year ended December 31, 2023
(With comparative totals for the year ended at December 31, 2022)

	Program Services			Supporting Services			Total Expenses 12/31/23	Total Expenses 12/31/22
	Youth Development	Public Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 1,042,936	\$ 257,309	\$ 1,300,245	\$ 19,759	\$ 280,779	\$ 300,538	\$ 1,600,783	\$ 1,588,771
Payroll taxes and benefits	259,115	72,787	331,902	1,690	74,163	75,853	407,755	485,287
Total salaries and related costs	1,302,051	330,096	1,632,147	21,449	354,942	376,391	2,008,538	2,074,058
Professional services (including in-kind of \$92,054)	171,389	30,930	202,319	318,168	75,322	393,490	595,809	330,192
Office expenses	9,251	1,552	10,803	6,616	24,073	30,689	41,492	54,192
Equipment	66,762	2,352	69,114	(33)	2,593	2,560	71,674	-
Transportation and vehicles	57,242	3,101	60,343	2,438	3,946	6,384	66,727	49,771
Repairs and maintenance	79,287	11,153	90,440	(471)	620	149	90,589	80,283
IT and communication	71,830	10,550	82,380	3,178	18,221	21,399	103,779	73,820
Occupancy	61,961	13,774	75,735	-	-	-	75,735	82,125
Insurance	42,373	3,225	45,598	6,349	-	6,349	51,947	37,975
Interest	8,623	-	8,623	-	-	-	8,623	9,953
Materials	43,260	4,480	47,740	-	12,617	12,617	60,357	42,517
Staff development	9,018	435	9,453	-	-	-	9,453	2,361
Food	27,817	1,680	29,497	434	61,346	61,780	91,277	66,607
Stipends and scholarships	47,024	-	47,024	-	-	-	47,024	49,512
Bad debt expense	-	908	908	3,276	-	3,276	4,184	27,126
Other expenses	35,043	160	35,203	16,153	15,258	31,411	66,614	24,485
Depreciation	120,426	13,381	133,807	-	-	-	133,807	143,101
Total expenses	2,153,357	427,777	2,581,134	377,557	568,938	946,495	3,527,629	3,148,078
Less: cost of direct benefit to donor netted with revenue	-	-	-	-	(156,514)	(156,514)	(156,514)	(37,835)
Total expenses reported by function on the statement of activities	\$ 2,153,357	\$ 427,777	\$ 2,581,134	\$ 377,557	\$ 412,424	\$ 789,981	\$ 3,371,115	\$ 3,110,243

The attached notes and auditor's report are an integral part of these financial statements.

Rocking The Boat, Inc.

Statement of Cash Flows

For the year ended December 31, 2023
(With comparative totals for the year ended at December 31, 2022)

	December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,016,349	\$ (315,593)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	133,807	143,101
Net unrealized and realized (gain)/loss on investments	(324,132)	330,581
Change in assets and liabilities:		
Contributions receivable	(920,403)	405,446
Government grant receivables	(120,794)	(57,377)
Program and other receivables, net	3,411	24,531
Prepaid expenses and other assets	(4,784)	27,083
Contribution receivables restricted for endowment	3,896	4,354
Accounts payable and accrued expenses	52,537	(106,331)
Deferred revenue	2,718	(15,280)
Paycheck Protection Program loan		
Total adjustments	(1,173,744)	756,108
Net cash provided by operating activities	842,605	440,515
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,866)	(146,244)
Purchase of investments	(682,038)	(902,261)
Proceeds from sale of investments	545,364	505,502
Net cash used for investing activities	(142,540)	(543,003)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage payable	(91,377)	(90,047)
Net cash used for financing activities	(91,377)	(90,047)
Net increase/(decrease) in cash, cash equivalents and restricted cash	608,688	(192,535)
Cash, cash equivalents and restricted cash, beginning of year	1,093,235	1,285,770
Cash, cash equivalents and restricted cash, end of year	\$ 1,701,923	\$ 1,093,235
SUPPLEMENTAL DISCLOSURE		
Cash, cash equivalents, and restricted cash consists of:		
Cash and cash equivalents	\$ 1,701,923	\$ 1,058,997
Cash held for board designated reserve	-	10,746
Cash restricted for endowment	-	23,492
Total cash, cash equivalents, and restricted cash	\$ 1,701,923	\$ 1,093,235
Taxes paid	\$ -	\$ -
Interest paid	\$ 8,623	\$ 9,953

The attached notes and auditor's report are an integral part of these financial statements.

Rocking The Boat, Inc.

Notes to Financial Statements

December 31, 2023

Note 1 - Organization

Rocking the Boat, Inc. (the "Organization") was launched in 1996 by Director Adam Green as a volunteer project in an East Harlem junior high school. It has since developed into an independent non-profit organization annually serving thousands of young people and community members. The Organization's participants develop pride, purpose, and possibility by learning the unique and lifelong skills behind building and rowing wooden boats, sailing, and restoring the Bronx River. The Organization creates community, teaches through transformative experiences, and makes nature available to everyone, inspiring young people to determine their own future against a backdrop of systemic inequity.

The following are the significant programs offered by the Organization:

- Youth Development Program - split into three tracks - wooden boatbuilding, Bronx River restoration, and sailing - and two levels - student and apprentice - but united through a shared focus on giving high school students the opportunity to learn by doing practical work that produces tangible results. Licensed Social Workers on staff provide social-emotional and academic support focused on post-secondary readiness and oversee a peer mentoring program.
- Public Programs - offers unique year-round education and outreach programs for school, camp, and other community groups. Groups explore the Bronx River ecosystem, learn new skills and practice teamwork through active engagement with the natural world, science explorations and rowing. During the summertime, the Organization welcomes the public aboard student-built wooden rowboats and sailboats, accompanied by the Organization's staff who teaches them about the local waterways, and introduces visitors to birdwatching on the shores of the Bronx River.

The Organization is a not-for-profit organization and has been notified by the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

Note 2 - Significant Accounting Policies

a. Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred rather than received or paid.

The financial statements are presented in accordance with the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958 Presentation of Financial Statement of Not-For-Profit Entities. FASB ASC 958 requires the Organization to report information regarding its financial position and activities according to the following specific classes of net assets:

Rocking The Boat, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Significant Accounting Policies - Continued

a. Basis of Accounting and Presentation - Continued

- *Net Assets without Donor Restrictions* - represents those resources for which there are no restrictions by donors as to their use. The Organization has chosen to present its net assets without donor restrictions in two distinct categories: undesignated and board designated reserve funds.

The board designated fund was established to provide reserves for the Organization's on-going operations. During the year ended December 31, 2023, the board removed the board designation from the board designated fund and released the cash and investments into the operating fund.

The following summarizes the changes in the board designated fund:

	December 31,	
	2023	2022
Balance-beginning of year	\$ 1,039,100	\$ 754,038
Transfers in	-	391,626
Transfers out	(1,039,100)	-
Interest and dividends	-	9,865
Realized and unrealized loss on investments	-	(116,429)
Balance-end of year	<u>\$ -</u>	<u>\$ 1,039,100</u>

The board designated fund consists of:

	December 31,	
	2023	2022
Cash	\$ -	\$ 10,746
Investments	-	1,028,354
Total	<u>\$ -</u>	<u>\$ 1,039,100</u>

- *Net Assets with Donor Restrictions* - represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

b. Recently Adopted Accounting Pronouncements

On January 1, 2023, the Organization adopted FASB Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Topic 326). Financial assets, which potentially subject the Organization to credit losses, consist primarily of program and other receivables, reflected on the statement of financial position. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions. The adoption of this standard did not have a material impact on the Organization's financial statements.

Rocking The Boat, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Significant Accounting Policies - Continued

c. Revenue Recognition

The Organization follows FASB's Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recognized at the time a contribution becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the class of net assets without donor restrictions. Contributions that contain donor restrictions are recorded in the class of net assets with donor restrictions. 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. If donor restricted contributions are satisfied in the same period they were received, they are classified in the class of net assets without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

In 2017, the Organization received a conditional pledge of \$1,300,000 to fund the loan payments for the mortgage on its property at 812 Edgewater Road, Bronx, NY. The pledge is to be paid in \$100,000 installments over 13 years or until the mortgage is repaid. The cumulative amount received and recognized as of December 31, 2023 and 2022 is \$700,000 and \$600,000, respectively. Therefore, the conditional amount not recognized at December 31, 2023 and 2022 is \$600,000 and \$700,000, respectively.

Government grants received by the Organization are conditional, non-exchange transactions and fall under FASB ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenue.

Government grants may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met. As of December 31, 2023 and 2022, conditional grants that have not been recognized amounted to \$129,535 and \$1,678,758, respectively, which are conditioned upon qualifying expenses being incurred.

The Organization follows the requirements of FASB ASC 606 for recognizing revenue from contracts with customers. The Organization analyzes each source of revenue to determine that it has a contract with the customer that identifies both the performance obligation and the transaction price.

Fee for service income falls under FASB ASC 606. The performance obligation is met when the counseling services have been provided in connection with the contract. Revenue earned in advance of being collected is reflected as program receivable. Cash collected in advance of services being provided is reflected as deferred revenue.

Unconditional promises to give that are expected to be received in less than one year are recorded at net realizable value. Those that are due in greater than one year are recorded at fair value which is calculated using risk adjusted present value techniques. Long-term promises to give are treated as time restricted until the period they are due, at which time they will be released from restriction and counted towards operations

Rocking The Boat, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Significant Accounting Policies - Continued

c. Revenue Recognition - Continued

Management has reviewed the collectability of all receivables, factoring in judgement about the creditworthiness and age of the receivable, as well as historical experience. Based on that evaluation, management has determined that no reserve for doubtful accounts is warranted.

d. Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing services. Non-operating activities are limited to realized and unrealized gains or losses on investments net of fees and gains on the sale of sailboats.

e. Cash and Cash Equivalents

Checking and money market accounts with banks and highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash and cash equivalents, except for cash held with an investment custodian for long-term purposes.

f. Concentration of Credit Risk

Financial instruments which potentially subject the Organization to a concentration of credit risk consist of cash, money market accounts and investment securities which have been placed with high-quality financial institutions that management deems to be creditworthy. Investments are subject to market value fluctuations and principal is not guaranteed. At times, balances may exceed federally insured limits. At year end there were no material uninsured balances.

g. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses and investment fees are included in investment return on the statement of activities.

h. Fair Value Measurement

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1- Valuations based on unadjusted quoted prices in active market identical assets or liabilities that the Organization has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Rocking The Boat, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Significant Accounting Policies - Continued

i. Property and Equipment

Property and equipment consisting of furniture and office equipment, that have a useful life of more than one year and exceed \$5,000 are capitalized at cost or at fair value, if donated. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Boats made during the Organization's boat building program and held for subsequent use in its programs are not capitalized; materials and related expenses are recorded as program expenses when incurred. Maintenance and repairs, which neither materially add to the value of the asset nor appreciably prolong its life, are charged to expense as incurred.

j. Leases

On January 1, 2022, the Organization adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected transition relief that allows entities, in the period of adoption, to present the current period under the FASB's Accounting Standards Codification ("ASC") 842 and the comparative period under FASB ASC 840. The Organization also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use ("ROU") assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less).

During the years ended December 31, 2023 and 2022, the Organization held only a short-term operating lease.

k. In-Kind Services

Donated services are recognized in circumstances when they create or enhance non-financial assets or where those services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind.

During the years ended December 31, 2023 and 2022, the Organization received donated legal services valued at \$92,054 and \$8,251, respectively. Legal services are valued at the estimated fair value based on current hourly rates of the legal firm. The services are reported as management and general on the statement of functional expenses.

Board members and other individuals volunteer considerable time and perform a variety of services that assist the Organization. These services have not been recorded in the financial statements because they do not meet the criteria for recognition as outlined above.

Rocking The Boat, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Significant Accounting Policies - Continued

l. Management Estimates

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

m. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The following costs were allocated based on time and effort:

- Salaries
- Payroll taxes and benefits

The following costs were allocated based on square footage:

- Repairs and maintenance
- IT and communication
- Occupancy
- Insurance
- Interest
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

n. Advertising Costs

Advertising costs are expensed as incurred.

o. Summarized Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

p. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for the periods ending December 31, 2020 and later are subject to examination by applicable taxing authorities.

Rocking The Boat, Inc.

Notes to Financial Statements

December 31, 2023

Note 3 - Investments

Investments were held for the following purposes:

	December 31,	
	2023	2022
Investments	\$ 1,305,432	\$ 9,875
Investments held for board designated reserve	-	1,028,354
Investments restricted for endowment	1,381,400	1,187,797
Total investments	<u>\$ 2,686,832</u>	<u>\$ 2,226,026</u>

The following represents the fair value hierarchy of assets that are measured at fair value at December 31, 2023:

	Level 1	Level 2	Total
Investments:			
Cash and cash equivalents	\$ 302,916	\$ -	\$ 302,916
Corporate bonds	-	361,945	361,945
U.S. Treasuries	-	298,094	298,094
Common stock	1,652,090	-	1,652,090
Money Market funds	71,787	-	71,787
Total	<u>\$ 2,026,793</u>	<u>\$ 660,039</u>	<u>\$ 2,686,832</u>

The following represents the fair value hierarchy of assets that are measured at fair value at December 31, 2022:

	Level 1	Level 2	Total
Investments:			
Cash and cash equivalents	\$ 127,514	\$ -	\$ 127,514
Corporate bonds	-	370,337	370,337
U.S. Treasuries	-	391,159	391,159
Common stock	1,337,016	-	1,337,016
Total	<u>\$ 1,464,530</u>	<u>\$ 761,496</u>	<u>\$ 2,226,026</u>

The following summarizes the investment return:

	December 31,	
	2023	2022
Unrealized and realized gain/(loss) on investments	\$ 324,132	\$ (330,581)
Investment fees	(23,077)	(19,349)
Total investment return	<u>\$ 301,055</u>	<u>\$ (349,930)</u>

Rocking The Boat, Inc.

Notes to Financial Statements

December 31, 2023

Note 4 - Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2023	2022
Land	\$ 358,412	\$ 358,412
Building (39 years)	827,089	827,089
Building improvement (life of building)	2,638,244	2,638,184
Leasehold improvements (lesser of estimated useful life and life of lease)	68,600	68,600
Furniture, fixtures, and equipment (3-10 years)	266,645	268,100
Vehicles (7 years)	186,509	186,509
	<u>4,345,499</u>	<u>4,346,894</u>
Less: accumulated depreciation	<u>(1,829,926)</u>	<u>(1,703,380)</u>
Total property and equipment, net	<u>\$ 2,515,573</u>	<u>\$ 2,643,514</u>

Note 5 - Line of Credit

During the year ended December 31, 2023, the Organization entered into a revolving line of credit with a financial institution that expired on April 20, 2024. The line is pending renewal. The line is secured by the Organization's assets. The maximum amount of the line of credit is \$200,000 with an initial interest rate of 7.75%. The outstanding balance on the line of credit at December 31, 2023 was \$0. Total interest expense incurred during the year ended December 31, 2023 was \$0.

Note 6 - Mortgage Payable

On May 5, 2017, the Organization financed its mortgage with IAT Reinsurance Company LTD for \$1,100,000 with an interest rate of 1.47% per annum. Quarterly installments of principal and interest of \$25,000 are due beginning September 30, 2017. The loan matures on April 2, 2027, at which point the Organization may make a final lump sum payment or exercise an option to pay the outstanding principal balance over three years. If the option is exercised all other terms under the original promissory note will remain the same. The mortgage is secured by the property at 812 Edgewater Road, Bronx, New York.

Minimum scheduled principal payments on the mortgage are as follows:

Year ending:		
	December 31, 2024	\$ 92,729
	December 31, 2025	94,099
	December 31, 2026	95,490
	Thereafter	<u>247,005</u>
Total		<u>\$ 529,323</u>

Interest expense for the years ended December 31, 2023 and 2022 was \$8,623 and \$9,953, respectively.

Rocking The Boat, Inc.

Notes to Financial Statements

December 31, 2023

Note 7 - Net Assets With Donor Restrictions

The following summarizes the net assets released from restrictions:

	December 31,	
	2023	2022
Programs:		
Public program	\$ 100,000	\$ 127,416
Youth development	630,926	194,319
Strategic planing	129,277	-
Mortgage	100,000	100,000
Total program restricted	960,203	421,735
Time restricted		152,500
Total net assets released for future programs and periods	960,203	574,235
Endowment appropriations	45,172	41,928
Total released from restriction	<u>\$ 1,005,375</u>	<u>\$ 616,163</u>

The following summarizes the nature of net assets with donor restrictions:

	December 31,	
	2023	2022
Programs:		
Public program	\$ -	\$ 100,000
Youth development	1,393,999	204,925
Strategic planing	-	129,277
Mortgage	50,000	50,000
Total program restricted	1,443,999	484,202
Time restricted	195,000	-
Total restricted for future programs and time periods	1,638,999	484,202
Endowment:		
Corpus	1,002,631	1,002,631
Accumulated earnings	378,769	212,554
Total endowment	1,381,400	1,215,185
Total net assets with donor restrictions	<u>\$ 3,020,399</u>	<u>\$ 1,699,387</u>

Note 8 - Donor Restricted Endowment

The donor restricted endowment consists of restricted donations that the Organization is holding in perpetuity. The income from this donor restricted endowment fund can be used to support its general operations.

Interpretation of Relevant Law

The Organization follows New York Prudent Management of Institutional Funds Act ("NYPMIFA"), which the Organization has interpreted as requiring certain amounts to be retained in perpetuity. Absent explicit donor stipulations to the contrary, the Organization will preserve the fair value of the original gift as of the gift date of all donor-restricted endowment funds. However, under certain circumstances, the Organization has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

Rocking The Boat, Inc.

Notes to Financial Statements

December 31, 2023

Note 8 - Donor Restricted Endowment - Continued

As a result of this interpretation, the Organization classifies as endowment corpus (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

When endowment funds have earnings in excess of amounts that need to be retained as part of the corpus, their earnings are restricted until the Board appropriates for expenditure; therefore, they are reflected in the class of net assets with donor restrictions.

Spending Policies

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization
- (8) Where appropriate and circumstances would otherwise warrant alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Organization

In accordance with the policy adopted in December 2021, the Board of Directors will make quarterly appropriations from the endowment fund, each equal to 1% of the endowment's value based on a rolling three-year average of annual balances as of October 31 of the previous three years. The total of the quarterly withdrawals shall not exceed 4% of the endowment's value.

Changes in donor restricted endowment net assets were as follows for the year ended December 31, 2023:

	Donor Restricted Earnings	Donor Restricted Earnings	Total
Endowment net assets - beginning of year	\$ 212,554	\$ 1,002,631	\$ 1,215,185
Interest and dividend income	20,983	-	20,983
Net gain on investments	190,404	-	190,404
Appropriations	(45,172)	-	(45,172)
Endowment net assets - end of year	<u>\$ 378,769</u>	<u>\$ 1,002,631</u>	<u>\$ 1,381,400</u>

Rocking The Boat, Inc.

Notes to Financial Statements

December 31, 2023

Note 8 - Donor Restricted Endowment – Continued

Changes in donor restricted endowment net assets were as follows for the year ended December 31, 2022:

	Donor Restricted Earnings	Donor Restricted Earnings	Total
Endowment net assets - beginning of year	\$ 468,921	\$ 1,002,631	\$ 1,471,552
Interest and dividend income	19,193	-	19,193
Net loss on investments	(233,632)	-	(233,632)
Appropriations	(41,928)	-	(41,928)
Endowment net assets - end of year	\$ 212,554	\$ 1,002,631	\$ 1,215,185

The endowment consists of:

	December 31,	
	2023	2022
Cash	\$ -	\$ 23,492
Contribution receivables	-	3,896
Investments	1,381,400	1,187,797
Total	\$ 1,381,400	\$ 1,215,185

The endowment fund is managed in accordance with their investment policy statements to meet long-term or short-term needs. Investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A diversified asset allocation strategy is used to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time to time, the fair market value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor and applicable law requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2023 or 2022.

Note 9 - Special Events

The special events proceeds are summarized as follows:

	December 31,	
	2023	2022
Gross revenue	\$ 801,625	\$ 186,454
Less: expenses with a direct benefit to donor	(156,514)	(37,835)
	645,111	148,619
Less: other event expenses	(4,226)	(2,485)
Total	\$ 640,885	\$ 146,134

Rocking The Boat, Inc.

Notes to Financial Statements

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Note 10 - Employee Retention Tax Credit

During the year ended December 31, 2022, the Organization claimed the Employee Retention Tax Credit ("ERTC") in the amount of \$145,368. The ERTC was established by the Coronavirus Aid, Relief, and Economic (CARES) Act issued by Congress during 2020 and allows an employer to obtain fully refundable tax credits through their payroll tax filings for qualified wages paid after March 13, 2020 through September 30, 2021. To be eligible, an employer must incur payroll costs to retain employees and be adversely affected by the COVID-19 pandemic due to having operations suspended by a government order or demonstrating that they had a significant decline in gross receipts.

The Organization accounts for the ERTC as a conditional contribution in accordance with FASB ASC 958-605. The conditions for eligibility outlined above were met for the quarter claimed during the year ended December 31, 2022 and the full amount was recognized as revenue during the year then ended.

Note 11 - Retirement Plan

In January 2017, the Organization established a 401(k) retirement plan (the "Plan") for all eligible employees. Participants are immediately eligible for salary deferral contributions and receive company matching contributions with at least one year of service. There is a 100% employee match up to the first 6% of employee annual salary contributed. Vested interest in the company matching contribution is determined by years of employment since date of hire. The vesting schedule is as follows: 1 year - 25%, 2 years - 50%, 3 years - 75%, and 4 years and thereafter at 100%. The Plan has been adopted by the Organization for the purpose of rewarding long and loyal service employees with additional security at retirement. The Organization's 401(K) matching expense for the years ended December 31, 2023 and 2022 was \$27,462 and \$38,116, respectively.

Note 12 - Contingency

Government grants are subject to audit by various governmental agencies. Management is of the opinion that expense adjustments, if any, resulting from governmental agency audits, will not be material. Disallowances and adjustments, if any, resulting from such audits will be reflected in the financial statements in the year of settlement. As such, no reserves have been recorded.

Note 13 - Liquidity and Availability of Financial Resources

The Organization maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. In addition, the Organization maintains investment accounts as a reserve to cover future operating expenses. As part of its liquidity management, the Organization operates its programs within a board approved budget and relies on contributions, earned income, and investment return to fund its operations and program activities.

Rocking The Boat, Inc.

Notes to Financial Statements

December 31, 2023

Note 13 - Liquidity and Availability of Financial Resources - Continued

The following reflects the Organization's financial assets within one year of the date of the statement of financial position for general expenditures:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,701,923
Contributions receivable	1,040,077
Government grant receivables	339,206
Program and other receivables, net	37,165
Investments	<u>1,305,432</u>
Total financial assets	<u>\$ 4,423,803</u>
Amounts not available for general expenditures:	
Donor restricted for specific purposes	(1,443,999)
Add back: endowment funds appropriated for spending in the following year	<u>48,892</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,028,696</u></u>

The board designated fund is not considered available for general expenditures until it is appropriated for spending. The Board of Directors approves appropriations from this fund as part of the budgeting process. It may also do so at other times, if and when necessary. The portion appropriated for spending is considered available for general expenditures and the remaining balance is not considered available for general expenditures within one year.

Note 14 - Subsequent Events

Subsequent events have been evaluated through September 10, 2024, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.