

SAVE THE SOUND, INC.

September 30, 2022 and 2021

- I. Financial Statements
- II. Reports in Accordance with
Government Auditing Standards
- III. Uniform Guidance Reports



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

I. FINANCIAL STATEMENTS

SAVE THE SOUND, INC.

Table of Contents

September 30, 2022 and 2021

I. FINANCIAL STATEMENTS

Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements.....	7 - 17

II. REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18 - 19
--	---------

III. REPORTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	20 - 22
Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Expenditures of Federal Awards	24
Schedule of Findings and Questioned Costs.....	25

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Save the Sound, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Save the Sound, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Save the Sound, Inc. as of September 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Save the Sound, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Save the Sound, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards and *Government Auditing Standards* 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 and *Government 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 Save the Sound, Inc.'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 Save the Sound, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2023, on our consideration of Save the Sound, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Save the Sound, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Save the Sound, Inc.'s internal control over financial reporting and compliance.



Hartford, Connecticut
March 10, 2023

SAVE THE SOUND, INC.

Statements of Financial Position

September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,102,358	\$ 2,390,532
Grants and accounts receivable	1,274,474	858,392
Promises to give	93,998	349,998
Prepaid expenses	119,169	132,810
Marketable securities	1,781,677	2,067,887
Total current assets	<u>5,371,676</u>	<u>5,799,619</u>
Non-current assets:		
Marketable securities - endowment	5,080,587	6,548,120
Furniture, equipment and software, net	471,526	190,145
Charitable remainder trust, net	2,225,884	2,612,741
Beneficial interest in perpetual trust	848,819	1,016,152
Total non-current assets	<u>8,626,816</u>	<u>10,367,158</u>
 Total assets	 <u>\$ 13,998,492</u>	 <u>\$ 16,166,777</u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 206,537	\$ 206,042
Accrued expenses	304,499	293,949
Refundable advances - grants	-	42,166
Total current liabilities	<u>511,036</u>	<u>542,157</u>
Net assets:		
Net assets without donor restrictions	3,057,220	2,999,901
Net assets with donor restrictions	10,430,236	12,624,719
Total net assets	<u>13,487,456</u>	<u>15,624,620</u>
 Total liabilities and net assets	 <u>\$ 13,998,492</u>	 <u>\$ 16,166,777</u>

The accompanying notes are an integral part of the financial statements.

SAVE THE SOUND, INC.

Statements of Activities

For the years ended September 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:						
Membership fees and contributions	\$ 2,982,801	\$ 1,635,677	\$ 4,618,478	\$ 1,646,924	\$ 2,816,875	\$ 4,463,799
Government grants	987,490	-	987,490	1,465,725	-	1,465,725
Interest and dividends, net	16,538	51,365	67,903	11,891	47,532	59,423
Net assets released from prior years' restrictions	2,433,200	(2,433,200)	-	2,018,594	(2,018,594)	-
Total support and revenues	<u>6,420,029</u>	<u>(746,158)</u>	<u>5,673,871</u>	<u>5,143,134</u>	<u>845,813</u>	<u>5,988,947</u>
Expenses:						
Program	4,404,518	-	4,404,518	3,441,885	-	3,441,885
Management and general	944,401	-	944,401	853,323	-	853,323
Fundraising	725,487	-	725,487	928,462	-	928,462
Total expenses	<u>6,074,406</u>	<u>-</u>	<u>6,074,406</u>	<u>5,223,670</u>	<u>-</u>	<u>5,223,670</u>
Changes in net assets before other changes	<u>345,623</u>	<u>(746,158)</u>	<u>(400,535)</u>	<u>(80,536)</u>	<u>845,813</u>	<u>765,277</u>
Other changes:						
Realized and unrealized gains / (losses), net	(288,304)	(894,135)	(1,182,439)	289,377	909,272	1,198,649
Change in value of remainder trust	-	(167,333)	(167,333)	-	81,854	81,854
Paycheck Protection Program revenue	-	-	-	467,000	-	467,000
Change in value of beneficial interest in perpetual trust	-	(386,857)	(386,857)	-	(29,586)	(29,586)
Total other changes	<u>(288,304)</u>	<u>(1,448,325)</u>	<u>(1,736,629)</u>	<u>756,377</u>	<u>961,540</u>	<u>1,717,917</u>
Total changes in net assets	57,319	(2,194,483)	(2,137,164)	675,841	1,807,353	2,483,194
Net assets, beginning of year	<u>2,999,901</u>	<u>12,624,719</u>	<u>15,624,620</u>	<u>2,324,060</u>	<u>10,817,366</u>	<u>13,141,426</u>
Net assets, end of year	<u>\$ 3,057,220</u>	<u>\$ 10,430,236</u>	<u>\$ 13,487,456</u>	<u>\$ 2,999,901</u>	<u>\$ 12,624,719</u>	<u>\$ 15,624,620</u>

The accompanying notes are an integral part of the financial statements.

SAVE THE SOUND, INC.

Statements of Functional Expenses

For the years ended September 30, 2022 and 2021

	2022				2021			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Wages	\$ 2,099,936	\$ 448,651	\$ 428,054	\$ 2,976,641	\$ 1,589,945	\$ 461,229	\$ 613,841	\$ 2,665,015
Fringe benefits and payroll taxes	392,408	61,546	48,315	502,269	282,433	113,575	115,508	511,516
Engineers and construction	537,985	1,250	11,000	550,235	502,935	-	-	502,935
Consultants	602,817	37,847	90,909	731,573	443,368	62,615	4,434	510,417
Occupancy	199,128	70,277	22,526	291,931	94,471	110,096	52,867	257,434
Office expenses	137,595	137,381	38,756	313,732	42,988	38,892	47,016	128,896
Printing	21,128	5,953	66,185	93,266	37,654	4,121	64,645	106,420
Professional fees	55,332	98,363	56	153,751	86,694	35,517	635	122,846
Program expenses	245,847	9,568	669	256,084	236,977	-	-	236,977
Lobbying and media	10,488	-	-	10,488	25,275	-	875	26,150
Travel and conferences	22,636	17,668	2,657	42,961	33,078	13,805	1,368	48,251
Meetings and events	2,330	13,350	-	15,680	664	1,753	21,377	23,794
Insurance	10,383	30,797	196	41,376	49,613	4,999	-	54,612
Publications	7,064	-	-	7,064	6,031	-	-	6,031
Membership acquisition	-	-	15,985	15,985	-	-	5,702	5,702
In-kind expenses	15,848	2,775	179	18,802	-	-	-	-
Depreciation	43,593	8,975	-	52,568	9,759	6,721	194	16,674
Total	<u>\$ 4,404,518</u>	<u>\$ 944,401</u>	<u>\$ 725,487</u>	<u>\$ 6,074,406</u>	<u>\$ 3,441,885</u>	<u>\$ 853,323</u>	<u>\$ 928,462</u>	<u>\$ 5,223,670</u>

The accompanying notes are an integral part of the financial statements.

SAVE THE SOUND, INC.

Statements of Cash Flows

For the years ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (2,137,164)	\$ 2,483,194
Adjustments to reconcile change in net assets to cash provided by / (used in) operating activities:		
Depreciation	52,568	16,674
Net realized and unrealized gains / (losses) on investments	1,182,439	(1,198,649)
Change in value of remainder trust	167,333	(81,854)
Change in value of beneficial interest in perpetual trust	386,857	29,586
Contributions to endowment	(49)	(520,805)
(Increase)/decrease in assets		
Grants and accounts receivable	(416,082)	701,525
Promises to give	256,000	94,079
Prepaid expenses	13,641	(34,141)
Increase/(decrease) in liabilities		
Accounts payable	495	(122,781)
Accrued expenses	10,550	(176,857)
Refundable advance - Paycheck Protection Program	-	(467,000)
Refundable advances - grants	(42,166)	42,166
Net cash provided by / (used in) operating activities	<u>(525,578)</u>	<u>765,137</u>
Cash flows from investing activities		
Purchase of furniture, equipment and software	(333,949)	(85,226)
Contributions to endowment	49	520,805
Proceeds from sale of marketable securities	4,732,646	4,732,646
Purchase of marketable securities	<u>(4,161,342)</u>	<u>(5,217,626)</u>
Net cash provided by / (used in) investing activities	<u>237,404</u>	<u>(49,401)</u>
Net change in cash	(288,174)	715,736
Cash and cash equivalents, beginning of year	<u>2,390,532</u>	<u>1,674,796</u>
Cash and cash equivalents, end of year	<u>\$ 2,102,358</u>	<u>\$ 2,390,532</u>
Supplemental disclosures of cash flows:		
Cash paid for interest	<u>\$ 10</u>	<u>\$ 326</u>

The accompanying notes are an integral part of the financial statements.

SAVE THE SOUND, INC.

Notes to Financial Statements

September 30, 2022 and 2021

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization - Save the Sound, Inc. (“Save the Sound”) is a private, non-profit organization dedicated to protecting and improving the land, air, and water of Connecticut and Long Island Sound since 1978.

Save the Sound uses legal and scientific expertise to bring people together to achieve results that benefit the environment for current and future generations. Save the Sound is engaged in several habitat restoration projects and, additionally, provides opportunities for members and the general public to engage in direct action to improve the quality of the local environment.

Basis of Accounting and Presentation - The financial statements of Save the Sound have been prepared on the accrual basis of accounting and follow the recommendations of the Financial Statements of Not-for-Profit Organizations topic of the Financial Accounting Standards Board (“FASB”) Codification. Under this topic of the Codification, Save the Sound reports information regarding its financial position and activities according to two classes of net assets.

Net assets without donor restrictions - Net assets not subject to donor imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor imposed stipulations that may or will be met by actions of Save the Sound and/or passage of time, including net assets subject to donor-imposed stipulations that Save the Sound maintains permanently. Generally, the donors of these assets permit Save the Sound to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Save the Sound maintains its cash in commercial bank accounts, which at times may exceed the federally insured limits. Save the Sound has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash. Save the Sound considers all certificates of deposit to be cash equivalents.

Marketable securities – Marketable securities are stated at fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Realized gains and losses on investments sold are determined on the average cost basis. Dividend and interest income are recorded on the accrual basis.

Fair Value Measurement – Save the Sound follows the *Fair Value Measurements* topic of the FASB Codification, which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. The topic defines fair value as the exchange price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to defining fair value, the *Fair Value Measurements* topic expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. These levels are:

- Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters, such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes.

The following is a description of the valuation methodology used for assets measured at fair value:

Short-term investments, bonds, fixed income, and equities: Values are based upon independent third-party pricing for the majority of fund holdings. Independent third-party pricing sources are used to price all security positions for which a readily determinable market price is available. Securities for which a third-party pricing source is not available are priced on a fair value basis. Investments in third party investment funds are valued based on the most recent NAV reported by the fund.

There have been no changes in the methodologies used at September 30, 2022 and 2021.

Endowment – Save the Sound adheres to the *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* topic of the FASB Codification. Under this topic, accumulated gains and income on donor-restricted endowment assets are classified as net assets with donor restrictions until appropriated for expenditure.

Furniture, Equipment and Software, Net – Furniture, equipment and software is recorded at cost. Depreciation is recorded using the straight-line method over the assets' estimated useful life, which range from five to seven years. Maintenance, repairs, and renewals are charged to expense as incurred.

Income Taxes – Save the Sound is a not-for-profit organization exempt from income taxation pursuant to Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal or state income taxes is provided in the accompanying financial statements.

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among supporting services benefitted. Such allocations are determined by management on an equitable basis. All expenses that have been allocated are based on time and effort.

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Support and Revenues

Membership Fees and Contributions - Contributions are defined as voluntary, nonreciprocal transfers. Unconditional contributions without donor restrictions are recognized as support when received or pledged, if applicable. Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the combined statements of activities and changes in net assets as net assets released from restrictions. The Organization's policy is to present net assets with donor restrictions received during the year whose restrictions are also met during the current year with net assets without donor restrictions. Conditional contributions with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend are substantially met, or explicitly waived by the donor.

Government Grants - The Organization received grant funding from various federal, state and local government agencies, as well as private funders, to provide a variety of program services to the public. Such government grants are nonreciprocal transactions, which are conditioned upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts are recognized as revenue when the Organization has incurred expenditures in compliance with the specific grant provisions. Amounts received prior to incurring qualifying expenses are reported as refundable advances in the statement of financial position.

At September 30, 2022 and 2021, Save the Sound also had unexpended contributions and grants of approximately \$2,395,000 and \$2,883,000 that have not been recognized pending fulfillment of conditions associated with the awards, respectively.

Promises to give that are restricted by the donor to a specific purpose that has not been met as of the statement of financial position date are shown as increases in net assets with donor restrictions. This revenue is reclassified to net assets without donor restrictions when the time or purpose restrictions are met.

Reclassifications – Certain amounts in the 2021 financial statements have been reclassified to conform to current year presentation.

Subsequent Events – Save the Sound monitored and evaluated subsequent events for footnote disclosures or adjustments required in its financial statements for the year ended September 30, 2022 through March 10, 2023, the date on which financial statements were available to be issued.

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents Save the Sound’s financial assets at September 30,:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 2,102,358	\$ 2,390,532
Grants and accounts receivable	1,274,474	858,392
Promises to give, current	93,998	349,998
Marketable securities	6,862,264	8,616,007
Total financial assets	<u>10,333,094</u>	<u>12,214,929</u>
Less cash with donor restrictions	78,590	(292,824)
Less donor restricted endowment	(5,080,587)	(6,548,120)
Less Strike Force Fund	(965,211)	(1,117,532)
Plus amounts with donor restrictions expected to be released	<u>1,300,000</u>	<u>1,500,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 5,665,886</u>	<u>\$ 5,756,453</u>

As disclosed in Note 12, Save the Sound can draw up to 20%, with Board approval, from the Strike Force Fund in the case of a fiscal emergency. In addition, as disclosed in Note 8, Save the Sound had access to a \$250,000 line of credit.

As part of Save the Sound’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 – PROMISES TO GIVE

Save the Sound periodically solicits multiyear pledges. Pledges are discounted at 4%. As of September 30, 2022 and 2021, total promises to give amounted to \$93,998 and \$349,998, respectively, all of which were receivable in less than one year. No discount was recorded for the years then ended. Management believes all promises to give are collectible.

NOTE 4 – MARKETABLE SECURITIES

All marketable securities are valued using Level 1 inputs which represent observable quoted prices for identical assets in active markets. The fair values of marketable securities are as follows as of September 30,:

	<u>2022</u>	<u>2021</u>
Short term investments	\$ 156,924	\$ 374,414
Government and agency bonds	1,438,241	1,592,088
Corporate bonds	514,365	592,827
Other fixed income	146,009	267,886
Domestic equities	4,335,264	5,448,016
Foreign equities	<u>271,461</u>	<u>340,776</u>
Total marketable securities	<u>\$ 6,862,264</u>	<u>\$ 8,616,007</u>

NOTE 5 – FURNITURE, EQUIPMENT AND SOFTWARE, NET

Furniture, equipment and software consists of the following as of September 30,:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 475,009	\$ 311,530
Leasehold improvements	200,405	85,935
Software	56,000	-
Information technology hardware	<u>34,673</u>	<u>34,673</u>
	766,087	432,138
Less accumulated depreciation	<u>(294,561)</u>	<u>(241,993)</u>
Furniture, equipment and software, net	<u><u>\$ 471,526</u></u>	<u><u>\$ 190,145</u></u>

NOTE 6 – CHARITABLE REMAINDER TRUST

Save the Sound has been named the beneficiary of a charitable remainder trust. Save the Sound will ascertain the remaining principal and undistributed income of the trust upon the passing of the donor. During the donor's lifetime, the trust will make annual disbursements equal to 5.0% of the assets at the beginning of the year to the donor. Annual trust income is projected to be 3.6% and the future value of the trust's investments have been discounted at 3.6%.

The charitable remainder trust activity was as follows at September 30,:

	<u>2022</u>	<u>2021</u>
Fair value of trust assets	\$ 3,037,545	\$ 3,746,272
Projected future earnings less payouts	<u>(285,465)</u>	<u>(399,589)</u>
Future estimated value of trust assets	2,752,080	3,346,683
Discount	<u>(526,196)</u>	<u>(733,942)</u>
Charitable remainder trust, net	<u><u>\$ 2,225,884</u></u>	<u><u>\$ 2,612,741</u></u>

NOTE 7 – BENEFICIAL INTEREST IN PERPETUAL TRUST

Save the Sound is the beneficiary in a certain perpetual trust held and administered by others. The interest in the trust's assets is carried as a donor restricted net asset in the statements of financial position. The funds are to be used to pay the executive director's salary and for general educational purposes. The fair value as of September 30, 2022 and 2021 was \$848,819 and \$1,016,152 respectively. The trust will terminate ninety nine years after the grantor's death at which time the investments will be distributed to Save the Sound.

NOTE 8 – LINE OF CREDIT

Save the Sound has a \$250,000 line of credit with M&T Bank that bears interest at 6.75%. The line of credit has a maturity date of June 9, 2023. The balance drawn on the line of credit was \$-0- as of September 30, 2022 and 2021.

NOTE 9 – PAYCHECK PROTECTION PROGRAM

During April 2020, Save the Sound received approval for a Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loan in the amount of \$467,000. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over a period of eight to twenty four weeks following the date of funding. In order to qualify for forgiveness, the funding must be spent on eligible payroll expenses, and up to 40% may be spent on other eligible expenditures, such as rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of ten months from the end of the covered period of the loan (interest will accrue).

During the year ended September 30, 2021, the Save the Sound obtained complete forgiveness approval from the SBA for the PPP loan in the amount of \$467,000 and recognized the full amount as revenue on the statements of activities.

NOTE 10 – ENDOWMENT

Save the Sound’s endowment consists of approximately 40 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – Save the Sound has interpreted the Connecticut Prudent Management of Institutional Funds Act (“CTPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Save the Sound classifies as restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Save the Sound in a manner consistent with the standard of prudence prescribed by CTPMIFA. In accordance with CTPMIFA, Save the Sound 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 Save the Sound 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 Save the Sound.
- (7) The investment policies of Save the Sound.

NOTE 10 – ENDOWMENT (CONTINUED)

Save The Sound’s endowment is made up of investment accounts. Composition by type of fund is as follows as of September 30,:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 5,080,587	\$ 5,080,587
Strike Force Fund	965,211	-	965,211
Board-designated	816,466	-	816,466
Total endowment	<u>\$ 1,781,677</u>	<u>\$ 5,080,587</u>	<u>\$ 6,862,264</u>

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 6,548,120	\$ 6,548,120
Strike Force Fund	1,117,532	-	1,117,532
Board-designated	950,355	-	950,355
Total endowment	<u>\$ 2,067,887</u>	<u>\$ 6,548,120</u>	<u>\$ 8,616,007</u>

The reconciliation of Save the Sound’s endowment by net asset category is as follows as:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance October 1, 2020	\$ 1,891,277	\$ 5,041,101	\$ 6,932,378
Investment income	29,057	86,232	115,289
Realized gains	101,875	482,952	584,827
Unrealized gains	189,863	426,320	616,183
Investment fees	(13,082)	(38,700)	(51,782)
Contributions	52	765,008	765,060
Appropriations for expenditure	(131,155)	(214,793)	(345,948)
Balance September 30, 2021	2,067,887	6,548,120	8,616,007
Investment income	30,188	96,719	126,907
Realized gains	46,791	163,818	210,609
Unrealized losses	(335,095)	(1,057,953)	(1,393,048)
Investment fees	(13,654)	(45,354)	(59,008)
Contributions	-	49	49
Appropriations for expenditure	(14,440)	(624,812)	(639,252)
Balance September 30, 2022	<u>\$ 1,781,677</u>	<u>\$ 5,080,587</u>	<u>\$ 6,862,264</u>

NOTE 10 – ENDOWMENT (CONTINUED)

As of September 30, 2022 there was one fund with a market value that was less than the historic gift amount. The historic gift amount for the fund totaled \$1,763,788 and the market value totaled \$1,692,797 as of September 30, 2022. There were no funds with a market value less than the historic gift amount as of September 30, 2021.

NOTE 11 – NET ASSET WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at September 30,:

	<u>2022</u>	<u>2021</u>
Program restrictions:		
Legal	\$ 14,455	\$ -
Green infrastructure	801,903	928,988
Climate and energy	346,253	255,663
Endangered lands	274,377	195,587
Long Island Sound	837,958	1,067,468
	<u>2,274,946</u>	<u>2,447,706</u>
Time restrictions:		
Endowment gains	1,029,317	2,496,850
Charitable remainder trust	2,225,884	2,612,741
	<u>3,255,201</u>	<u>5,109,591</u>
Donor restricted investments held in perpetuity:		
General support	582,720	582,720
Communication director's compensation	396,262	396,262
Peter B. Cooper Fellowship	1,277,500	1,277,500
Chief legal director's compensation	1,763,788	1,763,788
Hartford office	31,000	31,000
	<u>4,051,270</u>	<u>4,051,270</u>
Beneficial interest in perpetual trust	<u>848,819</u>	<u>1,016,152</u>
Total net assets with donor restrictions	<u>\$ 10,430,236</u>	<u>\$ 12,624,719</u>

NOTE 12 – STRIKE FORCE FUND

The Strike Force Fund is used to respond to urgent threats requiring rapid response. Each year up to 5% of the value of the Strike Force Fund may be used at the discretion of the President with advice from the Chair and the Executive Committee of the Board of Directors. Additional withdrawals of 5% may be made annually after obtaining the approval of the majority of the Board of Directors for particularly compelling circumstances. If an additional withdrawal is made, the organization shall undertake to replenish the Strike Force Fund within three years. No further additional withdrawals can be made until the previous additional withdrawal is replenished.

NOTE 12 – STRIKE FORCE FUND (CONTINUED)

An additional 15% of the Strike Force Fund may be used in an extreme emergency with the written approval of three fourths of the Board of Directors. No further emergency withdrawals can be made until the previous emergency withdrawal is replenished. Moreover, if the replenishment is not made within three years, no annual or additional 5% withdrawals under the previous paragraph may be made.

Finally, the Strike Force Fund policies may be revised with the written approval of three fourths of the Board of Directors. The Strike Force Fund is classified as an unrestricted (board designated) endowment fund. The fair value of the Strike Force Fund marketable securities was \$965,211 and \$1,117,532 at September 30, 2022 and 2021, respectively.

NOTE 13 – EXPENSES BY PROGRAM

The following is a schedule of Save the Sound’s expenses by program at September 30,:

	<u>2022</u>	<u>2021</u>
Habitat restoration	\$ -	\$ 48,178
Long Island Sound	1,888,110	1,279,349
Green infrastructure	1,181,086	838,012
Climate and energy	349,860	387,975
Communications	148,974	78,325
Endangered lands project	393,255	365,723
Adjudication	355,192	361,168
Education	70,626	54,093
Beach clean up	17,415	29,062
	<u> </u>	<u> </u>
Total	<u>\$ 4,404,518</u>	<u>\$ 3,441,885</u>

NOTE 14 – RETIREMENT PLAN

Save the Sound maintains a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Employees may immediately make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Employees who complete one year of service are eligible for a matching contribution made by the employer. Save the Sound may elect each year to match 50% of each employee’s contribution up to 10% of the employee’s salary. Matching contributions are vested immediately. Contributions to the plan made by Save the Sound were \$77,552 and \$81,332 for the years ended September 30, 2022 and 2021, respectively.

NOTE 15 – OPERATING LEASES

Save the Sound leases office space in New Haven, CT and Larchmont, NY expiring in 2029 and 2031, respectively. Total rental expense was \$214,783 and \$174,054 for the years ended September 30, 2022 and 2021, respectively.

The future minimum annual rental payments are as follows for the years ending September 30,:

2023	\$ 235,923
2024	237,965
2025	275,239
2026	277,384
2027	279,582
Thereafter	<u>589,775</u>
Total	<u>\$ 1,895,868</u>

NOTE 16 – COMMUNITY FOUNDATION OF GREATER NEW HAVEN

Save the Sound is the named beneficiary of a fund held at the Community Foundation of Greater New Haven (“CFGNH”). Save the Sound received distributions from CFGNH of \$-0- and \$41,300 for the years ended September 30, 2022 and 2021, respectively. The value of the funds held at CFGNH was \$381,750 and \$462,392 for the years ended September 30, 2022 and 2021, respectively, and is not recorded on the statements of financial position.

**II. REPORTS IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Save the Sound, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Save the Sound, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
March 10, 2023

**III. REPORTS IN ACCORDANCE WITH THE
UNIFORM GUIDANCE**

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Save the Sound, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Save the Sound, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Save the Sound, Inc.'s major federal programs for the year ended September 30, 2022. Save the Sound, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Save the Sound, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Save the Sound, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Save the Sound, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Save the Sound, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Save the Sound, Inc.'s compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Save the Sound, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Save the Sound, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Save the Sound, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Save the Sound, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Whittlesey PC".

Hartford, Connecticut
March 10, 2023

SAVE THE SOUND, INC.

Schedule of Expenditures of Federal Awards

For the year ended September 30, 2022

Federal Grantor/ Pass-Through Grantor - Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
U.S. Environmental Protection Agency:				
Long Island Sound Program	66.437			
Unified Water Study		N/A	\$ -	\$ 564,448
Chittenden Park Living Shoreline Restoration Design		N/A	-	6,808
Passed Through National Fish and Wildlife Foundation				
Planning for a Nature-Like Fishway for Long Pond Dam (CT)		1401.20.070202	-	80,802
A Watershed Plan for the Hutchinson River-Westchester County-I (NY)		1401.20.070190	-	12,421
Restoring Big Rock Wetland for Marsh and Community Resilience (NY)		1401.22.073372	-	3,543
Passed Through State of Connecticut Department of Energy and Environmental Protection				
Removal of Strong Pond Dam at Merwin Meadows Park		19-12	-	172,659
Total Long Island Sound Program			-	840,681
Nonpoint Source Implementation Grants				
	66.460			
Passed Through State of Connecticut Department of Energy and Environmental Protection				
Hamden Town Center Park Stormwater BMP		18-08	-	7,350
Mill River: Community Outreach, Engagement & Leadership		2022-51	-	1,807
Merwin Meadows Low Level Outlet		16-10a	-	2,102
Total Nonpoint Source Implementation Grants			-	11,259
Total U.S. Environmental Protection Agency			-	851,940
Total Expenditures of Federal Awards			\$ -	\$ 851,940

The accompanying notes are an integral part of the schedule.

SAVE THE SOUND, INC.

Notes to Schedule of Expenditures of Federal Awards

For the year ended September 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Save the Sound, Inc. under programs of the federal government for the year ended September 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the schedule presents only a selected portion of the operations of Save the Sound, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Save the Sound, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Save the Sound, Inc. has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

SAVE THE SOUND, INC.

Schedule of Findings and Questioned Costs

For the year ended September 30, 2022

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of Uniform Guidance?

_____ yes X no

Identification of Federal Major Programs

Federal Assistance

<u>Listing Number</u>	<u>Name of Federal Program</u>
66.437	U.S. Environmental Protection Agency: Long Island Sound Program

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.

Headquarters

280 Trumbull Street, 24th Floor
Hartford, CT 06103
860.522.3111

One Hamden Center
2319 Whitney Avenue, Suite 2A
Hamden, CT 06518
203.397.2525

14 Bobala Road, 3rd Floor
Holyoke, MA 01040
413.536.3970

WAdvising.com