

Financial Statements

THE ARTIST BOAT, INC.

August 31, 2023



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**THE ARTIST BOAT, INC.
AUGUST 31, 2023**

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Katherine Overbeck Maxwell, PLLC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Artist Boat, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Artist Boat, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 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 financial statements present fairly, in all material respects, the financial position of The Artist Boat, Inc. as of August 31, 2023, and the changes in its 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Artist Boat, Inc 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 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 The Artist Boat Inc.'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 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.

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- 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 Artist Boat, 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 The Artist Boat, Inc.'s ability to continue as a going concern for a reasonable period of time.

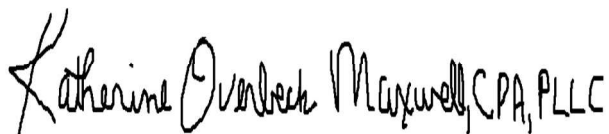
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 January 20, 2025, on our consideration of The Artist Boat, 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 The Artist Boat, 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 The Artist Boat, Inc.'s internal control over financial reporting and compliance.



Katherine Overbeck Maxwell, CPA, PLLC
Galveston, Texas
February 7, 2025

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THE ARTIST BOAT, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2023

	<u>2023</u>
ASSETS	
Cash and Cash Equivalents	512,664
Prepaid Insurance	7,004
Program Fees Receivable	42,804
Investments	425,800
Property and Equipment, Net	<u>17,446,688</u>
TOTAL ASSETS	<u>\$ 18,434,960</u>
LIABILITIES AND NET ASSETS	
Accounts Payable	34,862
Payroll Liabilities	27,825
Credit Cards Payable	6,535
Deferred Revenue	13,526
Settegast Loan	503,570
SBA Secured Disaster Loan	145,722
Notes Payable	<u>15,427</u>
TOTAL LIABILITIES	<u>747,467</u>
Net Assets	
Without Donor Restrictions	193,207
With Donor Restrictions	<u>17,494,286</u>
Total Net Assets	<u>17,687,493</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,434,960</u>

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

THE ARTIST BOAT, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE			
Governmental Grants	\$ -	2,256,547	\$ 2,256,547
Contributions	228,256	707,048	935,304
Program Fees	172,326	-	172,326
Special Events, Net	125,719	-	125,719
In-Kind Contributions	342		342
Investment Income	-	32,513	32,513
Other Revenue	7,520	-	7,520
Rental Income	14,968	-	14,968
Net Assets Released from Restrictions	577,563	(577,563)	-
TOTAL REVENUE	1,126,694	2,418,545	3,545,239
EXPENSES			
Program Services			
Eco-Art Workshops and Adventures	436,680	-	436,680
Eco-Art Residencies	60,585	-	60,585
Coastal Heritage Preserve	206,522	-	206,522
Total Program Services Expenses	703,787	-	703,787
Supporting Services			
Management and General	445,935	-	445,935
Fundraising	132,017	-	132,017
Total Supporting Services Expenses	577,952	-	577,952
Total Expenses	1,281,739	-	1,281,739
CHANGE IN NET ASSETS	(155,045)	2,418,545	2,263,500
NET ASSETS, BEGINNING OF YEAR	348,252	15,075,741	15,423,993
NET ASSETS, END OF YEAR	\$ 193,207	\$ 17,494,286	\$ 17,687,493

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

THE ARTIST BOAT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

	PROGRAM SERVICES			SUPPORT SERVICES				
	Eco-Art Workshops & Adventures	Eco-Art Residences	Coastal Heritage Preserve	Total	Mgmt. & General	Fund Raising	Total	Total Expenses
Salaries	\$ 225,173	\$ 37,322	\$ 98,002	\$ 360,497	\$ 142,014	\$ 52,401	\$ 194,415	\$ 554,912
Payroll Taxes	17,908	3,194	7,890	28,992	12,546	4,328	16,874	45,866
Employee Benefits	13,638	2,319	5,772	21,729	7,081	3,850	10,931	32,660
Subtotal Salaries	\$ 256,719	\$ 42,835	\$ 111,664	\$ 411,218	\$ 161,641	\$ 60,579	\$ 222,220	\$ 633,438
Advertising	74,312	2,704	1,404	78,420	589	21,021	21,610	100,030
Depreciation	1,303	2,231	49,359	52,893	8,260	311	8,571	61,464
Dues and Fees	1,707	879	1,442	4,028	996	-	996	5,024
Conferences	1,345	534	696	2,575	809	-	809	3,384
Bank Fees	753	712	222	1,687	4,255	3,098	7,353	9,040
Travel,Meals, & Entertainment	4,890	1,056	3,478	9,424	2,729	313	3,042	12,466
Equipment & Supplies	55,340	6,089	16,283	77,712	22,183	4,821	27,004	104,716
Information Technology	1,942	88	1,266	3,296	6,337	8,013	14,350	17,646
Interest	37	-	30	67	30,642	-	30,642	30,709
Insurance	7,283	2,719	10,877	20,879	35,500	-	35,500	56,379
Occupancy	6,687	-	8,900	15,587	18,643	-	18,643	34,230
Miscellaneous	311	43	146	500	(128)	-	(128)	372
Postage & Printing	10,224	45	194	10,463	526	28,081	28,607	39,070
Professional Fees	11,827	650	561	13,038	152,222	5,440	157,662	170,700
Honoraria & Gifts	2,000	-	-	2,000	731	340	1,071	3,071
TOTAL EXPENSES	\$ 436,680	\$ 60,585	\$ 206,522	\$ 703,787	\$ 445,935	\$ 132,017	\$ 577,952	\$ 1,281,739

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

THE ARTIST BOAT, INC.
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED AUGUST 31, 2023

	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ 2,263,500
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Net realized and unrealized (gain) loss on investments	(32,513)
Gain on disposal of assets	
Contributed Investments	-
Depreciation	61,464
Changes in operating assets and liabilities:	
Accounts receivable, net	109,096
Prepaid Assets	10,274
Accounts payable and accrued expenses	(12,768)
Deferred revenue	<u>375</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES:	<u>2,399,428</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	-
Proceeds from sale of property and equipment	-
Proceeds from sale of investments	
Net change in cash and money market mutual funds held as investments	-
Purchases of property and equipment	<u>(2,672,995)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(2,672,995)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from note payable	-
Payments on note payable	<u>(23,987)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>(23,987)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(297,554)
BEGINNING CASH AND CASH EQUIVALENTS	<u>810,218</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 512,664</u></u>
Supplemental Information	
Interst Paid	\$ 30,708
Income Taxes	\$ -

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

THE ARTIST BOAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

The Artist Boat, Inc. is a nonprofit Texas Corporation, established in 2003, dedicated to promoting awareness and preservation of coastal margins and the marine environment through the disciplines of the sciences and the arts.

Artist Boat provides services through the following programs:

Eco-Art Workshops & Adventures

The Artist Boat, Inc. served 5,462 participants over the course of the 2022-2023 fiscal year through Eco-Art Workshops and Adventures, engaging them in classroom, studio, laboratory, and field-based environmental educational activities integrating the arts and sciences for the exploration of coastal and marine habitats. The Artist Boat, Inc.'s program participants are all ages and come from a variety of backgrounds. They include students ranging from elementary school age to lifelong learners over age 55, teachers, and the general public. Educational topics covered by these programs include the physical and biological components, benefits and multiple uses, point and non-point source pollution, flora/fauna, historical perspectives, and efforts toward restorations of habitats in coastal and marine ecosystems, with special emphasis on issues affecting the Gulf of Mexico and the Texas coast. Field-based activities include excursions into local habitats and incorporate the use of kayaks and motor vessels.

Additionally, The Artist Boat, Inc. provides outreach and engagement on the public beaches of Galveston Island and regional festivals. These are environmental education programs Bucket Brigade (45-minute beach exploration tours with a marine biologist), World Ocean Day (festival hosting booths, presenters, and hands-on engagement), Beautify the Bucket (beautification of trash receptacles on Galveston Beaches), and art contests (art created with marine debris). 7,648 participants of all ages were served through this program.

Eco-Art Residencies & Camps

The Artist Boat, Inc. provides in-school, after-school, and winter/spring/summer inter-sessional environmental education programs, implemented on school campuses and at The Artist Boat, Inc.'s facilities, integrating art and science. Residencies and camps directly served 730 youth and indirectly served many more through public art installations and curriculum development during the fiscal year 2022-2023. Each of the programs is designed to interpret coastal and marine ecosystems through various visual art media including drawing and painting, mosaic installation, and sculpture.

Coastal Heritage Preserve

The Coastal Heritage Preserve is a 898-acre track of undeveloped land on the west end of Galveston Island comprised of estuarine and palustrine wetlands, tidal flats, and upland coastal habitats. This preserve serves as a platform for the delivery of The Artist Boat, Inc.'s integrated arts and science-based environmental education programs. In the 2022-2023 fiscal year, The Artist Boat, Inc. engaged 2,725 volunteers in habitat management, restoration, debris removal, installation of public access amenities and controls, and related stewardship activities at the Coastal Heritage Preserve.

The Artist Boat, Inc. received significant support from Federal, state, and local grants as well as contributions from individuals. The Artist Boat, Inc. also receives program service fees for the delivery of Eco-Art Workshops, Adventures, Residencies, Outreach and Engagement, and camps.

THE ARTIST BOAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING

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

BASIS OF PRESENTATION

Net assets, Revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- Net assets without donor restrictions are available for use in general operations and are not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- Net assets with donor restrictions are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when the stipulated time has elapsed, the stipulated purpose has been fulfilled, or both. Contributions of long-lived assets and of cash restricted for the acquisition of long-lived assets are released when the assets are placed in service. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for their restricted purpose.

CASH AND CASH EQUIVALENTS

For purposes of the statements of financial position and cash flows, The Artist Boat, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

CASH CONCENTRATION

Bank deposits exceed the federally insured limit per depositor per institution.

ACCOUNTS RECEIVABLE

Accounts receivable represent amounts due from exchange transactions and are based on the consideration to which The Artist Boat, Inc. expects to earn in exchange for services already provided. An allowance for accounts receivable is utilized when management believes balances may not be collected in full based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off against the allowance when management determines a receivable is not collectible.

CONTRIBUTIONS

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized when all the conditions are met.

THE ARTIST BOAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IN-KIND CONTRIBUTIONS

Contributed materials, services and use of facilities are recognized as contributions at fair value when unconditional commitment is received from the donor. The related expense is recognized as contributed materials, services, and when facilities are used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills and would typically need to be purchased if not provided by donation.

A substantial number of volunteers have contributed significant amounts of time in connections with programs, administration and fundraising for which no amount has been recorded in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles.

PROPERTY AND EQUIPMENT

Property and equipment are reported at cost or at fair value at the date of gift if donated. Depreciation is calculated using the straight-line method over the estimated useful life of 3 to 39 years. The Artist Boat, Inc. capitalizes additions and improvements that have a tangible future economic life and a cost of more than \$500. Maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed when incurred.

INVESTMENTS

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of investment expenses.

INCOME TAX STATUS

The Artist Boat, Inc. is exempt from federal income taxation under Section 501 (c)(3) of the Internal Revenue Code. Currently, the Organization files information return Form 990, "Return of Organizations Exempt from Income Tax" with the Internal Revenue Service and is subject to routine examinations of their returns; however, there are no examinations for any tax period currently in progress. The Artist Boat, Inc. believes that they are no longer subject to examinations after three years from the filing date.

FUNCTIONAL CLASSIFICATION OF EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification of expenses by function. Certain expenses have been allocated among the programs and supporting services benefited. Expenses allocated include depreciation, interest, and occupancy, which are allocated based on the direct salary costs.

PROGRAM SERVICE FEES

Program service fees primarily represent fees received for providing on-site workshops, residencies, or field-based adventures to program participants, the majority of whom are elementary, middle, and high school students from schools throughout southeast Texas. Program fees are recognized as revenue when contractual obligations are fulfilled.

USE OF ESTIMATES

Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported

THE ARTIST BOAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023

amounts of assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

ADVERTISING

Advertising costs are expensed as incurred.

NOTE 2 – PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment consist of the following at August 31, 2023:

Description	Life	August 31, 2022	Additions	Retirements	August 31, 2023
Land	N/A	\$ 14,041,331	\$ 2,660,623	\$ -	\$ 16,701,954
Commercial Building - 1330 Settegast	39 years	592,582	-	-	592,582
Structures	10 years	219,090	-	-	219,090
Vehicles	5 years	156,899	4,000	-	160,899
Boats/Gear	10 years	79,558	-	-	79,558
Computers/Peripherals/Software	3 & 5 years	68,054	1,572	-	69,626
Durable Supplies	12 years	29,183	-	-	29,183
Trailers	5 years	22,571	300	-	22,871
Office Equipment/Furniture	7 years	7,759	-	-	7,759
Work in Progress Asset Acquisition	N/A	36,900	6,498	-	43,398
Artwork	N/A	3,000	-	-	3,000
Total Property & Equipment		15,256,927	2,672,993	-	17,929,920
Less: Accumulated Depreciation		(421,768)	(61,464)	-	(483,232)
Property & Equipment, Net		\$ 14,835,159	\$ 2,611,529	\$ -	\$ 17,446,688

NOTE 3 – INVESTMENTS

Investments consist of the following at August 31, 2023:

	<u>August 31, 2023</u>
Equities	\$ 278,286
Alternatives	11,620
Total Investments at Fair Value	289,906
Cash Held in Investment Accounts	135,894
	<u>\$ 425,800</u>

THE ARTIST BOAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023

NOTE 4 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- Level 2 – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- Level 3 – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value on August 31, 2023 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 278,286	\$ -	\$ -
Alternatives	<u>11,620</u>	<u>-</u>	<u>-</u>
Total Assets Measured at Fair Value	<u>\$ 289,906</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 - NOTES PAYABLE

August 15, 2019, The Artist Boat, Inc. entered into a 5 year, \$555,210 loan agreement with a bank, net of unamortized debt of issuance costs of \$2,790. The proceeds were used to purchase the property at 13330 Settegast. The loan bears an interest rate of 4.74% which is due monthly. The balance as of August 31, 2023 is \$503,570. The loan is secured by the Building & Property purchased at 13330 Settegast and the investments held in an account at Morgan Stanley.

On April 26, 2021, The Artist Boat, Inc. entered into a \$27,632 loan agreement with a bank. The proceeds were used to purchase a work vehicle. The loan bears an interest rate of 4.54% which is due monthly. The balance as of August 31, 2023 is \$15,427.

On August 27, 2020, The Artist Boat, Inc. secured a loan with the Small Business Administration (SBA) under the Economic Injury Development Loan Program in the amount of \$150,000. The loan is secured by all tangible and intangible assets of The Artist Boat, Inc. and payable over 30 years at an interest rate of 2.75% per annum and installment payments, including principal and interest, are due monthly beginning twelve months from the date of the EIDL Loan in the amount of \$640. The balance of principal and interest is payable thirty years from the date of the promissory note. An extension was filed during the 2022 fiscal year, and the loan was deferred. Interest only payments were scheduled to begin on September 1, 2021. Subsequently, beginning February 28, 2023, payments of \$641 were made with a portion applied to principal. The balance as of August 31, 2023 is 145,722.

THE ARTIST BOAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023

NOTE 6 - GOVERNMENTAL GRANTS

The Artist Boat, Inc. received financial relief of \$109,300 in fiscal year 2021 from the Paycheck Protection Program (PPP) loan through the SBA. On November 24, 2021, both PPP loan principal and interest for the loan in the amount of \$109,300 was forgiven when The Artist Boat, Inc. met eligibility requirements by using the loan to fund qualified payroll and other eligible costs, and recognized as other income in fiscal year 2023.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	<u>2023</u>
Subject to expenditure for a specified purpose:	
Contributions restricted by donors for:	
Coastal Heritage Preserve	\$ 244,807
HOT Tax	2,222
Public Workshops	11,130
Be One in a Million	<u>108,373</u>
Total subject to expenditure for a specified purpose:	<u>366,532</u>
 Investments	
Subject to spending policy and appropriation	
Preserve at West Beach Stewardship Investment Fund	<u>425,800</u>
Total investments	<u>425,800</u>
Land held for conservation	<u>16,701,954</u>
Total net assets with donor restrictions	<u>\$ 17,494,286</u>

THE ARTIST BOAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023

NOTE 8 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at the fiscal year end exceeded federally insured limits by \$261,452.

NOTE 9 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position comprise the following:

	2022
Cash and cash equivalents	\$ 512,664
Program fees receivable	42,804
Total financial assets	<u>555,468</u>
Less: Financial assets not available for general expenditures	
<i>Restricted for specific purposes and passage of time</i>	<u>(366,532)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 188,936</u></u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, The Artist Boat, Inc. considers all expenditures related to its ongoing program contracts, and regularly monitors liquidity required to meet its operating needs. The Organization maintains a \$25,000 Letter of Credit loan at a bank with a 9.75% interest rate to assist with liquidity. The balance of the LOC at August 31, 2023 was \$0.

NOTE 10- COMPENSATED ABSENCES

Compensated absences for sick pay, vacation and personal time have not been accrued since they cannot be reasonably estimated. The Organization's policy is to recognize these costs when actually paid.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 7, 2025, which is the date the financial statements were available for issuance and determined that no events occurred that require disclosure.

The Artist Boat, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Grantor	Federal Assistance Listing Number	Award Number	Award Amount	Federal Expenditures
<i>U.S. Environmental Protection Agency</i>				
Gulf of Mexico Program				
05/1/2019- 04/30/2022 - extended due to Covid	66.475	0000D85619	\$ 200,000	\$ 44,208
			\$ 200,000	Total \$ 44,208
<i>U.S Department of Commerce</i>				
NOAA Mission Related Education Awards	11.008	NA22NMF0080235	\$ 150,000	\$ 31,000
			\$ 150,000	Total \$ 31,000
<i>US Fish and Wildlife</i>				
Passed-through				
Texas Parks and Wildlife Foundation				
TX-C-38-L-1 F21AP00873-00	15.614	F21AP00873-00	\$ 999,934	\$ 999,934
04/01/2021 - 12/31/2024				
TX-C-39-L-1 F21AP00874-00	15.614	F21AP00874-00	\$ 999,934	\$ 999,934
04/01/2021 - 12/31/2024			\$ 1,999,868	Total \$ 1,999,868
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 2,349,868	\$ 2,075,076

Notes to the expenditure of federal awards is an integral part of this statement.

THE ARTIST BOAT, INC.
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
August 31, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal and state grant activity of The Artist Boat, Inc. under programs of the federal government for the year ended August 31, 2023. 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 selection portion of the operations of The Artist Boat, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Artist Boat, 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.

The Artist Boat, Inc. has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

The Artist Boat, Inc. has not contracted or made awards to any subrecipients.



Katherine Overbeck Maxwell, PLLC

Certified Public Accountant

INDEPENDENT AUDITOR'S 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
The Artist Boat, Inc.
Galveston, Texas

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 The Artist Boat, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2025.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Artist Boat, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Artist Boat, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Artist Boat, Inc.'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.

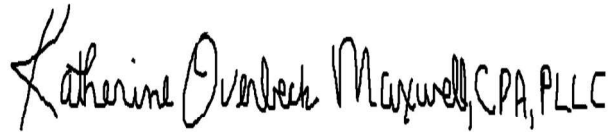
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Artist Boat, Inc.'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 "Katherine Overbeck Maxwell, CPA, PLLC". The signature is written in a cursive, flowing style.

Katherine Overbeck Maxwell, CPA, PLLC
Galveston, Texas
February 7, 2025



Katherine Overbeck Maxwell, PLLC

Certified Public Accountant

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

To the Board of Directors
The Artist Boat, Inc.
Galveston, Texas

Report on Compliance for Each Major Federal Program

We have audited The Artist Boat, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Artist Boat, Inc.'s major federal programs for the year ended August 31, 2023. The Artist Boat, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Artist Boat, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Artist Boat, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Artist Boat, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, The Artist Boat, Inc.'s 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 August 31, 2023.

Report on Internal Control over Compliance

Management of The Artist Boat, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Artist Boat, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Artist Boat, Inc.'s 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 black ink that reads "Katherine Overbeck Maxwell, CPA, PLLC". The signature is written in a cursive, flowing style.

Katherine Overbeck Maxwell, CPA, PLLC
Galveston, Texas
February 7, 2025

The Artist Boat, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2023

Section I - Summary of Auditor's Reports

Financial Statement

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:
Material Weakness Identified Yes X No

Significant Deficiencies Identified that are
Not Considered to be Material Weaknesses Yes X No

Noncompliance Material to Financial
Statement Noted Yes X No

Federal Awards

Internal Control over Major Program:

Material Weakness Identified Yes X No

Significant Deficiencies Identified that are
not Considered to be Material Weaknesses Yes X No

Type of Auditor's Report Issued on Compliance
for Major Programs Unmodified

Any Audit Findings Disclosed that are
Required to be Reported in Accordance
with 2 CFR 200.516(a) Yes x No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
15.614	Coastal Wetlands Planning, Protection and Restoration

Dollar Threshold Used to Distinguish Between
Type A and Type B Programs: \$ 750,000

Auditee Qualified as Low-Risk Auditee? Yes X No

The Artist Boat, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2023

Section II Financial Statement Findings

None

Section III Federal Award Findings and Questioned Costs

None

Section IV Schedule of Prior Year Audit Findings

N/A