

BOSTON HARBOR NOW, INC.

Financial Statements

March 31, 2017

BOSTON HARBOR NOW, INC.

March 31, 2017

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Independent Auditor's Report

To the Board of Directors
Boston Harbor Now, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Boston Harbor Now, Inc. (a not-for-profit organization), which comprise the statement of financial position as of March 31, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston Harbor Now, Inc. as of March 31, 2017, 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.

Edelstein & Company LLP

Boston, Massachusetts
July 27, 2018

BOSTON HARBOR NOW, INC.

Statement of Financial Position

March 31, 2017

Assets:

| | |
|-------------------------------------|--------------|
| Cash and cash equivalents | \$ 1,096,097 |
| Restricted cash | 24,527 |
| Unconditional promises to give, net | 708,650 |
| Government contracts receivable | 93,230 |
| Account receivable | 5,570 |
| Prepaid expenses | 25,669 |
| Intangible assets, net | 22,755 |
| Furniture and equipment, net | 16,742 |

Total assets \$ 1,993,240

Liabilities and net assets

Liabilities:

| | |
|---------------------------------------|------------|
| Accounts payable and accrued expenses | \$ 169,494 |
| Deferred revenue | 240,005 |
| Agency funds held | 24,527 |

Total liabilities 434,026

Net assets:

| | |
|------------------------|-----------|
| Unrestricted | 186,476 |
| Temporarily restricted | 1,372,738 |

Total net assets 1,559,214

Total liabilities and net assets \$ 1,993,240

BOSTON HARBOR NOW, INC.**Statement of Activities and Changes in Net Assets
For the Year Ended March 31, 2017**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|---------------------|
| Support and revenue: | | | |
| Contributions and grants | \$ 495,190 | \$ 990,411 | \$ 1,485,601 |
| Government contracts | 573,034 | - | 573,034 |
| Special events, net of direct donor benefits of \$101,901 | 446,796 | - | 446,796 |
| In-kind support | 31,251 | - | 31,251 |
| Earned income | 269,023 | - | 269,023 |
| Interest income | 267 | - | 267 |
| Realized loss on sale of investment securities | (17) | - | (17) |
| Net assets released from restrictions | 695,951 | (695,951) | - |
| Total support and revenue | <u>2,511,495</u> | <u>294,460</u> | <u>2,805,955</u> |
| Expenses: | | | |
| Program services | 1,954,190 | - | 1,954,190 |
| Management and general | 366,685 | - | 366,685 |
| Fundraising | 357,956 | - | 357,956 |
| Total expenses | <u>2,678,831</u> | <u>-</u> | <u>2,678,831</u> |
| Change in net assets from operations | (167,336) | 294,460 | 127,124 |
| Loss on abandonment of website development costs | <u>(29,134)</u> | <u>-</u> | <u>(29,134)</u> |
| Change in net assets | (196,470) | 294,460 | 97,990 |
| Net assets, beginning of year | <u>382,946</u> | <u>1,078,278</u> | <u>1,461,224</u> |
| Net assets, end of year | <u>\$ 186,476</u> | <u>\$ 1,372,738</u> | <u>\$ 1,559,214</u> |

BOSTON HARBOR NOW, INC.

Statement of Cash Flows For the Year Ended March 31, 2017

| | |
|---|---------------------|
| Cash flows used in operating activities: | |
| Change in net assets | \$ 97,990 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Donated investment securities | (10,034) |
| Realized loss on sale of investment securities | 17 |
| Loss on abandonment of website development costs | 29,134 |
| Amortization | 4,110 |
| Depreciation | 6,172 |
| Changes in operating accounts: | |
| Unconditional promises to give | (612,370) |
| Government contracts receivable | (75,890) |
| Accounts receivable | (5,570) |
| Prepaid expenses | 11,930 |
| Accounts payable and accrued expenses | (184,044) |
| Deferred revenue | (261,317) |
| Refundable advances | (42,500) |
| Agency funds held liability | 14 |
| Net cash used in operating activities | <u>(1,042,358)</u> |
| Cash flows used in investing activities: | |
| Purchases of equipment | (3,935) |
| Purchases of intangible assets | (25,599) |
| Proceeds on sale of investment securities | 10,017 |
| Net cash used in investing activities | <u>(19,517)</u> |
| Cash flows used in financing activities: | |
| Interest income received in restricted bank account | <u>(14)</u> |
| Decrease in cash | (1,061,889) |
| Cash, beginning of year | <u>2,157,986</u> |
| Cash, end of year | <u>\$ 1,096,097</u> |

BOSTON HARBOR NOW, INC.**Statement of Functional Expenses
For the Year Ended March 31, 2017**

| | Economic Development and Public Programs | Environment and Education | Park Promotion | Total Program | Management and General | Fundraising | Total |
|--|---|--|---------------------------|--------------------------|---------------------------------------|--------------------|---------------------|
| Contract and professional services | \$ 855,283 | \$ 52,246 | \$ - | \$ 907,529 | \$ 96,231 | \$ 2,160 | \$ 1,005,920 |
| Salaries, wages and benefits | 652,248 | 249,264 | 27,605 | 929,117 | 179,147 | 168,926 | 1,277,190 |
| Occupancy | - | 55,828 | - | 55,828 | - | - | 55,828 |
| Special event management | - | - | - | - | - | 81,369 | 81,369 |
| Special event venue and equipment rental | - | - | - | - | - | 39,214 | 39,214 |
| Special event materials and supplies | - | - | - | - | - | 32,158 | 32,158 |
| Office expense and supplies | 28,400 | 28,943 | 4,373 | 61,716 | 67,629 | 34,129 | 163,474 |
| Insurance | - | - | - | - | 13,396 | - | 13,396 |
| Depreciation and amortization | - | - | - | - | 10,282 | - | 10,282 |
| Total | \$ 1,535,931 | \$ 386,281 | \$ 31,978 | \$ 1,954,190 | \$ 366,685 | \$ 357,956 | \$ 2,678,831 |

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

BOSTON HARBOR NOW, INC.

Notes to Financial Statements

1. Organization Purpose

Boston Harbor Now, Inc. (the “Organization”) is a not-for-profit organization whose primary mission is to be the leading advocate for a comprehensive vision for Boston Harbor by focusing on: harbor wide planning and development; expanding opportunities for more open space and recreational opportunities; greater public access; development of a world class water transportation system; and increased resilience to the impacts of climate change.

Merger

In December 2015, Boston Harbor Island Alliance, Inc. consummated a plan of merger with The Boston Harbor Association, Inc. effective April 1, 2016 to form a new civic nonprofit organization, Boston Harbor Now, devoted to ensuring a vibrant future for Boston Harbor, its waterfront and the Boston Harbor Islands National and State Park.

Prior to the merger, The Boston Harbor Association, Inc. (the “Association”) worked to enhance Boston Harbor through balanced, environmentally sensitive and accessible development, maintenance, and use. The Association advocated for greater public access, more open spaces, and improved public amenities along Boston Harbor.

Before the merger, the principal objectives of Boston Harbor Island Alliance (the “Alliance”) included the promotion of the use, enjoyment and awareness of the Boston Harbor Islands national park area by creating vibrant public spaces, facilities, and programming on the islands, raising and managing the public and private resources necessary to do so.

The primary purpose for the merger is to leverage the unique strengths of two nonprofit organizations who have been highly influential in the transformation of Boston Harbor – the Association with its work on the waterfront and the Alliance with its work on the Islands. Each organization brings complementary skills and resources from many years of experience working to clean up Boston Harbor, revitalize and promote access to the waterfront, and establish and activate the Boston Harbor Islands National and State Park.

The terms of the agreement provided for the assets, liabilities, and net assets of the merging organizations to transfer to the new entity on the merger effective date. Accordingly, as a result of the merger, both Boston Harbor Island Alliance, Inc. and The Boston Harbor Association, Inc. were dissolved and their combined net assets of \$1,461,224 became the Organization’s opening net assets balance on April 1, 2016. Pursuant to FASB ASC 958-805 *Not-For-Profit Entities: Mergers and Acquisitions*, this business combination was treated as a merger in these financial statements because the governing bodies of the merging organizations ceded control to the newly created nonprofit organization. See Note 9 for detail of assets, liabilities and net assets of the merging organizations on the merger effective date.

2. Summary of Significant Accounting Policies

Basis of Presentation

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, the Organization determines the classification of its net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions.

BOSTON HARBOR NOW, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

The net assets of the Organization are reported in three categories as follows:

- (1) Unrestricted net assets represent resources that are available for support of the Organization's general operations.
- (2) Temporarily restricted net assets represent resources restricted by donors for a specific period or purpose.
- (3) Permanently restricted net assets represent resources which cannot be expended and the income derived from which is utilized in accordance with the donors' stipulations.

The Organization had no permanently restricted net assets as of or for the year ended March 31, 2017.

Support and Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions that are classified as temporarily restricted are reclassified as unrestricted net assets upon satisfaction of the program restriction or expiration of the time restriction.

Unconditional promises to give that are expected to be collected within one year are reported at their net realizable value. Unconditional promises to give that are expected to be collected in future years are reported at the present value of estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. During the year ended March 31, 2017, the Organization received \$5,000 of conditional promises to give for which the related conditions were not met as of year-end.

Certain grants received by the Organization are recognized when the services are provided and expenses are incurred.

Under the terms of cost reimbursement agreements, government contracts are recognized as expenses are incurred. Government contracts receivable represents amounts due on contracts in which costs have been incurred but not yet reimbursed as of March 31, 2017. As of March 31, 2017, approximately \$254,000 of government contracts are available to be drawn down upon once the associated expenses have been incurred.

The Organization conducts special events, including the annual Regatta and Gala (including a silent auction). Revenues from special events are presented net of direct benefit to donors.

Earned income, which represents income from cruise and tour fees of the Islands and food and catering sales, is recorded when earned.

The Organization receives various types of in-kind support in the form of contributed services and other tangible supplies. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, and would typically need to be purchased if not provided by donation. Contributed supplies are recorded at their fair market value on the date of contribution. These contributed services and supplies are presented as in-kind support and equivalent expenses in their natural functional categories in the statement of activities and changes in net assets.

BOSTON HARBOR NOW, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consists of money market and checking account balances as well as cash held in a brokerage account.

Restricted Cash

Restricted cash represents donations held in a separate bank account under a fiscal agency arrangement as disclosed in Note 6.

Furniture and Equipment

The Organization's policy is to capitalize the cost of furniture and equipment purchased in excess of \$1,000. Expenditures for maintenance and repairs are charged to expenses as incurred. Depreciation is computed over the estimated useful life of these furniture and equipment, which is five years, using the straight-line method.

Intangible Assets

Intangible assets consists of costs capitalized for the design and implementation of the Organization's new website after the merger, which was completed during the year ended March 31, 2017. Website development costs are capitalized if future benefits are deemed to exist beyond one year from the statement of financial position date. Intangible assets are amortized using the straight-line method over the useful life of three years.

Deferred Revenue

Deferred revenue primarily represents advances received on contracts from government agencies for which related expenses have yet to be incurred.

Functional Allocation of Expenses

The costs of operating the various programs of the Organization have been detailed in the statement of functional expenses and summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain indirect costs have been allocated among programs and supporting services benefited.

Use of Estimates and Subsequent Events

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

The Organization's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on July 27, 2018, the date these financial statements became available to be issued. No events have occurred subsequent to the statement of financial position date and through the date of evaluation that meet the criteria required for disclosure or accrual.

BOSTON HARBOR NOW, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization's activities are described in Internal Revenue Code Section 501(c) (3) and, therefore, is exempt from federal income taxes. The Organization is also exempt from Massachusetts income taxes under Massachusetts General Law Chapter 180.

3. Unconditional Promises to Give and Accounts Receivable

Unconditional promises to give are stated at the amount management expects to collect on outstanding balances from contribution and grant funders. Accounts receivable are stated at the amount management expects to collect on outstanding balances from customers. Management provides for probable uncollectible amounts through a provision for bad debt expense and a corresponding reserve based on its assessment of the current status of individual accounts. Balances that are still outstanding after management had used reasonable collection efforts are written off through a charge to the allowance and a credit to unconditional promises to give. As of March 31, 2017, no bad debt reserves were deemed necessary.

Unconditional promises to give consist of the following at March 31, 2017:

| | |
|---------------------------------------|-------------------|
| Receivable in less than one year: | |
| Foundations | \$ 535,000 |
| Corporations | 53,650 |
| Total | <u>588,650</u> |
| Receivable between one and two years: | |
| Foundations | 125,000 |
| Less: present value discount | <u>(5,000)</u> |
| | <u>120,000</u> |
| | <u>\$ 708,650</u> |

The present value of estimated future cash flows has been determined utilizing a discount rate of 4% (prime rate) as of March 31, 2017.

Accounts receivable represents a refund due to the Organization from a tax jurisdiction at March 31, 2017.

4. Furniture and Equipment

At March 31, 2017, furniture and equipment consisted of the following:

| | |
|-------------------------------|------------------|
| Computer and office equipment | \$ 74,755 |
| Furniture | 17,521 |
| | <u>92,276</u> |
| Accumulated depreciation | <u>(75,534)</u> |
| | <u>\$ 16,742</u> |

BOSTON HARBOR NOW, INC.

Notes to Financial Statements

5. Intangible Assets

At March 31, 2017, intangible assets consisted of the following:

| | | |
|---------------------------|----|---------------|
| Website development costs | \$ | 25,599 |
| Accumulated amortization | | (2,844) |
| | \$ | <u>22,755</u> |

Amortization expense for the following three years is as follows:

| | | |
|------|----|-------|
| 2018 | \$ | 8,533 |
| 2019 | | 8,533 |
| 2020 | | 5,689 |

During the year ended March 31, 2017, the Organization paid \$25,599 for enhancements to its website and simultaneously determined that the costs associated with the Boston Harbor Island Alliance website previously capitalized had no significant future benefit. Accordingly, the Organization recorded a loss on abandonment of intangible assets of \$29,134 during the year ended March 31, 2017, which has been included in the statement of activities and changes in net assets under the caption 'Loss on abandonment of website development costs'.

6. Agency Funds Held

In previous years, the Association has accepted certain donations on behalf of the Judge A. David Mazzone Deer Island Memorial Committee, Inc. for the purpose of creating and maintaining a memorial for Judge Mazzone on Deer Island. The Organization does not have oversight or responsibility as to how the funds are used and only acts as a custodian of the funds. The funds are maintained in a separate bank account, as disclosed in Note 2. As of March 31, 2017 the asset and related liability attributable to the Mazzone Fund both reflected a balance of \$24,527.

7. In-Kind Gifts

During the years ended March 31, 2017, the Organization recognized income from contributed goods and services as follows:

| | | |
|------------------------------------|----|---------------|
| Professional fees | \$ | 9,300 |
| Event food, beverages and supplies | | 21,951 |
| | \$ | <u>31,251</u> |

The Organization received goods and services for the 5K Fun Run and its special events during the year ended March 31, 2017. The amounts contributed to these events was \$29,451 during the year ended March 31, 2017. The value of these goods and services is included as a component of special events - materials and supplies on the statements of functional expenses.

BOSTON HARBOR NOW, INC.

Notes to Financial Statements

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of funds that are available for the following purposes at March 31, 2017:

| | | |
|--|----|------------------|
| Boston harbor environmental monitoring project | \$ | 7,653 |
| Climate change and preparedness | | 250,000 |
| Communications strategy & website consulting | | 15,000 |
| Boston Harbor Now integration costs | | 66,039 |
| Mitigation funds | | 1,367 |
| Park promotion | | 194,249 |
| Pavilion operations | | 304,349 |
| Peddocks Island improvements | | 45,937 |
| Public access and safety | | 28,858 |
| Public outreach and park development | | 31,651 |
| Waterfront programs | | 17,635 |
| Time restricted grants | | 410,000 |
| | \$ | <u>1,372,738</u> |

Net assets released from restrictions during the year ended March 31, 2017 were as follows:

| | | |
|--|----|----------------|
| Boston harbor environmental monitoring project | \$ | 18,663 |
| Climate change and preparedness | | 17,500 |
| Boston Harbor Now integration costs | | 266,032 |
| Park promotion | | 150,938 |
| Pavilion operations | | 72,742 |
| Peddocks Island improvements | | 34,063 |
| Public access and safety | | 18,194 |
| Waterfront programs | | 87,819 |
| Release of time restriction | | 30,000 |
| | \$ | <u>695,951</u> |

BOSTON HARBOR NOW, INC.

Notes to Financial Statements

9. Merger of Not-For-Profit Entities

As disclosed in Note 1, on the effective date of the merger, the assets, liabilities, and net assets of Boston Harbor Island Alliance, Inc. and The Boston Harbor Association, Inc. were transferred to Boston Harbor Now, Inc. The major classes of assets, liabilities, and net assets for the merging organizations was as follows as of April 1, 2016:

| Major Classes of Assets, Liabilities and Net Assets | | | | | |
|--|--|--|--------------------|-------------------|------------------------------------|
| April 1, 2016 | | | | | |
| | Boston Harbor Island Alliance, Inc. | The Boston Harbor Association, Inc. | Adjustments | | Boston Harbor Now, Inc. |
| | | | Debit | Credit | |
| Assets: | | | | | |
| Cash and cash equivalents | \$ 1,909,846 | \$ 248,140 | \$ - | \$ - | \$ 2,157,986 |
| Unconditional promises to give | 96,280 | - | - | - | 96,280 |
| Government grants receivable | 17,340 | - | - | - | 17,340 |
| Prepaid expenses | 34,271 | 3,328 | - | - | 37,599 |
| Intangible assets, net | 30,400 | - | - | - | 30,400 |
| Furniture and equipment, net | 15,850 | 3,129 | - | - | 18,979 |
| Funds held for others | - | 24,513 | - | - | 24,513 |
| Total assets | \$ 2,103,987 | \$ 279,110 | - | - | \$ 2,383,097 |
| Liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 324,637 | \$ 28,901 | \$ - | \$ 5,400 | \$ 358,938 |
| Fiduciary liability | - | 24,513 | - | - | 24,513 |
| Deferred revenue | 350,707 | 150,615 | 147,500 | - | 353,822 |
| Refundable advances | 42,500 | - | - | 142,100 | 184,600 |
| Total liabilities | 717,844 | 204,029 | 147,500 | 147,500 | 921,873 |
| Net assets: | | | | | |
| Unrestricted | 335,520 | 47,426 | - | - | 382,946 |
| Temporarily restricted | 1,050,623 | 27,655 | - | - | 1,078,278 |
| Total net assets | 1,386,143 | 75,081 | - | - | 1,461,224 |
| Total liabilities and net assets | \$ 2,103,987 | \$ 279,110 | \$ 147,500 | \$ 147,500 | \$ 2,383,097 |

BOSTON HARBOR NOW, INC.

Notes to Financial Statements

9. Merger of Not-For-Profit Entities (continued)

Of The Association's liabilities at the merger date, \$147,500 related to unspent funds on conditional grants received from private foundations. The Association's accounting policy was to recognize grant revenue as services required under the grant are performed with any grant funding received in advance reported as deferred revenue. The Alliance's accounting policy was to treat grants as revenue at the time all grant conditions have been met with any conditional grant funds received in advance reported as refundable advances. Boston Harbor Now has conformed its policy to that of the Alliance. In addition, \$5,400 of expenses allocable to a conditional grant received by the Association were incurred but not recognized by the Association prior to the merger. Accordingly, an adjustment had been made to increase accrued expenses and reduce refundable advances by \$5,400 since that component of the grant was not conditional as of the merger effective date. These adjustments resulted in no net change to the opening net assets of Boston Harbor Now.

10. Office Relocation and Fee/Rental Payments

The Organization has a cost recovery agreement with National Park Service for use of the premises located in Boston, Massachusetts, as part of the larger cooperative management agreement. The agreement, which expires on April 30, 2018, sets forth the responsibilities that both the Organization and the National Park Service have with regard to the cooperative management of Boston Harbor Islands National Recreation Area. This agreement outlines the authority over the Islands as well as the work to be done on the Islands, among other provisions.

The agreement provides for the Organization to make quarterly fee/rental payments which are computed based on square footage of space occupied. Rental expense for the year ended March 31, 2017 was \$21,976 and is reported as a component of occupancy costs on the statements of functional expenses. Future minimum fee/rental payments under the reimbursement agreement are as follows:

| <u>Years ending March 31,</u> | <u>Amount</u> |
|-------------------------------|---------------|
| 2018 | \$ 18,639 |
| 2019 | 1,553 |

11. Retirement Plan

The Organization sponsors a defined contribution plan for all full-time employees. The plan is qualified under Internal Revenue Code Section 403(b) and the Employee Retirement Income Security Act. Contributions made by the Organization to the plan during the year ended March 31, 2017 were \$29,850.

12. Line-of-Credit

The Organization has a revolving line-of-credit agreement with its bank permitting advances up to 95% of cash in preferred deposits held in the Organization's brokerage account as of March 31, 2017 (\$29,904). The line-of-credit bears interest at the prime rate of 4% at March 31, 2017. The line of credit is secured and collateralized by these assets. As of March 31, 2017, the Organization had no outstanding balance on its line of credit.

BOSTON HARBOR NOW, INC.

Notes to Financial Statements

13. Concentration Risks

The Organization received approximately 23% of its total support and revenue from one funder during the year ended March 31, 2017. At March 31, 2017, that same funder comprised 81% of the total unconditional promises to give, government grant receivable, and accounts receivable balances.

The Organization has a concentration of credit risk in that it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. The maximum deposit insurance amount is \$250,000 for interest-bearing accounts, which is applied per depositor, per insured depository institution for each account ownership category.