

# **Nine Mile Run Watershed Association**

## **Financial Statements and Supplementary Information**

**Years Ended December 31, 2019 and 2018  
with Independent Auditor's Report**

**MaherDuessel**

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# NINE MILE RUN WATERSHED ASSOCIATION

YEARS ENDED DECEMBER 31, 2019 AND 2018

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## **Independent Auditor's Report**

### **Board of Directors Nine Mile Run Watershed Association**

We have audited the accompanying financial statements of Nine Mile Run Watershed Association (Association), a non-profit organization, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2019 and 2018, 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.

## Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Inter-program Adjusting Statements of Activities on page 20 are presented for purposes of additional analysis and are 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 information is fairly stated in all material aspects in relation to the financial statements as a whole.

*Maher Duessel*

Pittsburgh, Pennsylvania  
July 20, 2020

# NINE MILE RUN WATERSHED ASSOCIATION

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
<b>Assets</b>		
Current assets:		
Cash	\$ 322,997	\$ 56,733
Trade receivables	48,968	33,841
Grants receivable	145,000	135,000
Inventory	12,965	13,706
Prepaid expenses	4,270	8,158
Total current assets	534,200	247,438
Fixed assets, net	21,189	26,917
<b>Total Assets</b>	<b>\$ 555,389</b>	<b>\$ 274,355</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable	\$ 30,401	\$ 92,526
Accrued expenses	22,979	5,625
Customer deposits	34,470	-
Line of credit	-	30,000
Total current liabilities	87,850	128,151
Net Assets:		
Without donor restrictions	(284,665)	(177,687)
With donor restrictions	752,204	323,891
Total Net Assets	467,539	146,204
<b>Total Liabilities and Net Assets</b>	<b>\$ 555,389</b>	<b>\$ 274,355</b>

See accompanying notes to financial statements.

# NINE MILE RUN WATERSHED ASSOCIATION

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Other Revenue:</b>			
Memberships and individual contributions	\$ 90,868	\$ -	\$ 90,868
Grants	141,258	690,000	831,258
Non-profit grants	6,600	58,000	64,600
StormWorks, net of \$69,015 cost of goods sold	110,511	-	110,511
Special event revenue, net of direct costs	-	-	-
Donated services and materials	13,500	-	13,500
Program fees	3,735	-	3,735
Investment income	446	-	446
Miscellaneous income	525	-	525
	<u>367,443</u>	<u>748,000</u>	<u>1,115,443</u>
Net assets released from restrictions	<u>319,687</u>	<u>(319,687)</u>	<u>-</u>
Total support and other revenue	<u>687,130</u>	<u>428,313</u>	<u>1,115,443</u>
<b>Expenses:</b>			
Program services	643,612	-	643,612
Management and general	133,684	-	133,684
Fundraising	16,812	-	16,812
Total expenses	<u>794,108</u>	<u>-</u>	<u>794,108</u>
<b>Change in Net Assets</b>	<u>(106,978)</u>	<u>428,313</u>	<u>321,335</u>
<b>Net Assets:</b>			
Beginning of year	<u>(177,687)</u>	<u>323,891</u>	<u>146,204</u>
End of year	<u>\$ (284,665)</u>	<u>\$ 752,204</u>	<u>\$ 467,539</u>

See accompanying notes to financial statements.

# NINE MILE RUN WATERSHED ASSOCIATION

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Other Revenue:</b>			
Memberships and individual contributions	\$ 50,344	\$ -	\$ 50,344
Grants	130,293	179,385	309,678
Non-profit grants	63,026	-	63,026
StormWorks, net of \$48,731 cost of goods sold	167,570	-	167,570
Special event revenue, net of \$841 direct costs	3,859	-	3,859
Donated services and materials	14,479	-	14,479
Program fees	6,758	-	6,758
Investment income	42	-	42
Miscellaneous income	125	-	125
	<u>436,496</u>	<u>179,385</u>	<u>615,881</u>
Net assets released from restrictions	<u>414,600</u>	<u>(414,600)</u>	<u>-</u>
Total support and other revenue	<u>851,096</u>	<u>(235,215)</u>	<u>615,881</u>
<b>Expenses:</b>			
Program services	656,402	-	656,402
Management and general	38,620	-	38,620
Fundraising	23,372	-	23,372
Total expenses	<u>718,394</u>	<u>-</u>	<u>718,394</u>
<b>Change in Net Assets</b>	<u>132,702</u>	<u>(235,215)</u>	<u>(102,513)</u>
<b>Net Assets:</b>			
Beginning of year	<u>(310,389)</u>	<u>559,106</u>	<u>248,717</u>
End of year	<u>\$ (177,687)</u>	<u>\$ 323,891</u>	<u>\$ 146,204</u>

See accompanying notes to financial statements.

# NINE MILE RUN WATERSHED ASSOCIATION

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 363,836	\$ 52,944	\$ 13,523	\$ 430,303
Payroll taxes	26,855	2,730	454	30,039
Employee benefits	23,793	2,941	499	27,233
Contracted services	6,228	-	-	6,228
Small events	1,344	-	-	1,344
Field supplies	66,511	214	-	66,725
Printing and publications	6,068	253	40	6,361
Professional fees	49,610	49,665	-	99,275
Accounting fees	15,083	1,613	157	16,853
Occupancy	30,088	5,143	689	35,920
Conferences, conventions, and meetings	1,962	100	-	2,062
Depreciation	4,433	1,295	-	5,728
Supplies	5,734	1,368	24	7,126
Postage and shipping	1,012	941	206	2,159
Telephone	10,830	3,474	178	14,482
Travel and vehicles	16,013	101	2	16,116
Insurance	2,260	2,579	64	4,903
Miscellaneous	11,952	8,323	976	21,251
Total	<u>\$ 643,612</u>	<u>\$ 133,684</u>	<u>\$ 16,812</u>	<u>\$ 794,108</u>

See accompanying notes to financial statements.



# NINE MILE RUN WATERSHED ASSOCIATION

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 334,378	\$ 22,051	\$ 16,035	\$ 372,464
Payroll taxes	24,003	1,583	1,151	26,737
Employee benefits	21,493	136	1,002	22,631
Contracted services	75,838	-	-	75,838
Small events	787	-	-	787
Field supplies	82,623	8	-	82,631
Printing and publications	4,992	141	810	5,943
Professional fees	15,279	299	-	15,578
Accounting fees	14,569	1,359	645	16,573
Occupancy	31,968	2,472	1,373	35,813
Conferences, conventions, and meetings	394	230	-	624
Depreciation	4,949	1,618	-	6,567
Supplies	2,111	550	51	2,712
Postage and shipping	825	481	708	2,014
Telephone	10,945	1,317	411	12,673
Travel and vehicles	12,029	181	10	12,220
Insurance	3,058	1,258	134	4,450
Miscellaneous	16,161	4,936	1,042	22,139
Total	<u>\$ 656,402</u>	<u>\$ 38,620</u>	<u>\$ 23,372</u>	<u>\$ 718,394</u>

See accompanying notes to financial statements.

# NINE MILE RUN WATERSHED ASSOCIATION

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 321,335	\$ (102,513)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,728	6,567
Change in:		
Trade receivables	(15,127)	87
Grants receivable	(10,000)	40,000
Inventory	741	(1,432)
Prepaid expenses	3,888	(4,211)
Accounts payable	(62,125)	11,756
Accrued expenses	17,354	(3,042)
Customer deposits	34,470	-
Net cash provided by (used in) operating activities	296,264	(52,788)
<b>Cash Flows From Financing Activities:</b>		
Drawdown on line of credit	45,000	73,000
Payments on line of credit	(75,000)	(43,000)
Net cash provided by (used in) financing activities	(30,000)	30,000
<b>Net Increase (Decrease) in Cash</b>	266,264	(22,788)
<b>Cash:</b>		
Beginning of year	56,733	79,521
End of year	\$ 322,997	\$ 56,733

See accompanying notes to financial statements.

# NINE MILE RUN WATERSHED ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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### 1. Organization and Nature of Activities

#### Organization

The Nine Mile Run Watershed Association (Association) is a nonprofit organization operating in Southwestern Pennsylvania. Its mission is to restore and protect its watershed ecosystem, while working regionally to support and implement resilient solutions for a healthy urban environment. The Association envisions a region with clean water accessible to all, healthy and resilient communities, and ecosystems restored to their natural functions. Program areas include:

#### Restore and Protect The Nine Mile Run Watershed

This program area focuses on working with individuals, commercial landowners, and municipalities to implement green solutions in the watershed and sewershed on a scale that will positively impact ecological health. This program also includes restoration projects within the watershed, active stewardship of the Nine Mile Run Aquatic Ecosystem, and the Urban Forestry program.

#### Inform and Educate The Public

This program area focuses on building stakeholder support necessary to ensure the adoption of progressive green solutions, at the watershed level and regionally, in order to sustain and extend the success of Nine Mile Run restoration for future generations. Activities included in this area are individual and group environmental education efforts for children and adults, special events, monitoring of water quality and habitat in the restoration area, and participation in regional environmental coalitions.

#### Regional Advocacy

This program area focuses on maintaining leadership roles in regional discussions and efforts dedicated to water. Where feasible, the Association partners with regional entities to help further the development and implementation of watershed collaboratives and green stormwater infrastructure.

#### StormWorks

This program area makes the Association's expertise in sustainable stormwater management available to a wider audience by offering products and consulting services

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# NINE MILE RUN WATERSHED ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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to residents, businesses, and municipalities, both inside and outside of the watershed, with an interest in managing stormwater more responsibly. These activities also generate a stream of earned income for the Association. Certain StormWorks revenues were inter-program transactions and have been eliminated in the statements of activities. StormWorks revenue eliminated totaled \$119 for the year ended December 31, 2018. There were no inter-program transactions for the year ended December 31, 2019. Please refer to the supplementary information at the end of this report.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues and support are recorded when earned and expenses are recognized when the liabilities are incurred.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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 may differ from those estimates.

### Net Asset Classes

Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified and reported as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and its Board of Directors.

With Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be

# NINE MILE RUN WATERSHED ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Association has no net assets with donor restrictions that are required to be maintained in perpetuity.

### Donated Services

The Association recognizes donated services in accordance with accounting principles generally accepted in the United States of America if the services create or enhance non-financial assets, require specialized skills, and are performed by individuals with those skills, or if the services would otherwise be purchased by the Association. These services have been recognized on the accompanying statements of activities at the total fair value of services received.

### Cash

Cash includes cash on hand and at financial institutions. The Association maintains cash at financial institutions, which may at times exceed federally insured amounts. Cash at these institutions was fully insured by the Federal Deposit Insurance Corporation (FDIC) at December 31, 2019 and 2018.

### Trade Receivables

The Association regularly extends credit to customers for purchases made in the normal course of business based upon management's assessment of their creditworthiness. A valuation allowance is provided for those accounts for which collection is doubtful; uncollectible accounts are written off and charged against the allowance. Increases in the allowance are charged to management and general expenses. Accounts are judged to be delinquent principally based on contractual terms. No allowance for doubtful accounts has been provided at December 31, 2019 and 2018. All trade receivables are expected to be collected in one year.

### Grants Receivable

Grants receivable consist primarily of grants made related to programs and operating expenses. The Association considers all such receivables to be collectible at December 31, 2019 and 2018. Grants receivable are expected to be collected in one year.

# NINE MILE RUN WATERSHED ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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### Inventory

Inventory is stated at the lower of cost or net realizable value, determined by the first-in, first-out method, and consists of apparel, rain containers, and parts needed to ready the rain containers for use.

### Income Taxes

The Association is tax-exempt under Section 501(c)(3) of the United States Internal Revenue Code, except on net income derived from unrelated business activities. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation. Further, the Association annually files a Form 990 and 990T as applicable. Management asserts that they have no uncertain tax positions.

### Fixed Assets

Fixed assets consist of vehicles, furniture, equipment, leasehold improvements, molds and parts, and are recorded at cost if purchased or at estimated fair value at the time of donation. Expenses for property and equipment in excess of \$1,000 with determinable lives are capitalized and depreciated. Molds and parts relate to expenses incurred for the design and development of the StormWorks rain container. Depreciation is computed over a period ranging from three to ten years using the straight-line method. Maintenance and repairs are charged to expense as incurred; renewals and betterments are capitalized. When equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any resulting gain or loss is reflected in the statements of activities.

### Revenues and Support

Membership dues are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Association recognizes the exchange portion of membership dues over the membership period, and the contribution portion immediately.

The Association recognizes grants and contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The Association has no

# NINE MILE RUN WATERSHED ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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conditional promises to give at December 31, 2019 and 2018. Grants and contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue from StormWorks, cost reimbursement grants, and program fees is recognized when inventory is delivered or at the time the services are performed, as performance obligations are satisfied upon these events. There were no revenue processes not completed at the date of the initial application of ASU 2014-09, *“Revenue from Contracts with Customers (Topic 606).”* There have been no changes in the significant judgements related to the amount or timing of revenue from these transactions and there are no impairment losses to recognize. At December 31, 2019, the Association has customer deposits totaling \$34,470 for rain barrels to be produced and delivered in fiscal year 2020. The Association had no customer deposits at December 31, 2018.

### Functional Allocation of Expenses

The Association charges expenses that are directly identifiable to program services, management and general, and fundraising. Expenses related to more than one function are allocated to programs and supporting services on the basis of estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any other functional classification but provide overall support and direction for the Association.

### Adopted Accounting Standards Updates

The provisions of these Standards Updates have been adopted and incorporated into these financial statements.

ASU 2014-09, *“Revenue from Contracts with Customers (Topic 606).”* The amendment provides guidance for revenue recognition related to contracts involving the transfer of promised goods or services to customers and the related disclosures.

ASU 2016-18, *“Statement of Cash Flows (Topic 230): Restricted Cash.”* The amendment requires that the statement of cash flows explain the change during the period in the total

# NINE MILE RUN WATERSHED ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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cash and cash equivalents including the changes of those amounts generally described as restricted cash or restricted cash equivalents.

ASU 2018-08, *"Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)."* The amendment provides guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions.

### Pending Accounting Standards Updates

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these updates on the financial statements.

ASU 2016-02, *"Leases (Topic 842),"* is effective, as delayed, for the financial statements for the year beginning after December 15, 2020. This amendment and related amendments will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2016-13, *"Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,"* is effective, as delayed, for the financial statements for the year beginning after December 15, 2022. This amendment and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

ASU 2018-13, *"Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820),"* is effective for the financial statements for the year beginning after December 15, 2019. The amendment removes and modifies certain fair value hierarchy leveling disclosures.



# NINE MILE RUN WATERSHED ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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ASU 2019-03, *“Not-for-Profit Entities (Topic 958): Updating the Definition of Collections,”* is effective for reporting periods beginning after December 15, 2019. The amendment modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds when collection items are removed from a collection. If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care.

ASU 2018-15, *“Customers Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract,”* is effective for reporting periods beginning after December 15, 2020. The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing costs incurred to develop or obtain internal-use software.

ASU 2018-18, *“Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606,”* is effective for reporting periods beginning after December 15, 2021. The amendment affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income.

ASU 2018-14, *“Compensation – Retirement Benefits-Defined Benefit Plans (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans,”* is effective for reporting periods beginning after December 15, 2021. The amendment modifies disclosure requirements from Subtopic 715-20 and clarifies the disclosure requirements in paragraph 715-20-50-3.

### Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

# NINE MILE RUN WATERSHED ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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### 3. Fixed Assets

Fixed assets at December 31, 2019 and 2018 consisted of:

	2019	2018
Vehicles	\$ 51,238	\$ 51,238
Furniture	4,500	4,500
Office equipment	12,410	12,410
Equipment	2,163	2,163
Leasehold improvements	6,475	6,475
Molds and parts	44,329	44,329
	121,115	121,115
Less: accumulated depreciation	(99,926)	(94,198)
Total fixed assets, net	\$ 21,189	\$ 26,917

Depreciation expense for the years ended December 31, 2019 and 2018 was \$5,728 and \$6,567, respectively.

### 4. Line of Credit

The Association entered into a line of credit agreement with PNC Bank in November 2014, with a maximum borrowing limit of \$30,000. The interest rate as of December 31, 2019 and 2018 was 2.99% and 5.75%, respectively. There were no outstanding borrowings on this line of credit at December 31, 2019 and \$30,000 of outstanding borrowings on this line of credit at December 31, 2018. The line is reviewed annually for renewal and is currently available through November 15, 2020.

# NINE MILE RUN WATERSHED ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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### 5. Operating Leases

The Association leases office space. Rent expense for the years ended December 31, 2019 and 2018 was approximately \$27,900 and \$27,800, respectively. Future minimum lease payments are as follows:

2020	\$	26,620
2021		27,410
2022		28,190
2023		4,720
		<u>4,720</u>
	\$	<u>86,940</u>

### 6. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 are restricted for the following purposes:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specified purpose (or purpose and time):		
Restore and Protect	\$ 349,359	\$ 251,868
Inform and Educate	333,376	40,014
StormWorks	51,000	7,009
Sustain	<u>18,469</u>	<u>25,000</u>
Total net assets with donor restrictions	<u>\$ 752,204</u>	<u>\$ 323,891</u>

During the years ended December 31, 2019 and 2018, net assets of \$319,687 and \$414,600, respectively, were released by incurring expenses satisfying the restricted purpose.

# NINE MILE RUN WATERSHED ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

### 7. Availability and Liquidity

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments.

As of December 31, 2019 and 2018, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures of the Association:

	2019	2018
Cash	\$ 322,997	\$ 56,733
Trade receivables	48,968	33,841
Grants receivable	145,000	135,000
Total financial assets	516,965	225,574
Less: Amounts not available to be used within one year		
Net assets with donor restrictions	(471,388)	(323,891)
Total financial assets available to meet general expenditures	\$ 45,577	\$ (98,317)

As of the year ended December 31, 2019, the Association had a deficit of (\$284,665) in net assets without donor restrictions with an overall change in net assets without donor restrictions of (\$106,978). This deficit in net assets without donor restrictions has put added pressure on organizational cash flow to meet both programmatic and operating needs. Management, with the aid of detailed cash flow projections, by managing payment terms, and through use of available lines of credit, has been able to successfully manage cash flow on a monthly basis.

Management is exploring a number of strategic initiatives to fund the deficit caused from historical manufacturing defects and supply chain issues incurred by StormWorks. The StormWorks business model is being reevaluated for the fiscal year 2020 season. A number of internal procedural improvements, the addition of a project manager, and the decision to subcontract final installation for rain gardens are steps taken to improve the profitability of StormWorks.

The Association continues to explore more areas of revenue without donor restrictions including growing membership and applying for grants with allocated resources for

# NINE MILE RUN WATERSHED ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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operating. Additionally, a number of donor restricted assets at year-end are time bound operational funding for the next two years.

### **8. Donated Services and Volunteer Services**

Donated services represent services donated to the Association. Professional water testing services totaling \$13,500 and \$14,479 were donated to the Association in the years ended December 31, 2019 and 2018, respectively.

Volunteer services totaled \$43,307 and \$54,469 for the years ended December 31, 2019 and 2018, respectively. No amounts have been recognized in the accompanying statements of activities for these services because the criteria for recognition in the financial statements have not been satisfied.

### **9. Concentrations**

The Association derived approximately 65% of support and other revenue from four grantors during the year ended December 31, 2019 and 35% of support and other revenue from three grantors during the year ended December 31, 2018.

### **10. Benefit Plan**

The Association has a SIMPLE IRA plan (plan) that covers substantially all full-time employees. The plan allows for employee contributions of up to 6%, with an employer match of 3%. The Association recognized an expense of \$4,448 and \$5,530 for the years ended December 31, 2019 and 2018, respectively.

### **11. Endowment Held by A Third Party**

During 2010, the Association received a donation of \$100,000, which was placed into an endowment fund held by a third-party community foundation that was granted variance power. If the donor explicitly grants a third-party variance power, the beneficiary shall not recognize its potential for future distributions from the assets held by the third party.

# NINE MILE RUN WATERSHED ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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The principal of the fund is to be held in perpetuity, with distributions from the income from the fund made available, upon request of the Board of Directors (Board) to the community foundation, for the ongoing efforts to restore and protect the Nine Mile Run Aquatic Ecosystem Restoration and its environs. A portion of the principal of the fund may from time to time be used in furtherance of the charitable purposes of the fund, by vote of a supermajority of the Board and the Board President's signature and submission of appropriate documentation to the community foundation.

At December 31, 2019 and 2018, the assets held in the endowment fund were \$192,182 and \$181,594, respectively, which included net appreciation in value of \$25,588 for the year ended December 31, 2019 and net depreciation of \$11,478 for the year ended December 31, 2018. There were no contributions to the endowment in 2019 or 2018; however, \$8,700 was transferred from the fund to the Association in 2018 to create a professional Wetlands Mitigation Monitoring Report. As of December 31, 2018, the Association requested and was awaiting a \$15,000 transfer from the endowment, which was received during the year ended December 31, 2019. There were no additional transfers from the fund to the Association in 2019 for additional improvements to the restoration area.

### 12. Collaborative Arrangement

On December 7, 2011, the Association entered into a shared service agreement with three other environmental nonprofit organizations to share the services of a Chief Financial Officer (CFO) known as The Environmental Finance Collaborative (Collaborative). The agreement was most recently modified on January 15, 2019 and now includes four other environmental nonprofit organizations. Under terms of the agreement, each organization shares equally in the services of the CFO and each is obligated to make an equal financial contribution to the Collaborative to pay for those services.

The Association contributed \$20,815 and \$21,152 for the years ended December 31, 2019 and 2018, respectively.

### 13. Related Party Transactions

In the normal course of business, the Association may be involved in transactions with businesses that are represented by the Association's Board members. The Association considers these related party transactions to have been negotiated at "arm's length" and not indicative of a conflict of interest.

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# NINE MILE RUN WATERSHED ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

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### **14. Subsequent Events**

In early 2020, an outbreak of a novel strain of coronavirus was identified, and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity, and other economic activities have had, and may continue to have, a material effect on financial markets and economic activity. The extent of the negative impact of the coronavirus on the Association's operational and financial performance is currently uncertain and cannot be predicted and will depend on certain developments, including, among others, the duration and spread of the outbreak, its impact on the Association's funders, employees and vendors, and governmental, regulatory, and other responses to the coronavirus.

Through this global pandemic, the Association has continued to work remotely since mid-March. Following the implementation of safety protocols, fieldwork has resumed, and there has been no interruption in proceeding with StormWorks consultations, maintenance contracts, and installations. The Association has ceased all in-person volunteer events and outreach, moving to digital platforms to facilitate new programs and continue to provide resources to the community.

A \$104,100 Small Business Administration loan was received in April 2020 through the federal government's Paycheck Protection Program (PPP) that resulted from the COVID-19 pandemic. It is anticipated that the majority of this loan will be forgiven, pending submission and approval of loan forgiveness application. The interest rate of any unforgiven portion is 1% and payable over a 60-month period with deferral of principal and interest payments until the amount of forgiveness is established.

## **SUPPLEMENTARY INFORMATION**



# NINE MILE RUN WATERSHED ASSOCIATION

## INTER-PROGRAM ADJUSTING STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Unadjusted	Inter-Program Elimination	Total	Unadjusted	Inter-Program Elimination	Total
<b>Support and Other Revenue:</b>						
Memberships and individual contributions	\$ 90,868	\$ -	\$ 90,868	\$ 50,344	\$ -	\$ 50,344
Grants	831,258	-	831,258	309,678	-	309,678
Non-profit grants	64,600	-	64,600	63,026	-	63,026
StormWorks, net of costs of good sold	110,511	-	110,511	167,689	(119)	167,570
Special event revenue, net of direct costs	-	-	-	3,859	-	3,859
Donated services and materials	13,500	-	13,500	14,479	-	14,479
Program fees	3,735	-	3,735	6,758	-	6,758
Investment income	446	-	446	42	-	42
Miscellaneous income	525	-	525	125	-	125
Total support and other revenue	<u>1,115,443</u>	<u>-</u>	<u>1,115,443</u>	<u>616,000</u>	<u>(119)</u>	<u>615,881</u>
<b>Expenses:</b>						
Program services	643,612	-	643,612	656,521	(119)	656,402
Management and general	133,684	-	133,684	38,620	-	38,620
Fundraising	16,812	-	16,812	23,372	-	23,372
Total expenses	<u>794,108</u>	<u>-</u>	<u>794,108</u>	<u>718,513</u>	<u>(119)</u>	<u>718,394</u>
<b>Change in Net Assets</b>	<u>\$ 321,335</u>	<u>\$ -</u>	<u>\$ 321,335</u>	<u>\$ (102,513)</u>	<u>\$ -</u>	<u>\$ (102,513)</u>

### Inter-Program Activity

The Association embarked on a large-scale project to implement green infrastructure solutions in connection with a number of local foundation and state grants. The StormWorks program provided technical assistance, rain garden design, and rain barrels as a vendor to this project. As such, certain transactions have been eliminated to reflect these activities. StormWorks revenue eliminated totaled \$0 and \$119 at December 31, 2019 and 2018, respectively.