

**Nine Mile Run
Watershed Association**

Financial Statements
and Supplementary Information

Years Ended December 31, 2020 and 2019
with Independent Auditor's Report

MaherDuessel

Pursuing the profession while promoting the public good©
www.md-cpas.com

NINE MILE RUN WATERSHED ASSOCIATION

YEARS ENDED DECEMBER 31, 2020 AND 2019

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Statements of Financial Position	1
Statements of Activities:	
- Year Ended December 31, 2020	2
- Year Ended December 31, 2019	3
Statements of Functional Expenses:	
- Year Ended December 31, 2020	4
- Year Ended December 31, 2019	5
Statements of Cash Flows	6
Notes to Financial Statements	7

Supplementary Information:

Inter-program Adjusting Statements of Activities	19
--	----

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, 2020 and 2019, 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, 2020 and 2019, 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 19 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
October 1, 2021

NINE MILE RUN WATERSHED ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 368,295	\$ 322,997
Trade receivables	47,145	48,968
Grants receivable	40,000	145,000
Inventory	10,100	12,965
Prepaid expenses	5,707	4,270
Total current assets	471,247	534,200
Fixed assets, net	16,540	21,189
Total Assets	\$ 487,787	\$ 555,389
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 27,974	\$ 30,401
Accrued expenses	6,864	22,979
Customer deposits	-	34,470
PPP loan payable	2,320	-
Total current liabilities	37,158	87,850
Noncurrent liabilities:		
PPP loan payable, net of current portion	15,468	-
Total liabilities	52,626	87,850
Net Assets:		
Without donor restrictions	(139,414)	(284,665)
With donor restrictions	574,575	752,204
Total Net Assets	435,161	467,539
Total Liabilities and Net Assets	\$ 487,787	\$ 555,389

See accompanying notes to financial statements.

NINE MILE RUN WATERSHED ASSOCIATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Other Revenue:			
Memberships and individual contributions	\$ 57,796	\$ -	\$ 57,796
Grants	225,426	147,952	373,378
Non-profit grants	17,400	15,000	32,400
StormWorks, net of \$36,514 cost of goods sold	366,778	-	366,778
Donated services and materials	13,290	-	13,290
Program fees	7,743	-	7,743
Investment income	895	-	895
Miscellaneous income	947	-	947
	690,275	162,952	853,227
Net assets released from restrictions	340,581	(340,581)	-
Total support and other revenue	1,030,856	(177,629)	853,227
Expenses:			
Program services	790,288	-	790,288
Management and general	68,757	-	68,757
Fundraising	26,560	-	26,560
Total expenses	885,605	-	885,605
Change in Net Assets	145,251	(177,629)	(32,378)
Net Assets:			
Beginning of year	(284,665)	752,204	467,539
End of year	\$ (139,414)	\$ 574,575	\$ 435,161

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
Support and Other Revenue:			
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
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>
Expenses:			
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>
Change in Net Assets	<u>(106,978)</u>	<u>428,313</u>	<u>321,335</u>
Net Assets:			
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 FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 409,646	\$ 40,076	\$ 20,872	\$ 470,594
Payroll taxes	29,914	2,611	690	33,215
Employee benefits	32,408	2,973	851	36,232
Contracted services	24,790	-	-	24,790
Small events	224	-	-	224
Field supplies	141,399	69	-	141,468
Printing and publications	3,846	115	569	4,530
Professional fees	43,553	1,123	286	44,962
Accounting fees	16,761	1,651	428	18,840
Occupancy	31,563	3,402	725	35,690
Conferences, conventions, and meetings	1,125	-	-	1,125
Depreciation	4,433	216	-	4,649
Supplies	4,492	6,817	29	11,338
Postage and shipping	1,245	365	475	2,085
Telephone	15,165	1,376	226	16,767
Travel and vehicles	10,731	70	-	10,801
Insurance	3,624	4,136	103	7,863
Miscellaneous	15,369	3,757	1,306	20,432
Total	<u>\$ 790,288</u>	<u>\$ 68,757</u>	<u>\$ 26,560</u>	<u>\$ 885,605</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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Change in net assets	\$ (32,378)	\$ 321,335
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,649	5,728
Change in:		
Trade receivables	1,823	(15,127)
Grants receivable	105,000	(10,000)
Inventory	2,865	741
Prepaid expenses	(1,437)	3,888
Accounts payable	(2,427)	(62,125)
Accrued expenses	(16,115)	17,354
Customer deposits	(34,470)	34,470
Net cash provided by (used in) operating activities	27,510	296,264
Cash Flows From Financing Activities:		
Drawdown on PPP loan	17,788	-
Drawdown on line of credit	-	45,000
Payments on line of credit	-	(75,000)
Net cash provided by (used in) financing activities	17,788	(30,000)
Net Increase (Decrease) in Cash	45,298	266,264
Cash:		
Beginning of year	322,997	56,733
End of year	\$ 368,295	\$ 322,997

See accompanying notes to financial statements.

NINE MILE RUN WATERSHED ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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

NINE MILE RUN WATERSHED ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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 \$43,080 for the year ended December 31, 2020. 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.

NINE MILE RUN WATERSHED ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

With Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be 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. Bank balance of all cash and cash equivalents totaled \$361,347 and \$316,018, respectively, at December 31, 2020 and 2019. At December 31, 2020, the Association had \$16,344 in excess of the FDIC insurance limit. At December 31, 2019, the Association's entire bank balance was covered by FDIC insurance.

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, 2020 and 2019. All trade receivables are expected to be collected in one year.

NINE MILE RUN WATERSHED ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019. Grants receivable are expected to be collected in one year.

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 \$5,000 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

NINE MILE RUN WATERSHED ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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 conditional promises to give at December 31, 2020 and 2019. 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 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 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 had 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, 2020.

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.

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.

NINE MILE RUN WATERSHED ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

ASU 2016-02, *“Leases (Topic 842),”* is effective, as delayed, for the financial statements for the year beginning after December 15, 2021. 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 2020-07, *“Not-For-Profit Entities (Subtopic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets,”* is effective for reporting periods beginning after June 15, 2021. The amendments in this update address presentation and disclosure of contributed nonfinancial assets.

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.

3. Fixed Assets

Fixed assets at December 31, 2020 and 2019 consisted of:

	2020	2019
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	(104,575)	(99,926)
Total fixed assets, net	<u>\$ 16,540</u>	<u>\$ 21,189</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$4,649 and \$5,728, respectively.

NINE MILE RUN WATERSHED ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019 was 5.65% and 2.99%, respectively. There were no outstanding borrowings on this line of credit at December 31, 2020 and 2019. The line is reviewed annually for renewal and is currently available through November 15, 2021.

5. Operating Leases

The Association leases office space. Rent expense for the years ended December 31, 2020 and 2019 was approximately \$27,900. Future minimum lease payments are as follows:

2021	\$	27,410
2022		28,190
2023		4,720
		<u>60,320</u>
	\$	<u>60,320</u>

6. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2020 and 2019 are restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specified purpose (or purpose and time):		
Restore and Protect	\$ 238,209	\$ 349,359
Inform and Educate	318,286	333,376
StormWorks	18,080	51,000
Sustain	-	18,469
	<u>574,575</u>	<u>752,204</u>
Total net assets with donor restrictions	\$ <u>574,575</u>	\$ <u>752,204</u>

During the years ended December 31, 2020 and 2019, net assets of \$340,581 and \$319,687, respectively, were released by incurring expenses satisfying the restricted purpose.

NINE MILE RUN WATERSHED ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

7. Availability and Liquidity

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

As of December 31, 2020 and 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures of the Association:

	2020	2019
Cash	\$ 368,295	\$ 322,997
Trade receivables	47,145	48,968
Grants receivable	40,000	145,000
Total financial assets	455,440	516,965
Less: Amounts not available to be used within one year		
Net assets with donor restrictions	(350,621)	(471,388)
Total financial assets available to meet general expenditures	\$ 104,819	\$ 45,577

As of the year ended December 31, 2020 and 2019, the Association had a deficit of (\$139,414) and (\$284,665), respectively, in net assets without donor restrictions with an overall change in net assets without donor restrictions of \$155,251 and (\$106,978), respectively. 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 continues to explore a number of strategic initiatives to fund the deficit caused from historical manufacturing defects and supply chain issues incurred by StormWorks. In 2020, management was able to retool the business plan for StormWorks to utilize subcontractors for project installations and hire a project manager to oversee all projects to improve the profitability of StormWorks. Management continues to build an annual budget focusing on cost controls and incorporating unrestricted coverage in as many grants as possible, demonstrating a commitment to making annual improvements to lowering the deficit in net assets without donor restrictions.

NINE MILE RUN WATERSHED ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

8. Donated Services and Volunteer Services

Donated services represent services donated to the Association. Professional water testing services totaling \$13,290 and \$13,500 were donated to the Association in the years ended December 31, 2020 and 2019, respectively.

Volunteer services totaled \$773 and \$43,307 for the years ended December 31, 2020 and 2019, 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 13% of support and other revenue from one grantor during the year ended December 31, 2020 and 65% of support and other revenue from four grantors during the year ended December 31, 2019.

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 \$6,789 and \$4,448 for the years ended December 31, 2020 and 2019, 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.

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

NINE MILE RUN WATERSHED ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, the assets held in the endowment fund were \$210,582 and \$192,182, respectively, which included net appreciation in value of \$20,721 for the year ended December 31, 2020 and net appreciation of \$25,588 for the year ended December 31, 2019. During the year ended December 31, 2020, there were \$100 of contributions to the endowment. There were no contributions to the endowment in 2019. During the year ended December 31, 2019, \$15,000 was transferred from the endowment to the Association.

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 \$17,701 and \$20,815 for the years ended December 31, 2020 and 2019, 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.

NINE MILE RUN WATERSHED ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

14. Paycheck Protection Program

In April 2020, the Association qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (PPP Lender), for the aggregate principal amount of \$104,100 (PPP Loan). The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Association's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Association. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

The Association elected to recognize revenue of \$86,312 on the statement of activities within grants revenue as of December 31, 2020, as the conditions of the loan were met and this portion of the loan was forgiven in June 2021. The remaining \$17,788 balance of this loan is subject to an interest rate of 1% and is payable over a 60-month period with deferral of principal and interest payments until June 2021.

As of December 31, 2020, future maturities of this debt are as follows:

Year Ending December 31,	
2021	\$ 2,320
2022	4,640
2023	4,640
2024	4,640
2025	<u>1,548</u>
Total	<u>\$ 17,788</u>

In February 2021, the Association received a second United States Small Business Administration (SBA) loan through the Federal Government's Paycheck Protection Program (PPP) in the amount of \$91,105 that resulted from the COVID-19 pandemic.

NINE MILE RUN WATERSHED ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

15. Subsequent Event

The Association adopted a new brand, UpstreamPgh, as a d/b/a as approved by the state in June 2021. The Association's projects have grown beyond the watershed and their expertise is being tapped into across the region. As a result, the Association set out to explore how to consolidate and clarify their communication activity. The outcome was a rebranded organization that better reflects the work beyond the watershed, beyond the East End, and beyond specific issues of the stream. The new name, UpstreamPgh, encapsulates their approach to being proactive, seeing the big picture, identifying the root causes in their problem-solving and working beyond the stream, as a leader throughout Pittsburgh and beyond.

SUPPLEMENTARY INFORMATION

NINE MILE RUN WATERSHED ASSOCIATION

INTER-PROGRAM ADJUSTING STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Unadjusted	Inter-Program Elimination	Total	Unadjusted	Inter-Program Elimination	Total
Support and Other Revenue:						
Memberships and individual contributions	\$ 57,796	\$ -	\$ 57,796	\$ 90,868	\$ -	\$ 90,868
Grants	373,378	-	373,378	831,258	-	831,258
Non-profit grants	32,400	-	32,400	64,600	-	64,600
StormWorks, net of costs of good sold	409,858	(43,080)	366,778	110,511	-	110,511
Donated services and materials	13,290	-	13,290	13,500	-	13,500
Program fees	7,743	-	7,743	3,735	-	3,735
Investment income	895	-	895	446	-	446
Miscellaneous income	947	-	947	525	-	525
Total support and other revenue	896,307	(43,080)	853,227	1,115,443	-	1,115,443
Expenses:						
Program services	833,368	(43,080)	790,288	643,612	-	643,612
Management and general	68,757	-	68,757	133,684	-	133,684
Fundraising	26,560	-	26,560	16,812	-	16,812
Total expenses	928,685	(43,080)	885,605	794,108	-	794,108
Change in Net Assets	<u>\$ (32,378)</u>	<u>\$ -</u>	<u>\$ (32,378)</u>	<u>\$ 321,335</u>	<u>\$ -</u>	<u>\$ 321,335</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 \$43,080 and \$0 at December 31, 2020 and 2019, respectively.