

**Nine Mile Run Watershed Association
d/b/a UpstreamPgh**

Financial Statements

**Years Ended December 31, 2022 and 2021
with Independent Auditor's Report**

MaherDuessel

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NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

YEARS ENDED DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

Board of Directors

Nine Mile Run Watershed Association d/b/a UpstreamPgh

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Nine Mile Run Watershed Association d/b/a UpstreamPgh (Association), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Association adopted ASU 2016-02, "Leases (Topic 842)," which requires 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. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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

Maher Duessel

Pittsburgh, Pennsylvania
September 18, 2023

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 285,423	\$ 217,069
Trade receivables	4,305	118,918
Employee retention credits receivable	1,439	78,612
Grants receivable	20,000	20,000
Inventory	6,460	12,081
Prepaid expenses	9,349	6,675
Total current assets	326,976	453,355
Noncurrent assets:		
Right-of-use asset - operating lease	138,487	163,156
Fixed assets, net	7,675	12,107
Total Assets	\$ 473,138	\$ 628,618
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 7,156	\$ 134,370
Accrued expenses	1,579	6,925
Refundable advance	116,318	116,318
Operating lease liability	25,477	24,010
Paycheck protection program loan payable	4,640	4,640
Total current liabilities	155,170	286,263
Noncurrent liabilities:		
Paycheck protection program loan payable, net of current portion	6,192	10,827
Operating lease liability	123,428	148,905
Total liabilities	284,790	445,995
Net Assets:		
Without donor restrictions	(130,318)	(121,977)
With donor restrictions	318,666	304,600
Total Net Assets	188,348	182,623
Total Liabilities and Net Assets	\$ 473,138	\$ 628,618

See accompanying notes to financial statements.

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Other Revenue:			
Memberships and individual contributions	\$ 54,533	\$ -	\$ 54,533
Grants	140,233	318,502	458,735
Employee retention credits	313	-	313
State grants	102,373	-	102,373
Paycheck protection program grant	-	-	-
Non-profit grants	15,489	-	15,489
Plan/Build, net of \$56,275 cost of goods sold	67,957	-	67,957
Contributed nonfinancial assets	32,895	-	32,895
Program fees	1,493	-	1,493
Investment income	18	-	18
Miscellaneous income	1,724	-	1,724
	417,028	318,502	735,530
Net assets released from restrictions	304,436	(304,436)	-
Total support and other revenue	721,464	14,066	735,530
Expenses:			
Program services	595,939	-	595,939
Management and general	100,133	-	100,133
Fundraising	33,733	-	33,733
Total expenses	729,805	-	729,805
Change in Net Assets	(8,341)	14,066	5,725
Net Assets:			
Beginning of year	(121,977)	304,600	182,623
End of year	\$ (130,318)	\$ 318,666	\$ 188,348

See accompanying notes to financial statements.

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Other Revenue:			
Memberships and individual contributions	\$ 54,178	\$ -	\$ 54,178
Grants	175,124	248,470	423,594
Employee retention credits	44,752	-	44,752
State grants	40,820	-	40,820
Paycheck protection program grant	91,105	-	91,105
Non-profit grants	4,010	-	4,010
Plan/Build, net of \$49,446 cost of goods sold	191,601	-	191,601
Contributed nonfinancial assets	13,038	-	13,038
Program fees	1,818	-	1,818
Investment income	461	-	461
Miscellaneous income	1,818	-	1,818
	618,725	248,470	867,195
Net assets released from restrictions	518,445	(518,445)	-
Total support and other revenue	1,137,170	(269,975)	867,195
Expenses:			
Program services	965,679	-	965,679
Management and general	110,825	-	110,825
Fundraising	34,910	-	34,910
Total expenses	1,111,414	-	1,111,414
Change in Net Assets	25,756	(269,975)	(244,219)
Net Assets:			
Beginning of year, as restated	(147,733)	574,575	426,842
End of year	\$ (121,977)	\$ 304,600	\$ 182,623

See accompanying notes to financial statements.

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 297,256	\$ 49,080	\$ 24,093	\$ 370,429
Payroll taxes	26,429	4,463	1,966	32,858
Employee benefits	22,186	1,660	2,652	26,498
Contracted services	13,288	-	-	13,288
Small events	951	249	81	1,281
Field supplies	16,727	-	-	16,727
Printing and publications	5,300	549	-	5,849
Professional fees	88,461	7,867	-	96,328
Accounting fees	15,774	2,880	902	19,556
Occupancy	31,699	4,444	2,552	38,695
Conferences, conventions, and meetings	3,275	208	-	3,483
Depreciation	4,432	-	-	4,432
Supplies	8,820	3,260	47	12,127
Postage and shipping	4,367	617	226	5,210
Telephone	9,820	7,153	723	17,696
Travel and vehicles	5,920	5,738	4	11,662
Insurance	4,540	6,062	186	10,788
Miscellaneous	36,694	5,903	301	42,898
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Total	\$ 595,939	\$ 100,133	\$ 33,733	\$ 729,805
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See accompanying notes to financial statements.

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 344,677	\$ 60,010	\$ 29,266	\$ 433,953
Payroll taxes	27,785	3,789	1,041	32,615
Employee benefits	28,621	2,975	1,182	32,778
Contracted services	215,049	430	-	215,479
Small events	637	-	-	637
Field supplies	156,291	-	-	156,291
Printing and publications	2,331	250	576	3,157
Professional fees	68,256	14,772	29	83,057
Accounting fees	15,984	2,375	591	18,950
Occupancy	32,146	5,192	1,197	38,535
Conferences, conventions, and meetings	174	36	-	210
Depreciation	4,433	-	-	4,433
Supplies	28,684	1,486	117	30,287
Postage and shipping	1,157	226	358	1,741
Telephone	15,218	6,030	403	21,651
Travel and vehicles	8,953	667	-	9,620
Insurance	5,245	3,805	79	9,129
Miscellaneous	10,038	8,782	71	18,891
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Total	\$ 965,679	\$ 110,825	\$ 34,910	\$ 1,111,414
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See accompanying notes to financial statements.

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ 5,725	\$ (244,219)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,432	4,433
Amortization of right-of-use operating lease asset	24,669	24,070
Change in:		
Trade receivables	114,613	(105,633)
Employee retention credits receivable	77,173	(44,752)
Grants receivable	-	20,000
Inventory	5,621	(1,981)
Prepaid expenses	(2,674)	(968)
Accounts payable	(127,214)	106,396
Accrued expenses	(5,346)	61
Operating lease liability	(24,010)	(22,630)
Refundable advance	-	116,318
Net cash provided by (used in) operating activities	72,989	(148,905)
Cash Flows From Financing Activities:		
Payments on PPP loan	(4,635)	(2,321)
Net Increase (Decrease) in Cash	68,354	(151,226)
Cash:		
Beginning of year	217,069	368,295
End of year	\$ 285,423	\$ 217,069
Supplementary Information:		
Addition of right-of-use assets for operating leases	\$ -	\$ 195,545
Interest paid	\$ 4,247	\$ 5,564

See accompanying notes to financial statements.

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Organization and Nature of Activities

Organization

The Nine Mile Run Watershed Association d/b/a UpstreamPgh (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.

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 Nine Mile Run 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.

Program Areas Include

Engage

This program is focused on engaging with communities directly through youth education, artist interpretation projects, events, and volunteer management both in the park and throughout the watershed. The Nine Mile Run Aquatic Ecosystem Restoration is the centerpiece of this engagement and serves as a living laboratory for people to engage around watershed conversations.

Advocate

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 provide affordable, clean, and inclusive water systems for all Pittsburghers. Our advocacy efforts are implemented through coalitions and campaigns of partner

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

nonprofits that further goals around environmental justice, climate equity, and nature-based solutions.

Plan/Build

This program area focuses on working with individuals, commercial landowners, and municipalities to implement green solutions at a scale that will positively impact urban ecological health. This program includes the planning and building of large-scale green stormwater infrastructure projects that mitigate stormwater runoff. We also provide a fee-for-service to property owners who want to contract with us to purchase a rain barrel and/or design native rain gardens and landscapes to mitigate flooding and basement backups at the residential scale. This program area makes UpstreamPgh's expertise in sustainable stormwater management available to a wider audience by offering products and consulting services 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 UpstreamPgh.

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.

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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 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.

Contributed Non-financial Assets

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. The Federal Deposit Insurance Corporation (FDIC) insures all deposit accounts up to \$250,000 per depositor and per insured bank. In the normal course of business, the Association may at times have deposits in excess of federal insured coverage.

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

NOTES TO FINANCIAL STATEMENTS

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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, 2022 and 2021. All trade receivables are expected to be collected in one year.

Employee Retention Credits Receivable

Employee retention credits receivable relates to a refundable tax credit against certain employment taxes as a result of the COVID-19 pandemic. The Association considers all such receivables to be collectible at December 31, 2022 and 2021. Employee retention credits receivable 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, 2022 and 2021. 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 barrels 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

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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 rain barrels. 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.

Leases

The Association determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position.

ROU assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represents the Association's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. As the Association's lease does not provide an implicit rate, the incremental borrowing rate as the discount rate is used, which is based on the information available at commencement date in determining the present value of lease payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Association will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Association's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Association considers factors such as if they have obtained substantially all of the rights to the underlying asset

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgement.

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. Amounts received prior to the performance of the noted performance barriers are reported as refundable advances in the statement of financial position. In 2021, the Association received a reimbursable grant for the Wilkinsburg Stormwater Resiliency Project in an amount not to exceed \$581,589. Project work can be reimbursed from December 30, 2020 through the date of full execution of the project through December 31, 2023. In 2021, \$116,318 was received for working capital related to this grant. This \$116,318 is recorded as a refundable advance at December 31, 2022 and 2021. During 2022 and 2021, the Association recorded revenue of \$102,373 and \$46,271, respectively, for this project. The Association has no conditional promises to give at December 31, 2022 and 2021. 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 Plan/Build 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. Beginning of year December 31, 2022 and 2021 receivables related to program fees were

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

\$59,124 and \$5,351, respectively. End of year December 31, 2022 and 2021 receivables related to program fees were \$1,556 and \$59,124, respectively.

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

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

ASU 2016-02, *"Leases (Topic 842)."* These amendments and related amendments 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 are 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. The adoption of this standard resulted in the presentation of right-of-use lease assets and related lease liabilities on the statements of financial position, and additional footnote disclosure. As a result of this implementation, net assets of January 1, 2021 were restated with a decrease totaling \$8,319.

ASU 2020-07, *"Not-For-Profit Entities (Subtopic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets."* The amendments in this update expand upon the presentation and disclosure of contributed nonfinancial assets to provide the reader of the financial statements a clearer understanding of the types of nonfinancial assets received and how they are utilized and recognized by the not-for-profit organization.

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

NINE MILE RUN WATERSHED ASSOCIATION

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

below. Management has not yet determined the impact of these updates on the financial statements.

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. These amendments 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.

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, 2022 and 2021 consisted of:

	2022	2021
Vehicles	\$ 51,238	\$ 51,238
Furniture	-	4,500
Office equipment	-	12,410
Equipment	818	2,163
Leasehold improvements	6,475	6,475
Molds and parts	44,329	44,329
	102,860	121,115
Less: accumulated depreciation	(95,185)	(109,008)
Total fixed assets, net	<u>\$ 7,675</u>	<u>\$ 12,107</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$4,432 and \$4,433, respectively.

NINE MILE RUN WATERSHED ASSOCIATION

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021 was 9.90% and 5.65%, respectively. There were no outstanding borrowings on this line of credit at December 31, 2022 and 2021. The line is reviewed annually and is currently available through November 15, 2023.

5. Operating Leases

The Association leases office space. The Association entered into a lease agreement on January 31, 2018 with CP Development. The term of the lease is from 2018 through 2023. In March 2023 the Association renewed the lease through February 2027.

The Association recognized \$28,849 in lease expense during 2022 and 2021.

Because the Association does not have access to the rate implicit in the lease, it utilizes the US Treasury rate as the incremental borrowing rate. The weighted average discount rate associated with operating leases as of December 31, 2022 and 2021 is 2.58%

Future minimum lease payments under the non-cancellable lease as of December 31, 2022 are as follows:

<u>Year Ending December 31,</u>	<u>Operating Lease</u>
2023	\$ 29,020
2024	29,880
2025	30,774
2026	31,694
2027	32,638
2028	<u>5,466</u>
Total future minimum lease payments	159,472
Less: Interest	<u>(10,567)</u>
Total	<u>\$ 148,905</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

6. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2022 and 2021 are restricted for the following purposes:

	2022	2021
Subject to expenditure for a specified purpose (or purpose and time):		
Engage	\$ 116,700	\$ 32,054
Advocate	102,855	156,600
Plan/Build	99,111	115,946
Total net assets with donor restrictions	<u>\$ 318,666</u>	<u>\$ 304,600</u>

During the years ended December 31, 2022 and 2021, net assets of \$304,436 and \$518,445, respectively, were released by incurring expenses satisfying the restricted purpose.

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NOTES TO FINANCIAL STATEMENTS

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7. Availability and Liquidity

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

As of December 31, 2022 and 2021, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures of the Association:

	2022	2021
Cash	\$ 285,423	\$ 217,069
Trade receivables	4,305	118,918
Employee retention credits receivables	1,439	78,612
Grants receivable	20,000	20,000
Total financial assets	311,167	434,599
Less: Amounts not available to be used within one year:		
Net assets with donor restrictions	(53,424)	(129,716)
Total financial assets available to meet general expenditures	\$ 257,743	\$ 304,883

As of the year ended December 31, 2022 and 2021, the Association had a deficit of (\$130,318) and (\$121,977), respectively, in net assets without donor restrictions, with an overall change in net assets without donor restrictions of (\$8,341) and \$25,756, 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 Plan/Build. Management continues to build an annual budget focusing on cost controls and incorporating administrative overhead within allowable grants, demonstrating a commitment to making annual improvements to lowering the deficit in net assets without donor restrictions.

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8. Contributed Non-financial Assets

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets (in-kind donations) recognized within the statement of activities included:

	2022	2021
Services:		
Legal	\$ 22,920	\$ 3,678
Water Testing	9,975	9,360
	<u>\$ 32,895</u>	<u>\$ 13,038</u>

The Association recognized contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Legal services comprise professional services from attorneys advising the Association on various administrative legal matters. Contributed services are valued and reported at the estimated fair value in the financial statements based on current rates for similar legal services. The Association receives water testing donated services that are reported using current rates for similar services.

Volunteer services totaled \$13,165 and \$15,811 for the years ended December 31, 2022 and 2021, 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 51% of support and other revenue from three grantors during the year ended December 31, 2022 and 45% of support and other revenue from three grantors during the year ended December 31, 2021. Any significant reduction in funding from a significant grantor could result in corresponding curtailment of the Association's activities.

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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 \$4,944 and \$6,569 for the years ended December 31, 2022 and 2021, 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 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, 2022 and 2021, the assets held in the endowment fund were \$208,678 and \$227,845, respectively, which included net depreciation in value of \$17,512 for the year ended December 31, 2022 and net appreciation of \$39,626 for the year ended December 31, 2021. During the years ended December 31, 2022 and 2021, there were no contributions to the endowment. There were withdrawals of \$0 and \$20,000 for the years ended December 31, 2022 and 2021, respectively.

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

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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 \$21,537 and \$16,064 for the years ended December 31, 2022 and 2021, 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.

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 was 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 Association elected to recognize revenue of \$86,312 on the statement of activities within PPP grant 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.

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As of December 31, 2022, future maturities of this debt are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 4,640
2024	4,640
2025	<u>1,552</u>
Total	<u><u>\$ 10,832</u></u>

In February 2021, the Association received a second SBA loan through the PPP program in the amount of \$91,105 that resulted from the COVID-19 pandemic. In October 2021, the Association received full forgiveness of the second loan, it was recognized as PPP grant revenue for the year ended December 31, 2021.