

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

Financial Statements

**Years Ended December 31, 2023 and 2022
with Independent Auditor's Report**

MaherDuessel

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NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

YEARS ENDED DECEMBER 31, 2023 AND 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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. 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.

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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 17, 2024

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 321,480	\$ 285,423
Trade receivables	-	4,305
Employee retention credits receivable	-	1,439
Grants receivable	73,311	20,000
Inventory	9,865	6,460
Prepaid expenses	7,368	9,349
Total current assets	412,024	326,976
Noncurrent assets:		
Right-of-use asset - operating lease	113,181	138,487
Fixed assets, net	3,242	7,675
Total Assets	\$ 528,447	\$ 473,138
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 98,313	\$ 7,156
Accrued expenses	926	1,579
Deferred revenue	35,023	-
Refundable advance	-	116,318
Operating lease liability	27,012	25,477
Paycheck protection program loan payable	4,640	4,640
Total current liabilities	165,914	155,170
Noncurrent liabilities:		
Paycheck protection program loan payable, net of current portion	1,547	6,192
Operating lease liability, net of current portion	96,416	123,428
Total liabilities	263,877	284,790
Net Assets:		
Without donor restrictions	(67,234)	(130,318)
With donor restrictions	331,804	318,666
Total Net Assets	264,570	188,348
Total Liabilities and Net Assets	\$ 528,447	\$ 473,138

See accompanying notes to financial statements.

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Other Revenue:			
Contributions	\$ 73,432	\$ -	\$ 73,432
Grants	162,343	352,460	514,803
Employee retention credits	-	-	-
Governmental grants	578,562	-	578,562
Non-profit grants	13,499	-	13,499
Plan/Build, net of \$66,285 cost of goods sold	33,678	-	33,678
Contributed nonfinancial assets	11,832	-	11,832
Program fees	899	-	899
Investment income	507	-	507
Miscellaneous income	5,938	-	5,938
	880,690	352,460	1,233,150
Net assets released from restrictions	339,322	(339,322)	-
Total support and other revenue	1,220,012	13,138	1,233,150
Expenses:			
Program services	945,608	-	945,608
Management and general	151,774	-	151,774
Fundraising	59,546	-	59,546
Total expenses	1,156,928	-	1,156,928
Change in Net Assets	63,084	13,138	76,222
Net Assets:			
Beginning of year	(130,318)	318,666	188,348
End of year	\$ (67,234)	\$ 331,804	\$ 264,570

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:			
Contributions	\$ 54,533	\$ -	\$ 54,533
Grants	140,233	318,502	458,735
Employee retention credits	313	-	313
Governmental grants	102,373	-	102,373
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 FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 248,686	\$ 77,881	\$ 38,446	\$ 365,013
Payroll taxes	24,323	5,696	3,251	33,270
Employee benefits	23,165	3,406	1,043	27,614
Contracted services	549,098	23,905	6,875	579,878
Small events	2,706	940	-	3,646
Field supplies	8,837	-	-	8,837
Printing and publications	4,631	213	43	4,887
Professional fees	-	-	-	-
Accounting fees	10,533	8,478	1,256	20,267
Occupancy	28,758	5,470	4,563	38,791
Conferences, conventions, and meetings	3,998	-	-	3,998
Depreciation	-	4,433	-	4,433
Supplies	959	8,070	99	9,128
Postage and shipping	2,405	194	238	2,837
Telephone and computer	18,489	4,656	1,562	24,707
Travel and vehicles	4,555	1,801	24	6,380
Insurance	11,152	2,106	1,754	15,012
Miscellaneous	3,313	4,525	392	8,230
Total	<u>\$ 945,608</u>	<u>\$ 151,774</u>	<u>\$ 59,546</u>	<u>\$ 1,156,928</u>

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 and computer	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
Total	<u>\$ 595,939</u>	<u>\$ 100,133</u>	<u>\$ 33,733</u>	<u>\$ 729,805</u>

See accompanying notes to financial statements.

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ 76,222	\$ 5,725
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,433	4,432
Amortization of right-of-use operating lease asset	25,306	24,669
Change in:		
Trade receivables	4,305	114,613
Employee retention credits receivable	1,439	77,173
Grants receivable	(53,311)	-
Inventory	(3,405)	5,621
Prepaid expenses	1,981	(2,674)
Accounts payable	91,157	(127,214)
Accrued expenses	(653)	(5,346)
Operating lease liability	(25,477)	(24,010)
Deferred revenue	35,023	-
Refundable advance	(116,318)	-
Net cash provided by (used in) operating activities	40,702	72,989
Cash Flows From Financing Activities:		
Payments on PPP loan	(4,645)	(4,635)
Net Increase (Decrease) in Cash	36,057	68,354
Cash:		
Beginning of year	285,423	217,069
End of year	\$ 321,480	\$ 285,423
Supplementary Information:		
Interest paid	\$ 88	\$ 4,247

See accompanying notes to financial statements.

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 AND 2022

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 the Association'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 the Association.

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, 2023 AND 2022

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 in 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

YEARS ENDED DECEMBER 31, 2023 AND 2022

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. The Association maintains an allowance for credit losses at an amount estimated to be sufficient to provide adequate protection against losses resulting from collecting less than full payment. The calculation of the allowance is based upon historical collection experience and a review of the current status of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Association. It is reasonably possible that the estimate of the allowance for credit losses will change. Based upon management's assessment, the Association provides for estimated uncollectible amounts through a charge to expense and a credit to a valuation allowance. Balances that remain after the Association has used reasonable collection effort, and for which the potential for recovery is considered remote, are written off. Based on management's assessment, no allowance for credit losses was deemed necessary at December 31, 2023 or 2022. The Association does not recognize interest income on receivables.

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, 2023 and 2022. Grants receivable are expected to be collected within 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.

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

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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 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.

Deferred Revenue

Deferred revenue relates to payments the Association receives in advance for products and services that will be delivered or performed in a future period.

NINE MILE RUN WATERSHED ASSOCIATION D/B/A UPSTREAMPGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Revenues and Support

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. The Association's government grants are considered conditional promises to give and therefore are recognized as the Association performs the contracted services or incurs expenses eligible for reimbursement under the grant agreement. The Association recognized \$578,562 and \$102,373 in revenue related to government grants for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, the Association had \$111,278 of cost-reimbursable government grants awarded that will be recognized as revenue upon incurring eligible expenses. At December 31, 2022, the Association recorded \$116,318 as a refundable advance related to working capital held for the Wilkinsburg Stormwater Resiliency Project as the performance obligations related to recording the revenue related to such grant had not been met.

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. At December 31, 2023, 2022, and 2021 receivables related to program fees were \$0, \$4,305, and \$118,918, respectively. At December 31, 2023, the Association recorded \$21,125 of deferred revenue related to the Plan/Build program for a contract in the amount of \$84,500 that will be fulfilled in 2024.

NINE MILE RUN WATERSHED ASSOCIATION

D/B/A UPSTREAMPGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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.

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.

Adopted Accounting Standards

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

ASU 2016-13, *“Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.”* 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. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

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 D/B/A UPSTREAMPGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

3. Fixed Assets

Fixed assets at December 31, 2023 and 2022 consisted of:

	2023	2022
Vehicles	\$ 45,038	\$ 51,238
Equipment	818	818
Leasehold improvements	6,475	6,475
Molds and parts	44,329	44,329
	96,660	102,860
Less: accumulated depreciation	(93,418)	(95,185)
Total fixed assets, net	\$ 3,242	\$ 7,675

Depreciation expense for the years ended December 31, 2023 and 2022 was \$4,433 and \$4,432, 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, 2023 and 2022 was 10.90% and 9.90%, respectively. There were no outstanding borrowings on this line of credit at December 31, 2023 and 2022. The line is reviewed annually and is currently available through November 15, 2024.

5. Operating Leases

The Association leases office space. The original term of the lease was from 2018 through 2023 and then the lease was renewed through February 2027.

The Association recognized \$28,849 in lease expense during 2023 and 2022.

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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, 2023 and 2022 is 2.58%

Future minimum lease payments under the non-cancellable lease as of December 31, 2023 are as follows:

Year Ending December 31,	Operating Lease
2024	\$ 29,880
2025	30,774
2026	31,694
2027	32,638
2028	5,466
Total future minimum lease payments	130,452
Less: Interest	(7,024)
Total	<u>\$ 123,428</u>

6. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2023 and 2022 are restricted for the following purposes:

	2023	2022
Subject to expenditure for a specified purpose (or purpose and time):		
Engage	\$ 16,771	\$ 116,700
Advocate	93,758	102,855
Plan/Build	221,275	99,111
Total net assets with donor restrictions	<u>\$ 331,804</u>	<u>\$ 318,666</u>

During the years ended December 31, 2023 and 2022, net assets of \$339,322 and \$304,436, respectively, were released by incurring expenses satisfying the restricted purpose.

NINE MILE RUN WATERSHED ASSOCIATION

D/B/A UPSTREAMPGH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

7. Availability and Liquidity

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

As of December 31, 2023 and 2022, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures of the Association:

	2023	2022
Cash	\$ 321,480	\$ 285,423
Trade receivables	-	4,305
Employee retention credits receivables	-	1,439
Grants receivable	73,311	20,000
Total financial assets	394,791	311,167
Less: Amounts not available to be used within one year:		
Refundable advance	-	(116,318)
Net assets with donor restrictions	(49,281)	(53,424)
Total financial assets available to meet general expenditures	\$ 345,510	\$ 141,425

As of the year ended December 31, 2023 and 2022, the Association had a deficit of (\$67,234) and (\$130,318), respectively, in net assets without donor restrictions, with an overall change in net assets without donor restrictions of \$63,084 and (\$8,341), respectively. This deficit in net assets without donor restrictions, which has improved significantly in 2023, 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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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

8. Contributed Non-financial Assets

For the years ended December 31, 2023 and 2022, contributed nonfinancial assets (in-kind donations) recognized within the statement of activities included:

	2023	2022
Supplies	\$ 1,620	\$ -
Services:		
Legal	-	22,920
Water Testing	10,212	9,975
	<u>\$ 11,832</u>	<u>\$ 32,895</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. Contributed supplies are used in conjunction with programs and are valued based on the retail prices of the supplies donated.

Volunteer services totaled \$10,616 and \$13,165 for the years ended December 31, 2023 and 2022, 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 76% and 51% of support and other revenue from three grantors during the years ended December 31, 2023 and 2022, respectively. Any

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significant reduction in funding from a significant grantor could result in corresponding curtailment of the Association's activities.

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 \$5,495 and \$4,944 for the years ended December 31, 2023 and 2022, 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 The Pittsburgh Foundation, 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 Board of Trustees of The Pittsburgh Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization, if, in the sole judgement of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served.

At December 31, 2023 and 2022, the assets held in the endowment fund were \$224,430 and \$208,678, respectively, which included net appreciation in value of \$18,623 less fees of \$2,871 for the year ended December 31, 2023 and net depreciation of \$17,512 for the year ended December 31, 2022. During the years ended December 31, 2023 and 2022, there were no contributions to or withdrawals from the endowment.

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

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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 \$22,837 and \$21,537 for the years ended December 31, 2023 and 2022, 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.

In June 2021, \$86,312 of this loan was forgiven as the conditions of the loan were met. The remaining \$17,788 balance of this loan is subject to an interest rate of 1% and is payable over a 60-month period.

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As of December 31, 2023, future maturities of this debt are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 4,640
2025	<u>1,547</u>
Total	<u><u>\$ 6,187</u></u>