

Brodheads Watershed Corporation
Compiled Financial Statements
For the Year Ended December 31, 2020

Innovative Accounting Management
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July 16, 2021

To the Board of Directors of
Brodheads Watershed Corporation
Henryville, Pennsylvania

Management is responsible for the accompanying financial statements of Brodheads Watershed Corporation (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets— modified cash basis as of December 31, 2020, and the related statements of revenues, statement of functional expenses – modified cash basis, statement of Cash Flows – Modified Cash Basis, expenses, and other changes in net assets—modified cash basis for the year then ended, and the related notes to the financial statements in accordance with the modified cash basis of accounting, and for determining that the cash basis of accounting is an acceptable financial reporting framework. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. I do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

I draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Tamatha K. Polichetti, CPA

Brodheads Watershed Corporation
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
As of December 31, 2020

ASSETS

Current Assets

Cash and cash equivalents \$ 190,119

Total Current Assets 190,119

Other Assets

Certificates of Deposits 208,155

Memorial Fund Certificates of Deposit 23,000

Total Other Assets 231,155

TOTAL ASSETS \$ 421,274

LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities

Payroll tax payable \$ 2,013

Total Current Liabilities 2,013

Total Long Term Liabilities

Long Term Payables -

TOTAL LIABILITIES 2,013

Net Assets

Unrestricted Net Assets 305,663

Deisgnated by Board 3,000

Donor Restricted Assets 59,097

Change in Net Assets 51,500

Total Net Assets 419,260

TOTAL LIABILITIES & NET ASSETS \$ 421,274

Brodheads Watershed Corporation
 Statements of Revenues, Expenses and Other Changes in Net Assets - Modified Cash Basis
 For the Year Ended December 31, 2020

	Without Restriction	Donor Restriction	Total
<u>PUBLIC SUPPORT & REVENUE</u>			
Grants	34,199	64,783	98,982
Investment income	6,355		6,355
Program Services	12,657		12,657
Contributions	64,944		64,944
Memberships	21,465		21,465
Fundraising	6,734		6,734
Less Fundraising expenses	(11,775)	-	(11,775)
Total Revenues	<u>100,380</u>	<u>64,783</u>	<u>199,362</u>
Net assets released due to satisfaction of time purpose	60,735	(60,735)	-
Total public support and revenues	<u>161,115</u>	<u>4,048</u>	<u>199,362</u>
<u>EXPENSES</u>			
Property Management	4,843	-	4,843
Program Services	94,670	-	94,670
Management and Administrative	37,883	-	37,883
Fundraising	10,330	-	10,330
Membership Development	136	-	136
Total Expenses	<u>147,862</u>	<u>-</u>	<u>147,862</u>
Change in Net Assets	(47,482)	4,048	51,500
Net Assets, Beginning of Year	308,663	59,097	367,760
Net Assets, End of Year	<u>\$ 261,181</u>	<u>\$ 63,145</u>	<u>\$ 419,260</u>

Brodhead Watershed Association
Statement of Functional Expenses - Modified Cash Basis
For the Year Ended December 31, 2020

	<u>Total</u>	<u>Program Activities</u>		<u>Supporting Activities</u>		
		<u>Property Management</u>	<u>Program Expenses</u>	<u>Management & Administrative</u>	<u>Fundraising</u>	<u>Membership Development</u>
Salaries & Wages	\$ 67,568	\$ -	\$ 43,971	\$ 15,585	\$ 8,012	\$ -
Taxes - Payroll	5,813	-	3,782	1,341	689	-
Contracted Services	20,853	-	20,353	500	-	-
Program Expense	18,099	-	18,099	-	-	-
Program Supplies	4,133	-	3,678	455	-	-
Insurance	1,949	-	757	1,192	-	-
Office expense	969	-	44	815	109	-
Postage and Shipping	1,319	-	729	129	435	27
Printing and Copying	3,134	226	1,094	1,087	628	99
Professional fees	16,875	-	520	16,355	-	-
Rent - in kind (Note 6)						
Advertising	550	-	-	204	336	10
Utilities	4,617	4,617	-	-	-	-
Bank Charges	632	-	293	219	122	-
Food and Beverage	175	-	175	-	-	-
Travel	1,175	-	1,175	-	-	-
Total Products	<u>\$ 147,862</u>	<u>\$ 4,843</u>	<u>\$ 94,670</u>	<u>\$ 37,883</u>	<u>\$ 10,330</u>	<u>\$ 136</u>

Brodhead Watershed Association
Statement of Functional Expenses - Modified Cash Basis
For the Year Ended December 31, 2020

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Brodheads Watershed Corporation
Statement of Cash Flows -Modified Cash Basis
Year ended December 31, 2020

Cash flows from operating activities:	
Increase (decrease) in Net Assets	\$ 51,500
Adjustments to reconcile change in net assets to net cash used:	
Depreciation expense	-
(Increase)/Decrease in Receivables	-
Increase/(Decrease) in Payroll Liabilities	<u>(489)</u>
Net cash provided by operating activities	<u>51,012</u>
Cash flows from investing activities	
Net (Purchase)/Disposal of Fixed Assets	<u>-</u>
Net Cash provided by investing activities	<u>-</u>
Cash flows from financing activities	
(Increase)/Decrease in Investments	<u>(5,989)</u>
Net Cash provided by financing activities	<u>(5,989)</u>
Net increase (decrease) in cash and cash equivalents	45,023
Cash and cash equivalents, January 1, 2020	145,096
Cash and cash equivalents, December 31, 2020	<u>\$ 190,119</u>

Supplemental Disclosures of Cash Flows Information

Non cash investing and financing activities:

Gifts of equipment	\$ -
Interest paid	\$ -
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Notes to the Financial Statements

Brodheads Watershed Corporation
Notes to Financial Statements
December 31, 2020

Note 1 – Nature of the Organization:

The Brodheads Watershed Corporation (“the Organization”) (DBA Brodhead Watershed Association) was organized to promote and preserve the environment of the Brodhead watershed and the water quality of the Marshalls, McMichael, Paradise, Cherry and Brodhead creeks; promote the natural bounties thereof; provide educational materials on the benefits of and methods to achieve protection and preservation of the natural integrity of the watershed; and protect and preserve terrestrial and aquatic life in the watershed.

In order to further these purposes, the organization conducts educational and scientific activities within the meaning of section 501(c)(3) of the Internal Revenue Code of 1954, as amended including, creating public awareness of the need for and methods of protection of the Brodhead watershed; conducting scientific investigations and research; and such other means as are appropriate and consistent with the restrictions set forth in the Articles of Incorporation.

Note 2 – Significant Accounting Policies:

Membership

Any person who subscribes to the purposes and policy of the organization shall be eligible for membership. Membership fees are on an annual basis at various levels ranging from \$15 to \$500 per year.

Lifetime memberships have been discontinued; however, the organization has \$3,000 in life-time memberships which the board previously designated to be held in perpetuity, and any interest income to be used for general purposes.

Basis of Accounting

The financial statements of the Organization have been prepared on the modified cash basis of accounting used for federal income tax purposes. As such, certain revenues and expenses are recognized in the determination of income in different reporting periods than they would be if the financial statements were prepared in conformity with accounting principles generally accepted in the United States of America. Although income tax rules are used to determine the timing of the reporting of revenues and expenses, any nontaxable revenues and nondeductible expenses are included in the determination of net income. Accordingly, revenues are recognized when they are received, and expenses are recognized when they are paid. Liabilities for payroll taxes and the mortgage payable are the only liabilities accrued and reported.

Brodheads Watershed Corporation
Notes to Financial Statements
December 31, 2020

Basis of Presentation

The Financial statements are presented in accordance with Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205 *Financial Statements of Not-For-Profit Organizations* dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-For-Profit Organizations” (the Guide).

Under the provision of the Guide, effective January 1, 2018, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- (1) Net assets without donor restrictions consist of all net assets which are expendable, at the discretion of the Organization’s management and Board of Directors for carrying daily operations. The funds have neither been restricted by donors nor set aside for any specific purpose.
- (2) Net assets with donor restrictions consist of net assets that have been permanently restricted or limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the organization pursuant to those stipulations. When a donor restriction expires (i.e., 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 and Support Recognition

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends, or a purpose is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of Activities and changes in net assets – cash basis as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair market value at the date of the donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restrictions upon acquisition of the assets and the assets are placed in service.

Brodheads Watershed Corporation
Notes to Financial Statements
December 31, 2020

Income Taxes

The Organization was formed as a not-for-profit association by the Commonwealth of Pennsylvania and as such is exempt from the state income taxes. Further, The Organization was organized as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code of 1986 and accordingly, is exempt from federal income taxes. In addition, the organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization other than a private foundation under Section 509(a) (2).

Federal income tax returns, Form 990, of the Organization are subject to examination by taxing authorities, generally for three years after they were filed. Any penalties and interest assessed by taxing authorities are included in operating expenses. No interest and penalties have been recorded for the year ended December 31, 2020.

Tax exempt organizations that have income from sources outside of the exempt activities are subject to income tax. The Organization has not generated unrelated business income; accordingly, income tax expense was \$0 for the year ending 2020.

Property, Plant & Equipment

The Organization's policy is to capitalize property and equipment purchased in excess of \$5,000; property and equipment donated are recorded at fair market value at the date of donation. Property and equipment are depreciated using the straight-line method over their estimated useful lives. Major repairs, which significantly extend the useful lives of assets, are capitalized, and depreciated over the remaining useful lives of the specific assets.

Property and equipment acquired by the organization are considered to be owned by the organization. However, various funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of the assets. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restriction at that time.

There are no depreciable property or equipment as of December 31, 2020, therefore depreciation expense for the year was \$0.

Brodheads Watershed Corporation
Notes to Financial Statements
December 31, 2020

New Accounting Pronouncement

In 2016, FASB issued ASU 2016-14, Not for Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Brodhead Watershed Association has adjusted the presentation of these statements accordingly.

Donated Services and Non Cash Donations

The Organization received donated services from volunteers in order to fulfill its mission. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer efforts have not been satisfied. Any actual donated materials, supplies and other items have however, been recognized in the financial statements at an arms-length cost.

Measure of Operations

The statement of activities – cash basis reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Brodhead Watershed Association's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 could differ from those estimates.

Advertising

The Organization follows the policy of charging the costs of advertising expense as paid. The advertising expenses for the year ended December 31, 2020 was \$550.38.

Allowance for Doubtful Accounts

The Organization does not maintain any Accounts Receivables and therefore no allowance for doubtful accounts is deemed necessary.

Brodheads Watershed Corporation
Notes to Financial Statements
December 31, 2020

Note 3 – Financial Assets & Concentration Risk

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash refers to funds held in demand accounts, all of which are held at local commercial banks. The Organization maintains accounts at local banks, where each account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 (per depositor). The Organization did not exceed this insured limit at any time during the year ending December 31, 2020.

Concentration of Revenues

The Organization has been awarded grants from PA Department of Conservation and Natural Resources, Department of Community and Economic Development, The Hughes Foundation, National Fish and Wildlife Foundation, William Penn Foundation and other organizations to subsidize program costs. Such grants are recognized as revenues when they are received.

Brodheads Watershed Corporation
Notes to Financial Statements
December 31, 2020

Note 4 – Net Assets – With Donor Restrictions

Donor restricted net assets are available for the following purposes:

Subject to expenditure for specified purpose

Trails	\$ -0-
Collaboration	3,160
Communications	2,322
Community Engagement	8,077
Monitoring	1,156
Municipal Tech Assistance	4,010
Other indirect expense	<u>674</u>
Total	<u>38,597</u>

Not subject to appropriation or expenditure

Memorial Fund	<u>20,500</u>
Total net assets with donor restrictions	\$ <u>39,899</u>

Memorial Fund

The Dan D. McMullen, Henryville Conservation Club Memorial Fund was established in 1992 by the Henryville Conservation club to honor deceased members. The principal is to be invested and maintained and the interest used “for any worthwhile purpose” by the Brodhead Watershed Association. The balance as of December 31, 2020 was \$20,500.

Released from Donor Restrictions

Releases from Donor Restricted Net Assets for the year ended December 31, 2020, are as follows:

Subject to expenditure for specified purpose:

Collaboration	\$ 5,775
Communication	10,342
Community Engagement	24,682
Monitoring	2,313
Municipal Tech Assistance	11,922
Other indirect	<u>5,341</u>
Total	\$ 60,505

Brodheads Watershed Corporation
Notes to Financial Statements
December 31, 2020

Note 5 – Board Designated Net Assets

The board designated net assets are comprised of the following:

Without donor restrictions:

Designated by the Board for Memorial Fund	\$3,000
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Note 6 – Investments

The Organization invests funds that may include various types of fixed income investments. Certain of these investments are exposed to various risks, such as fluctuations in market value, interest rate, or credit risk. Therefore, the Organization's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Investments recorded at cost included money market funds and certificates of deposit. Investments carried at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Investments at December 31, 2020 consist of the following:

Certificates of deposit	\$ 231,155
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Investment income consists of the following for the year ended December 31, 2020

Interest Income	\$ <u>6,355</u>
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Note 7 – Operating Leases

The Organization entered into a lease on July 15, 2014, together with Pocono Heritage Land Trust Inc. (a non-profit organization), with Stroud Township, Monroe County, Pennsylvania for a property known as ForEvergreen Nature Preserve. In lieu of rent, the leasees will share the cost of utilities, maintenance and future capital improvements and provide for programs as set forth in the lease agreement. The lease expires June 1, 2038, with an option to renew. Management has elected to report the in-fair market value of rent and related program revenue. There were no maintenance costs or repairs paid in 2020 and therefore, no rent to record.

Brodheads Watershed Corporation
Notes to Financial Statements
December 31, 2020

Note 8 – Functional Expenses

FASB ASC-958-720-05-4 requires financial statements to describe each of the major classes of programs, either on the face of the statement of activities or in the notes to the financial statement. The Organization assigns and allocates its expenses to either program services, administrative expenses and/or membership development. Administrative expenses relate to the overall direction of the Organization, as opposed to program expenses.

The costs of providing program and other activities have been summarized on a functional basis in the statement of support, revenues and expenses – Modified Cash Basis. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated including the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and Effort
Rent	Time and Effort
Professional Services	Time and Effort
Insurance	Direct
Printing	Direct
Travel	Time and Effort
Other	Direct

Brodheads Watershed Corporation
Notes to Financial Statements
December 31, 2020

Note 9 – Construction Loan/ Mortgage Payable

On December 15, 2017 the organization together with the Pocono Land Trust Inc. entered into a loan agreement with ESSA Bank & Trust in the amount of \$600,000 for renovations completed in 2018. Payments of interest only for nine months at the rate of 4%, thereafter, semi-annual installments of interest shall be payable beginning March 15th, 2019 and September 15th, through maturity. Annual installments of principal payments of \$40,000 plus interest are payable beginning September 15th, 2018, through the date of maturity, September 15th, 2033. On December 15, 2022, interest rate shall adjust to 2% over the index. Both organizations are jointly and severally liable for debt repayment.

All payments and additional principal payments have been made and recorded through the Pocono Land Trust, therefore there is no record on the Organization's financial statements. The Organization is merely a co-guarantor in case of default.

Stroud Township is a Guarantor of the loan.

The remaining balance of the loan as of December 31, 2020 was \$130,000

Note 10 - Subsequent Events

The Organization has evaluated all events through July 16, 2021 which is the date these financial statements were available to be issued and has determined that the following require disclosure.

In December 2019, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories and quarantining of people who may have been exposed to the virus. The Organization has taken such measures to comply with state mandates, such as social distancing, working from home and securing the supply of materials that are essential to the Organization. The Organization was impacted from the events, however, it does not have a material impact on the financial position of the Organization.