

**BRODHEAD WATERSHED ASSOCIATION
(A Not-for-Profit Corporation)**

**Financial Statements and
Independent Accountant's Review Report**

Year Ended December 31, 2022

**BRODHEAD WATERSHED ASSOCIATION
(A Not-for-Profit Corporation)
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Brodhead Watershed Association

We have reviewed the accompanying financial statements of Brodhead Watershed Association, (a not-for-profit corporation), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2022, and the related statements of support, revenues, expenses, and changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Brodhead Watershed Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We 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. Our conclusion is not modified with respect to this matter.

Congbell, Rappold & Yasaita LLP

September 25, 2023

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BRODHEAD WATERSHED ASSOCIATION
(A Not-for-Profit Corporation)
STATEMENT OF ASSETS, LIABILITIES,
AND NET ASSETS – MODIFIED CASH BASIS
DECEMBER 31, 2022

| | <u>2022</u> |
|---------------------------------------------|------------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 264,908 |
| Other Investments | <u>210,383</u> |
| TOTAL ASSETS | <u><u>\$ 475,291</u></u> |
| | |
| LIABILITIES | |
| Payroll Liabilities | <u>\$ 2,710</u> |
| TOTAL LIABILITIES | <u>2,710</u> |
| | |
| NET ASSETS | |
| Without Donor Restrictions | |
| Undesignated | 428,748 |
| Designated by Board (Note 6) | <u>3,000</u> |
| Total Without Donor Restrictions | 431,748 |
| With Donor Restrictions (Note 7) | <u>40,833</u> |
| TOTAL NET ASSETS | <u>472,581</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 475,291</u></u> |

See independent accountant's review report and notes to financial statements.

BRODHEAD WATERSHED ASSOCIATION
(A Not-for-Profit Corporation)
STATEMENT OF SUPPORT, REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2022</u> |
|-------------------------------------------------------|-------------------------------------------|------------------------------------|--------------------------|
| Operating Activities: | | | |
| <i><u>Revenues and Public Support :</u></i> | | | |
| Grant Income | \$ 2,502 | \$ 65,334 | \$ 67,836 |
| Contributions | 76,037 | - | 76,037 |
| Memberships | 26,551 | - | 26,551 |
| Program Revenue | 1,509 | - | 1,509 |
| Special Events | 24,192 | - | 24,192 |
| Less: Direct Costs of Special Events | (25,247) | - | (25,247) |
| Net Assets Released from Restrictions | 76,698 | (76,698) | - |
| Total Revenues and Public Support | <u>182,242</u> | <u>(11,364)</u> | <u>170,878</u> |
| <i><u>Expenses :</u></i> | | | |
| Program Services | 113,146 | - | 113,146 |
| Management and General | 40,367 | - | 40,367 |
| Fundraising | 12,871 | - | 12,871 |
| Total Expenses | <u>166,384</u> | <u>-</u> | <u>166,384</u> |
| CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES | 15,858 | (11,364) | 4,494 |
| Nonoperating Activities: | | | |
| Investment Income | 1,207 | - | 1,207 |
| CHANGES IN NET ASSETS FROM NONOPERATING ACTIVITIES | 1,207 | - | 1,207 |
| INCREASE (DECREASE) IN NET ASSETS | 17,065 | (11,364) | 5,701 |
| NET ASSETS, JANUARY 1 | <u>414,683</u> | <u>52,197</u> | <u>466,880</u> |
| NET ASSETS, DECEMBER 31 | <u><u>\$ 431,748</u></u> | <u><u>\$ 40,833</u></u> | <u><u>\$ 472,581</u></u> |

See independent accountant's review report and notes to financial statements.

BRODHEAD WATERSHED ASSOCIATION
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2022

| | Program Services | Management and General | Fundraising | 2022 |
|------------------------------------------------------|---------------------|---------------------------|------------------|-------------------|
| Salaries and Wages | \$ 54,683 | \$ 26,791 | \$ 10,532 | \$ 92,006 |
| Payroll Taxes | 4,812 | 2,357 | 927 | 8,096 |
| Total Salaries, Wages, and Taxes | <u>59,495</u> | <u>29,148</u> | <u>11,459</u> | <u>100,102</u> |
| Program Expenses | 11,841 | 232 | 23 | 12,096 |
| Contracted Services | 17,583 | 2,179 | - | 19,762 |
| Advertising | 66 | 371 | 17 | 454 |
| Bank Charges | 73 | 246 | 324 | 643 |
| Food and Beverage | 324 | 70 | - | 394 |
| Insurance | 823 | 1,234 | - | 2,057 |
| Office Expenses | 490 | 5,096 | - | 5,586 |
| Postage and Shipping | 238 | 692 | 98 | 1,028 |
| Printing and Copying | 11,473 | 37 | 495 | 12,005 |
| Professional Fees | 6,446 | 822 | 455 | 7,723 |
| Utilities | 4,294 | 240 | - | 4,534 |
| Direct Costs Associated with Special Events | <u>-</u> | <u>-</u> | <u>25,247</u> | <u>25,247</u> |
| Subtotal | 113,146 | 40,367 | 38,118 | 191,631 |
| Less: Direct Costs Associated with Special Events | <u>-</u> | <u>-</u> | <u>(25,247)</u> | <u>(25,247)</u> |
| | <u>\$ 113,146</u> | <u>\$ 40,367</u> | <u>\$ 12,871</u> | <u>\$ 166,384</u> |

See independent accountant's review report and notes to financial statements.

BRODHEAD WATERSHED ASSOCIATION
(A Not-for-Profit Corporation)
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2022

| | 2022 |
|-----------------------------------------------------------------------------------------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Changes in Net Assets | \$ 5,701 |
| Adjustment to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities | |
| Increase in: | |
| Payroll Liabilities | 399 |
| Net Cash Provided by Operating Activities | 6,100 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of Investments | (842) |
| Proceeds from Investments | - |
| Net Cash Used by Investing Activities | (842) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 5,258 |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | 259,650 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | \$ 264,908 |

See independent accountant's review report and notes to financial statements.

BRODHEAD WATERSHED ASSOCIATION
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

1. Nature of Activities

Brodhead Watershed Association (the "Organization") is a not-for-profit corporation organized under section 501(c)(3) of the Internal Revenue Code. The purpose of the Organization is 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.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). The modified cash basis differs from GAAP primarily because certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. Liabilities for payroll taxes are the only liabilities accrued and reported.

Basis of Presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. Net assets without donor restrictions may be designated for specific purposes by the action of the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity the modified cash basis of accounting requires management to make estimates and assumptions that affect certain 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.

**BRODHEAD WATERSHED ASSOCIATION
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is a not-for-profit corporation organized under the Commonwealth of Pennsylvania and is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or liabilities recorded for the year ended December 31, 2022.

The Organization files its Form 990 with the United States Internal Revenue Service and the Bureau of Charitable Organizations in Pennsylvania. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2018.

Contributions

Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a donor 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 Statement of Support, Revenue, Expenses, and Changes in Net Assets – Modified Cash Basis as net assets released from restrictions

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and various committee assignments; however, those services do not meet the criteria for recognition specified by the modified cash basis of accounting.

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. Membership revenue is recorded when received.

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

BRODHEAD WATERSHED ASSOCIATION
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

2. Summary of Significant Accounting Policies (Continued)

Operations

Results from operations in the Statement of Support, Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis reflect all transactions increasing or decreasing net assets with donor restrictions and net assets without donor restrictions except those items of a capital nature – that is, items associated with long-term investment or acquisition and disposal of property and equipment; and items which increase or decrease the value of the Organization’s long-term investments, including, but not limited to, interest income.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows – Modified Cash Basis, cash and cash equivalents consists of funds held in the Organization’s checking, savings and money market accounts. Cash refers to funds held in demand accounts, all of which are held at local commercial banks.

Other Investments

The Organization holds certificates of deposit which automatically renew every fourteen months unless cancelled. The value of the certificates of deposit was \$210,383 at December 31, 2022. The interest rate on the certificates of deposit ranged from 0.35% to 0.45% during that time.

The certificates of deposit are reported at the original amount plus accrued interest and are considered Level 2 assets under the Financial Accounting Standards Board ASC 820-10 fair value measurement level hierarchy. The fair value is estimated, on a recurring basis, using significant observable inputs, including quoted prices for similar investments and interest rates.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets. The Organization capitalizes all items with a value greater than \$5,000 and a useful life greater than one year. Routine repairs and maintenance are expensed as incurred. There are no depreciable property or equipment as of December 31, 2022. As such, depreciation expense for the year ending December 31, 2022 was \$-0-.

Advertising Costs

Advertising costs are expensed as incurred and was \$454 during the year ended December 31, 2022.

**BRODHEAD WATERSHED ASSOCIATION
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

2. Summary of Significant Accounting Policies (Continued)

Allocation of Expenses by Function

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Support, Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis. The statement of functional expenses – modified cash basis presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Organization’s method for allocating expenses among the functional reporting classifications which cannot be specifically identified as program or supporting services are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

Concentration of Risk

Cash and Cash Equivalents – The Organization maintains cash balances which may exceed federally insured limits; they historically have not experienced any credit related losses. At December 31, 2022, the Organization’s bank accounts exceeded the Federal Deposit Insurance Corporation (FDIC) limit by \$13,491.

Support & Revenue – The Organization received approximately 32% of its total non-investment revenues and support from a William Penn Foundation grant during the year ended December 31, 2022. It is always considered reasonable that grants may be lost in the near term.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis, consist of the following:

| | 2022 |
|------------------------------------|-------------------|
| Cash and Cash Equivalents | \$ 264,908 |
| Other Investments | 210,383 |
| Net Assets With Donor Restrictions | (40,833) |
| | \$ 434,458 |

The Organization is supported mainly by contributions and grant income. The Organization believes that contributions and grant income along with the assets held at December 31, 2022, is sufficient to enable the Organization to continue to operate for the upcoming year.

BRODHEAD WATERSHED ASSOCIATION
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

4. 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 consisted of interest only for nine months at the rate of 4%, thereafter, semi-annual installments of interest were payable beginning March 15th, 2019, and September 15th, through maturity. Annual installments of principal payments of \$40,000 plus interest were payable beginning September 15th, 2018, through the date of maturity, September 15th, 2033. Both organizations were 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 a co-guarantor in case of default.

The Pocono Land Trust satisfied the remaining balance of the loan as of June 23, 2022, relieving the Organization of any further liability.

5. 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 lessees 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. There were no maintenance costs or repairs paid in 2022.

6. Board Designated Net Assets

The board designated \$3,000 of net assets to be held in perpetuity for the Memorial Fund. This balance is comprised of previously received lifetime memberships, which have since been discontinued. Any interest income received from this balance is unrestricted.

BRODHEAD WATERSHED ASSOCIATION
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

7. Net Assets With Donor Restrictions

At December 31, 2022, net assets with donor restrictions consist of the following:

| | 2022 |
|----------------------------------------|------------------|
| <u>Purpose Restrictions:</u> | |
| Community Engagement | \$ 330 |
| Monitoring | 43 |
| Municipal Tech Assistance | 17,165 |
| Other Indirect Expense | 2,125 |
| Total Purpose Restrictions: | 19,663 |
| <u>Perpetual in Nature:</u> | |
| Memorial Fund | 21,170 |
| | \$ 40,833 |

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 Organization.

During the year ended December 31, 2022, net assets with donor restrictions were released as follows:

| | 2022 |
|-------------------------------------|------------------|
| <u>Purpose Restrictions:</u> | |
| Watershed Redesignation | \$ 10,000 |
| Collaboration | 5,338 |
| Communications | 7,406 |
| Community Engagement | 31,246 |
| Monitoring | 4,668 |
| Municipal Tech Assistance | 13,190 |
| Other Indirect Expense | 4,850 |
| | \$ 76,698 |

8. Endowment Funds

The Organization’s endowment consists of two funds which are held in a savings account to support the mission of the Organization as determined by donor-imposed restrictions and designations by the Board of Directors. As required by the modified cash basis of accounting, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

BRODHEAD WATERSHED ASSOCIATION
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

8. Endowment Funds (Continued)

Interpretation of Relevant Law

The Organization has interpreted the laws of the Commonwealth of Pennsylvania as requiring the preservation of the fair value of the original gift as of the gift date of the board-designated and donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets without donor restrictions the original value of gifts designated to the endowment and the original value of subsequent gifts to the endowment. Additionally, the Organization classifies as net asset with donor restrictions the original value of gifts restricted to the endowment and the original value of subsequent gifts to the endowment.

Endowment Return Objectives, Risk Parameters and Strategies, and Spending Policy

The Organization has deposited the endowment funds in a savings account with the purpose of maintaining the purchasing power of the assets while avoiding undue risk. The Board does not have a formal spending policy, but distributes the income derived from the endowment funds each year to be used for general operations.

Endowment net asset composition as of December 31, 2022 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|----------------------------------|-------------------------------|------------------|
| Board Designated Endowment Funds | \$ 3,000 | \$ - | \$ 3,000 |
| Donor Restricted Endowment Funds | - | 21,170 | 21,170 |
| | <u>\$ 3,000</u> | <u>\$ 21,170</u> | <u>\$ 24,170</u> |

Changes in endowment net assets as of December 31, 2022 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-------------------------------|----------------------------------|-------------------------------|------------------|
| Beginning of Year | \$ 3,000 | \$ 21,170 | \$ 24,170 |
| Investment Return, Net | - | - | - |
| Additions | - | - | - |
| Appropriation for Expenditure | - | - | - |
| End of Year | <u>\$ 3,000</u> | <u>\$ 21,170</u> | <u>\$ 24,170</u> |

9. Subsequent Events

Management has evaluated subsequent events through September 25, 2023, the date on which the financial statements were available to be issued, and has determined that there were no material subsequent events that require recognition or disclosure.