

BRODHEAD WATERSHED ASSOCIATION

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Ellen D. Grandt, M.B.A., C.P.A., LLC

BRODHEAD WATERSHED ASSOCIATION
Financial Statements
As of December 31, 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Brodhead Watershed Association

I have reviewed the accompanying financial statements of Brodhead Watershed Association (a nonprofit organization), which comprise the Statement of Assets, Liabilities and Net Assets-Cash Basis as of December 31, 2019, and the related Statement of Support, Revenues and Expenses-Cash Basis and Statement of Functional Expenses-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, I 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 cash-basis of accounting which is a basis other than accounting principles generally accepted in the United States of America as described in Note 1; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. Management is responsible for determining that the cash-basis of accounting is an acceptable format for the circumstances.

Accountant's Responsibility

My 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 me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with the cash-basis of accounting. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, I am 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 cash-basis of accounting.

Ellen D. Gwandt, M.B.A., C.P.A., LLC

Stroudsburg, Pennsylvania
August 31, 2020

BRODHEAD WATERSHED ASSOCIATION
Statement of Assets, Liabilities and Net Assets – Cash Basis
As of December 31, 2019

ASSETS

Current Assets:	
Cash and cash equivalents - Note 1	\$ 145,096
Other Assets:	
Certificates of Deposit	225,166
Investment in Land & Building – Note 8	<u>270,000</u>
Total Assets	\$ <u>640,262</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Payroll taxes payable	\$ 2,502
Mortgage payable – Note 8	<u>270,000</u>
Total Liabilities	272,502
Net Assets:	
Without donor restrictions – Note 3	305,663
Designated by board – Note 3	3,000
With donor restrictions – Note 3	<u>59,097</u>
Total Net Assets	<u>367,760</u>
Total Liabilities and Net Assets	\$ <u>640,262</u>

The accompanying notes are an integral part of these financial statements.
“See Independent Accountant’s Review Report”

BRODHEAD WATERSHED ASSOCIATION
Statement of Support, Revenue, and Expenses – Cash Basis
As of December 31, 2019

NET ASSETS – Without Donor Restrictions

Support, Revenues and other income	
Contributions	\$ 43,729
Membership dues	21,750
Program	24,270
Investment income	2,226
Fundraising	25,758
Less: Fundraising Expenses	<u>(26,064)</u>
Total Support and Revenues before releases	91,670
Net assets released from restrictions – Note 3	<u>137,101</u>
Total Support – without donor restrictions	228,771
Expenses	
Program	176,711
Management and General Administrative	<u>24,310</u>
Total expenses	<u>201,021</u>
Increase (Decrease) in net assets without donor restrictions	\$ 27,750

NET ASSETS – With Donor Restrictions

Grants	\$ 104,283
Contributions	-
Net assets released from restrictions – Note 3	<u>(137,101)</u>
Increase (Decrease) in Net Assets with donor restrictions	<u>(32,818)</u>
Change in Net Assets	(5,068)
Net Assets, beginning of year	<u>372,828</u>
Net Assets, end of year	\$ <u>367,760</u>

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“See Independent Accountant’s Review Report”

BRODHEAD WATERSHED ASSOCIATION
Statement of Functional Expenses – Cash Basis
As of December 31, 2019

	<u>Program</u>	<u>Management &</u>		<u>Total</u>
		<u>General</u>	<u>Fundraising</u>	
Salaries and Wages	\$ 71,601	\$ 15,968	\$ 3,883	\$ 91,452
Payroll tax expense	6,239	1,389	338	7,966
Contracted Services	42,505	2,170	-	44,675
Supplies	0	-	1,218	1,218
Insurance	515	2,520	-	3,035
Office	1,506	617	65	2,188
Postage and shipping	709	144	-	853
Printing and copying	2,872	-	1,332	4,204
Professional fees	2,813	991	150	3,954
Rent – In-kind – Note 6	9,696	-	-	9,696
Telephone	-	122	-	122
Utilities	3,267	-	-	3,267
Internet	241	-	-	241
Bank charges	201	198	76	475
Facility rental	-	-	-	-
Food and Beverage	781	26	5,494	6,301
Mileage	2,477	15	-	2,492
Books and subscriptions	400	-	-	400
Awards and Prizes	-	102	13,508	13,610
Program expense	<u>30,888</u>	<u>48</u>	<u>-</u>	<u>12,240</u>
Total	<u>\$ 176,711</u>	<u>\$ 24,310</u>	<u>\$ 26,064</u>	<u>\$ 227,085</u>

The accompanying notes are an integral part of these financial statements.
“See Independent Accountant’s Review Report”

BRODHEAD WATERSHED ASSOCIATION
Notes to Financial Statements
As of December 31, 2019

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

The Brodhead Watershed Association was organized to promote and preserve the environment of the Brodhead watershed and the water quality of the Marshalls, McMichael, Paradise 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.

The organization is funded by grants from DCNR, DCED, The Hughes Foundation, William Penn Foundation, public support, membership dues and fundraising efforts.

Membership

Any person who subscribes to the purposes and policy of the Brodhead Watershed Association 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 organization prepares its financial statements on the cash basis of accounting which is a basis other than accounting principles generally accepted in the United States of America. Payroll taxes and mortgage payable are the only liabilities reported. The cash basis recognizes support and revenues when received, and expenses when paid.

Basis of Presentation

The financial statements of the organization have been prepared on the cash basis of accounting as noted above. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC)958 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"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, 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 as follows:

The accompanying notes are an integral part of these financial statements.
"See Independent Accountant's Review Report"

BRODHEAD WATERSHED ASSOCIATION
Notes to Financial Statements
As of December 31, 2019

Note 1 – Summary of Significant Accounting Policies –continued

Basis of Presentation – continued

Net assets 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 Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets 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 Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

The organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions:

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 restriction is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of Support, Revenues and Expenses-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 value at the date of 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.

Measure of Operations

The Statement of Support, Revenue and Expenses-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.

The accompanying notes are an integral part of these financial statements.
"See Independent Accountant's Review Report"

BRODHEAD WATERSHED ASSOCIATION
Notes to Financial Statements
As of December 31, 2019

Note 1 – Summary of Significant Accounting Policies –continued

New Accounting Pronouncement

On August 18, 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.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of support, revenues and expenses-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

Donated Services

Donated services are recognized as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization. Additionally, many individuals volunteer their time and perform a variety of tasks that assist the organization with specific assistance programs, and various committee assignments. No amounts have been reflected in the financial statements for donated services since the recognition criteria were not met.

Advertising

Advertising costs are charged to expense when the advertising first occurs.

The accompanying notes are an integral part of these financial statements.
“See Independent Accountant’s Review Report”

BRODHEAD WATERSHED ASSOCIATION
Notes to Financial Statements
As of December 31, 2019

Note 1 – Summary of Significant Accounting Policies –continued

Income Tax Status

The organization is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. 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).

The organization's Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the IRS. Tax returns are generally subject to examination by the IRS for three years after they are filed.

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 received.

Property, Plant and 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 restrictions at that time.

There are no fixed assets at this time.

Note 2 - Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The organization maintains its cash balances in several financial institutions in Pennsylvania. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019, the organization had no uninsured cash balances.

The accompanying notes are an integral part of these financial statements.
"See Independent Accountant's Review Report"

BRODHEAD WATERSHED ASSOCIATION
Notes to Financial Statements
As of December 31, 2019

Note 3 – Net Assets – With Donor Restrictions

Donor restricted net assets are available for the following purposes:

Subject to expenditure for specified purpose:

Trails	\$ 1,148
Collaboration	2,708
Communications	4,861
Community Engagement	15,835
Monitoring	10,991
Municipal Tech Assistance	2,380
Other indirect expense	674
Total	<u>38,597</u>

Not subject to appropriation or expenditure

Memorial Fund	<u>20,500</u>
Total net assets with donor restrictions	<u>\$59,097</u>

Note 3 – Net Assets – With Donor Restrictions (continued):

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, 2019 was \$20,500.

Releases from Donor Restricted Net Assets for the year ended December 31, 2019, are as follows:

Releases from restrictions:

Subject to expenditure for specified purpose:

Museum	\$30,000
Mill Creek	4,500
NFWF	5,000
Trails	36,620
Collaboration	9,694
Communication	8,248
Community Engagement	27,416
Monitoring	1,097
Municipal Tech Assistance	9,733
Other indirect	<u>4,793</u>
Total	<u>\$ 137,101</u>

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“See Independent Accountant’s Review Report”

BRODHEAD WATERSHED ASSOCIATION
Notes to Financial Statements
As of December 31, 2019

Note 4 – Board Designated Net Assets

The board designated net assets are comprised of the following:

Without donor restrictions:

Designated by the Board for:

Memorial Fund	<u>\$3,000</u>
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Note 5 - 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.

The following is a summary of investments at December 31, 2019:

Certificates of deposit	<u>\$ 225,166</u>
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Investment income consists of the following for the year ended December 31, 2019:

Interest income	<u>\$ 2,226</u>
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Note 6– 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-kind fair market value of rent and related program revenue.

The organization has evaluated subsequent events through August 31, 2020, the date which the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home) and securing the supply of materials that are essential to our organization. At this stage, the impact on our organization and results has not been significant and based on our experience to

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“See Independent Accountant’s Review Report”

BRODHEAD WATERSHED ASSOCIATION
Notes to Financial Statements
As of December 31, 2019

Note 6 – Operating Leases- continued

date we expect this to remain the case. As we operate outdoor activities and educational opportunities we have found an increased demand for our services and expect this to continue. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people.

Note 8 – Construction Loan/Mortgage Payable

On December 15, 2017 the organization together with the Pocono Heritage 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 first nine (9) months at the rate of 4%, thereafter, semi-annual installments of interest shall be payable beginning March 15, 2019 and September 15th, through maturity. Annual installments of principal payments of \$40,000 plus interest are payable beginning September 15, 2018, through the date of maturity, September 15, 2033. On December 15, 2022, interest rate shall adjust to 2% over the index. Both organizations are jointly and severally liable for debt repayment.

Stroud Township is a Guarantor of the loan.

During the year an additional principal payment was made in the amount of \$100,000 leaving a balance of \$270,000.00 as of December 31, 2019.

The mortgage is classified as long-term debt as management does not anticipate having to expend their own funds during the next year to pay the debt.