

Charles River Watershed Association,  
Inc.

Financial Statements

September 30, 2022



Charles River Watershed Association

**Charles River Watershed Association, Inc.**

Index

September 30, 2022

**Independent Auditors' Report**

**Financial Statements:**

Statement of Financial Position as of September 30, 2022	1
Statement of Activities for the Year Ended September 30, 2022	2
Statement of Cash Flows for the Year Ended September 30, 2022	3
Statement of Functional Expenses for the Year Ended September 30, 2022	4-5
Notes to Financial Statements	6-23

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Charles River Watershed Association, Inc.  
Boston, Massachusetts

### Opinion

We have audited the accompanying financial statements of Charles River Watershed Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities and cash flows for the year 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 Charles River Watershed Association, Inc. as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit 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 Charles River Watershed Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Charles River Watershed Association, Inc.'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 Charles River Watershed Association, Inc.'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 Charles River Watershed Association, Inc.'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.

*De Biasi & Nash, LLC*

De Biasi & Nash, LLC

Norwood, MA

August 18, 2023

Charles River Watershed Association, Inc.

Statement of Financial Position

As of September 30, 2022

ASSETS

Current Assets

Cash and cash equivalents	\$	662,582
Accounts receivable		145,768
Promises to give, current portion		167,987
Investments, current		4,083,427
Inventory		2,535
Prepaid expenses		3,083
Operating lease right-of-use assets, current		95,700
		<u>5,161,082</u>
Total current assets		<u>5,161,082</u>

Escrow Deposits Held for Others

Escrow - subwatershed restoration projects		<u>42,467</u>
--	--	---------------

Fixed Assets

Computer equipment		52,917
Equipment		39,814
Furniture and fixtures		129,411
Leasehold improvements		99,556
Total fixed assets		321,698
Less: accumulated depreciation		<u>(280,129)</u>
Total net fixed assets		<u>41,569</u>

Other Assets

Operating lease right-of-use assets, long term		419,017
Promises to give, net and net of current portion		10,687
Intangible assets		
Flagging Model		3,840
Less: accumulated amortization		<u>(2,466)</u>
Intangible assets, net		1,374
Security deposits		<u>16,676</u>
Total other assets		<u>447,754</u>

<b>Total Assets</b>	<b>\$</b>	<b><u>5,692,872</u></b>
---------------------	-----------	-------------------------

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	82,820
Accrued expenses		42,357
Operating lease liabilities, current		<u>95,700</u>
Total current liabilities		<u>220,877</u>

Escrow Deposits Held for Others

Escrow - subwatershed restoration projects		<u>42,236</u>
--	--	---------------

Long Term Liabilities

Operating lease liabilities, long term		<u>419,017</u>
Total long term liabilities		<u>419,017</u>

Total liabilities		<u>682,130</u>
-------------------	--	----------------

Net Assets

Net assets without donor restrictions		264,101
Net assets with donor restrictions		<u>4,746,641</u>
Total net assets		<u>5,010,742</u>

<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b><u>5,692,872</u></b>
---	-----------	-------------------------

**Charles River Watershed Association, Inc.**

Statement of Activities

For the Year Ended September 30, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Revenue and Support</b>			
Contributions	\$ 657,917	\$ 163,000	\$ 820,917
Grants	262,693	460,983	723,676
Events and sponsorships	124,860	-	124,860
In-kind	4,925	-	4,925
Investment income (loss)	-	(820,196)	(820,196)
Other income	71	-	71
Net assets released from restrictions	<u>252,200</u>	<u>(252,200)</u>	<u>-</u>
 Total revenue and support	 <u>1,302,666</u>	 <u>(448,413)</u>	 <u>854,253</u>
 <b>Functional Expenses</b>			
Program services	834,195	-	834,195
General and administrative	447,926	-	447,926
Fundraising	<u>203,562</u>	<u>-</u>	<u>203,562</u>
 Total Expenses	 <u>1,485,683</u>	 <u>-</u>	 <u>1,485,683</u>
 Change in net assets	 <u>(183,017)</u>	 <u>(448,413)</u>	 <u>(631,430)</u>
 <b>Total Change in Net Assets</b>	 (183,017)	 (448,413)	 (631,430)
 <b>Net Assets at Beginning of Year</b>	 <u>447,118</u>	 <u>5,195,054</u>	 <u>5,642,172</u>
 <b>Net Assets at End of Year</b>	 <u>\$ 264,101</u>	 <u>\$ 4,746,641</u>	 <u>\$ 5,010,742</u>

Charles River Watershed Association, Inc.

Statement of Cash Flows

For the Year Ended September 30, 2022

**Cash Flows from Operating Activities**

<b>Change in net assets</b>	\$ (631,430)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	13,969
Dividends and interest reinvested	(72,997)
Unrealized gains on investments, net	821,438
Realized gains on investments, net	(3,887)
Operating lease liabilities	514,717
Decrease (increase) in assets	
Accounts receivable	(37,009)
Prepaid expenses	28,784
Escrow - subwatershed restoration projects	83,012
Security deposits	(16,676)
Increase (decrease) in liabilities	
Accounts payable	37,005
Operating lease right-of-use assets	(514,717)
Accrued expenses	27,721
Escrow - subwatershed restoration projects (contra)	<u>(83,038)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>166,892</u>

**Cash Flows from Investing Activities**

Disposal of fixed assets	1,890
Purchase of fixed assets	(8,932)
Proceeds from the sale of investments	295,000
Purchases of investments	<u>(167,358)</u>
<b>Net Cash Provided by Investing Activities</b>	<u>120,600</u>

<b>Net Increase in Cash and Cash Equivalents</b>	287,492
<b>Cash and Cash Equivalents - Beginning</b>	<u>375,090</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 662,582</u>

**Charles River Watershed Association, Inc.**

Statement of Functional Expenses  
For the Year Ended September 30, 2022

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, related benefits and taxes	\$ 575,083	\$ 206,000	\$ 77,250	\$ 858,333
Accounting and audit	-	58,699	-	58,699
Conferences and meetings	943	13,670	32,525	47,138
Contract services	212,717	8,495	61,400	282,612
Depreciation and amortization	-	13,969	-	13,969
Dues, fees, and permits	12,215	25,333	7,691	45,239
Equipment	2,713	10,852	-	13,565
Grant expense	16,667	-	-	16,667
Insurance expense	-	10,264	-	10,264
Legal expense	15	500	-	515
Office maintenance	-	226	-	226
Other expense	-	235	-	235
Postage and delivery	208	945	-	1,153
Printing and reproduction	-	-	18,950	18,950
Rent	-	79,475	-	79,475
Repairs and maintenance	1,362	1,002	206	2,570
Supplies	6,582	6,014	5,023	17,619
Travel	5,690	4,140	517	10,347
Utilities	-	8,107	-	8,107
<b>Total Functional Expenses</b>	<b>\$ <u>834,195</u></b>	<b>\$ <u>447,926</u></b>	<b>\$ <u>203,562</u></b>	<b>\$ <u>1,485,683</u></b>



**Charles River Watershed Association, Inc.**

Statement of Functional Expenses, continued  
For the Year Ended September 30, 2022

	<u>Advocacy</u>	<u>Climate Resilience</u>	<u>Education and Outreach</u>	<u>River Science and Restoration</u>	<u>Stormwater Solutions</u>	<u>Total Program Services</u>
Salaries, related benefits and taxes	\$ 123,757	\$ 241,187	\$ 91,780	\$ 56,724	\$ 61,635	\$ 575,083
Accounting and audit	-	-	-	-	-	-
Conferences and meetings	-	391	516	36	-	943
Contract services	29,588	60,121	84,186	4,533	34,289	212,717
Depreciation and amortization	-	-	-	-	-	-
Dues, fees, and permits	2,040	2,230	1,994	1,472	4,479	12,215
Equipment	485	355	640	733	500	2,713
Grant expense	16,667	-	-	-	-	16,667
Insurance expense	-	-	-	-	-	-
Legal expense	-	15	-	-	-	15
Office maintenance	-	-	-	-	-	-
Other expense	-	-	-	-	-	-
Postage and delivery	-	-	-	-	208	208
Printing and reproduction	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Repairs and maintenance	-	1,362	-	-	-	1,362
Supplies	62	177	5,121	1,161	61	6,582
Travel	249	1,555	664	2,741	481	5,690
Utilities	-	-	-	-	-	-
<b>Total Functional Expenses</b>	<u>\$ 172,848</u>	<u>\$ 307,393</u>	<u>\$ 184,901</u>	<u>\$ 67,400</u>	<u>\$ 101,653</u>	<u>\$ 834,195</u>

# Charles River Watershed Association, Inc.

## Notes to the Financial Statements

September 30, 2022

### (1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies followed by Charles River Watershed Association, Inc. (the Organization, CRWA) are described below to enhance the usefulness of the financial statements to the reader.

#### (a) Nature of Activities

Charles River Watershed Association, Inc. is a not-for-profit organization that was formed on September 23, 1966. The mission is to use science, advocacy, and the law to protect, preserve and enhance the Charles River and its watershed, including improving and expanding its natural resources and recreational opportunities.

The mission includes efforts focused on reducing greenhouse gas emissions, resilience and adaptation to climate change, initiatives to protect, improve and expand the natural resources and recreational opportunities of the Charles and research and education.

The Organization's programs are listed below:

**Advocacy, Policy, and Law** – CRWA is involved in every major decision affecting the health of the Charles River and in important statewide water issues. Advocacy includes commenting on all major watershed development and redevelopment projects, challenging permits administratively and sometimes in court, participating in hearings before local boards and commissions and state agencies, protecting public trust lands and access to parklands, participating in task forces, lobbying on environmental legislation, and working with many partner organizations on issues of national, regional and state significance, such as climate change, smart growth, stormwater pollution, and sustainable water resource policies and regulations. CRWA's strong science is integral to its advocacy and positions the organization adopts.

**Stormwater Solutions** – Under this program, CRWA plans, designs, implements and promotes green infrastructure approaches, or nature-based solutions, for managing water in the urban environment. Through research, design, and implementation of demonstration projects on public and private properties, the Organization's goal is to mimic, or re-create, natural hydrology at the sub-watershed scale, making land and water once again work together. These projects are models for better site design, provide public realm benefits, serve to educate the public on the importance of storm water management, reduce pollution and flooding, and provide developers and local boards with information on low impact development.

**Education and Outreach** – CRWA's work to promote better watershed management and river stewardship includes a wide range of outreach and educational programming: educational talks and presentations to schools and community groups; a comprehensive website and online communications; the publication of brochures, plans and reports; trainings and workshops for municipal employees; and participation in many local and regional events and activities. Committed to growing the next generation of environmentalists, CRWA trains numerous student interns each year and hosts the Rita Barron Fellow, a one-year position for recent Masters' degree graduates, and engages national and international groups for educational and networking purposes.

# Charles River Watershed Association, Inc.

## Notes to the Financial Statements

September 30, 2022

### (1) Summary of Significant Accounting Policies - continued

#### (a) Nature of Activities - continued

An important component of this program are two signature outreach events:

The Run of the Charles Canoe and Kayak Race – Held every April, CRWA’s Run of the Charles Canoe and Kayak Race, which began over 40 years ago, showcases the ongoing improvements to the river. This race is one of the nation’s oldest and largest canoe and kayak races attracting over 1,000 national and international professionals, amateurs, and corporate teams competing on the 26-mile course.

Annual Earth Day Charles River Cleanup – The Annual Earth Day Charles River Clean Up brings thousands of volunteers together across the watershed to make the Charles cleaner, healthier and more beautiful by picking up trash and removing debris. CRWA organizes the cleanup in partnership and collaboration with parkland and environmental groups, communities, and the MA Department of Conservation and Recreation.

#### **River Science and Restoration**

CRWA collects robust water quality data to understand the health of the river, advocate for effective cleanup and restoration strategies, and protect public health. CRWA advocates for the removal of defunct dams, tackling invasive species, daylighting streams, improved fish passage, and more to restore the river’s natural ecology and build climate resilience.

Several important components of this program are:

Volunteer Monthly Monitoring – The Organization’s two-decade comprehensive study of water quality in the Charles involves a large network of volunteer citizen scientists who collect water samples monthly all along the length of the river. CRWA has established one of the most extensive water quality data sets for any river in the nation. This monitoring informs CRWA’s science, research, and advocacy. The data is used by numerous researchers, policy makers and students and serves as the basis for the annual Charles River Report Card issued by the U.S. EPA. The Organization also issues an annual report on its water quality monitoring results. CRWA also conducts macroinvertebrate sampling and analysis for assessing ecosystem health of stream segments.

Lower Charles Water Quality Flagging – From June through October, boaters from Watertown to Boston are apprised of real-time water quality forecasts through CRWA color-coded flags flown at multiple boating locations in the Lower Basin. CRWA uses a predictive model premised on rainfall and river flow; data is also collected from a weather station in the Lower Basin. This information is posted on CRWA’s webpages and disseminated via e-mails and Twitter alerts. In the summer, E.coli bacteria data is collected twice per week to verify forecasts and cyanobacteria outbreaks are reported and monitored.

# Charles River Watershed Association, Inc.

## Notes to the Financial Statements

September 30, 2022

### (1) Summary of Significant Accounting Policies - continued

#### *(a) Nature of Activities - continued*

Invasive Species Removal – The Organization works with local and state partners to eliminate invasive species, including water chestnut and bittersweet, throughout the watershed through mechanical harvesting, hand-pulling by volunteers, and by supporting herbicide application where appropriate. This program increases awareness about invasive species and the impacts of nutrient pollution while creating new river stewards.

Climate Resilience – CRWA is committed to reducing the impacts of climate change and supporting restorative climate adaptation. The Organization works every day across all program areas to create river and watershed resilience to more intense rain events, more frequent summertime droughts and hotter temperatures. It does this by bringing together municipal staff from across the watershed as part of the Charles River Climate Compact, participation in municipal and state climate planning initiatives educating local elected officials, watershed and subwatershed-scale planning, stream, wetland and floodplain restoration, dam removal, legislative lobbying and advocacy. CRWA is also actively working to engage with communities that are particularly vulnerable to the impacts of climate change, especially low income and marginalized communities. CRWA is working to develop a greener and more just world that will be more resilient to the changes that are coming.

#### *(b) Basis of Presentation*

The statement of activities reports all changes in net assets, including changes in net assets without donor restrictions from operating and non-operating activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts.

#### *(c) Standards of Accounting and Reporting*

The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

**Charles River Watershed Association, Inc.**

Notes to the Financial Statements

September 30, 2022

**(1) Summary of Significant Accounting Policies - continued**

***(c) Standards of Accounting and Reporting - continued***

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets with donor restrictions also includes the original amount of gifts and investment earnings required by the donor to be permanently restricted. Generally, The donors of these assets permit the Organization to use all of part of the income earned on related investments for general of specific purposes.

***(d) Cash and Cash Equivalents***

The Organization considers all highly liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. The Organization maintains its cash balances at multiple financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC). At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of September 30, 2022.

***(e) Revenue Recognition***

The Organization earns revenue as follows:

The Organization generally measures revenue based on the amounts of consideration it expects to be entitled for the transfers of goods and services to a customer, then recognizes its revenue as performance obligations are satisfied under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Organization evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Contributions - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the

**Charles River Watershed Association, Inc.**

Notes to the Financial Statements

September 30, 2022

**(1) Summary of Significant Accounting Policies - continued**

***(e) Revenue Recognition - continued***

Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse. Contributions received and satisfied in the same period are included in contributions without donor restrictions.

Grants – The Agency receives funding from various grantors for direct and indirect program costs associated with specific programs and projects. Various grants are subject to certain barriers as outlined in the agreement. Revenue is recognized as the barrier is met. For unconditional grants with donor restrictions, revenue is recognized as contribution revenue that increases net assets with donor restriction at the time the grant is received or pledged and the funds are released from restriction when the restriction has been met. Grants received and satisfied in the same period are included in grants without donor restrictions.

Events and Sponsorships – Events and sponsorship revenue is primarily derived from contributions collected and fees charged for admission at various sponsored events. Events revenue is recognized when the performance obligation has been met. Events are incidental to the Organizations operations and the related direct expenses have been reported with fundraising expense in the accompanying statement of activities.

Substantially all of the Organization’s revenue is derived from its activities in Massachusetts. During the year ended September 30, 2022, the Organization derived approximately 40% of its total revenue from grants, 55% from contributions, 4% from events and sponsorships and less than 1% from other sources.

***(f) Accounts Receivable***

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on a history of past write-offs and collections and current credit conditions. As of September 30, 2022, management has determined any allowance would be immaterial.

The Organization does not have a policy to accrue interest on receivables.

**Charles River Watershed Association, Inc.**

Notes to the Financial Statements

September 30, 2022

**(1) Summary of Significant Accounting Policies – continued**

***(g) Promises to Give***

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of September 30, 2022, the allowance for doubtful accounts was 43,000.

***(h) Inventory***

Inventory consists of Charles River Canoe and Kayak Guides. Inventory is stated on a first-in, first-out and is valued at the lower of cost or net realizable value.

***(i) Fixed Assets***

Fixed assets are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The Organization computes depreciation using the straight-line method over the following estimated lives:

Computer equipment	3 years
Equipment	5-7 years
Furniture and fixtures	7 years
Leasehold improvements	Remaining lease term

Depreciation expense amounted to \$13,225 for the year ended September 30, 2022

Charles River Watershed Association, Inc.

Notes to the Financial Statements

September 30, 2022

(1) Summary of Significant Accounting Policies – continued

(j) Fundraising Expense

Fundraising expense relates to the activities of raising general and specific contributions to the Organization and promoting special events. Fundraising expenses as a percentage of total contribution revenue was 20% for the year ended September 30, 2022. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

(k) Fair Value Measurements

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

**Level 1:** Quoted prices for identical instruments in active markets

**Level 2:** Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant inputs to the valuation model are unobservable.

**Recurring Fair Value Measurements**

U.S. GAAP requires that certain assets and liabilities be recorded at fair value on recurring basis. The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a nonrecurring basis as of September 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ <u>4,083,427</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,083,427</u>
	\$ <u><u>4,083,427</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>4,083,427</u></u>

**Nonrecurring Fair Value Measurements**

The Organization has no assets and liabilities that are recorded at fair value on a nonrecurring basis as required by U.S. GAAP.



**Charles River Watershed Association, Inc.**

Notes to the Financial Statements

September 30, 2022

**(1) Summary of Significant Accounting Policies – continued**

***(l) Income Taxes***

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1).

***(m) Amortization***

Flagging model costs are amortized over 15 years using the straight-line method.

***(n) Functional Allocation of Expenses***

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Payroll and associated costs are allocated to functions based upon time studies. Occupancy costs are allocated based upon a percentage of salary which approximates usage.

***(o) Use of Estimates***

In preparing the Organization's financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

***(p) In-Kind Contribution***

Donations other than cash, donated services, are recorded at their estimated fair market value at the date of the gift. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Donated services are recognized in the financial statements if the services received require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Certain services donated to the Organization by community volunteers do not meet the above criteria and, therefore, are not recognized in the financial statements.

## Charles River Watershed Association, Inc.

### Notes to the Financial Statements

September 30, 2022

#### (1) Summary of Significant Accounting Policies – continued

##### *(q) Compensated Absences*

The Organization's employees are entitled to paid time off (vacation, personal, and sick time) depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated future absences when actually paid to employees. Any paid time off not used by employees as of the end of the fiscal year is forfeited and not allowed to be carried forward, unless a specific exception is approved by the executive director.

##### *(r) Operating Leases*

The Organization leases certain office space. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in our statements of financial position.

ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since the Organization's lease does not provide an implicit rate, to determine the present value of lease payments, management uses the Organization's incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option.

The Organization leases office space under noncancelable operating leases. The remaining leases are for 4 to 6 years and both leases have options to renew. There were no lease payments payable to the lessor as of September 30, 2022.

##### *(s) Recent Accounting Standards Adopted*

In September 2020, FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets (Topic 958), which requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts in-kind. ASU No. 2020-07 was effective for Charles River Watershed Association, Inc. for its year ended September 30, 2022. This guidance is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhanced presentation and disclosure requirements.

# Charles River Watershed Association, Inc.

## Notes to the Financial Statements

September 30, 2022

### (1) Summary of Significant Accounting Policies – continued

#### (s) Recent Accounting Standards Adopted - continued

This ASU requires that nonfinancial assets are presented as a separate line item in the statement of activities and disclosures include a disaggregation of the amount contributed by category, a description of donor restrictions, and valuation techniques for the nonfinancial assets received. No reclassifications were required on the statement of activity for September 30, 2022. Charles River Watershed Association, Inc. has historically presented nonfinancial assets as a separate line item. Charles River Watershed Association, Inc. did enhance its disclosures to adhere to the new standard.

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842) which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today.

The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU was set to be effective on January 1, 2021, with early adoption permitted. The effective date was extended to fiscal years beginning after December 15, 2021. The Organization has implemented the provisions of ASU 2016-02 applicable to all leases, which has been applied retrospectively to all periods presented.

### (2) Promises to Give

Promises to give consist of the following as of September 30, 2022:

	<u>Gross Promise</u>	<u>Allowance</u>	<u>Net Promise</u>	<u>Unamortized Discount</u>	<u>Total</u>
Receivables less than 1 year	\$ 210,987	\$ 43,000	\$ 167,987	\$ -	\$ 167,987
Receivables in 1 to 5 years	<u>11,000</u>	<u>-</u>	<u>11,000</u>	<u>313</u>	<u>10,687</u>
	<u>\$ 221,987</u>	<u>\$ 43,000</u>	<u>\$ 178,987</u>	<u>\$ 313</u>	<u>\$ 178,674</u>

## Charles River Watershed Association, Inc.

### Notes to the Financial Statements

September 30, 2022

#### (2) Promises to Give - continued

As of September 30, 2022, 100% of the promises to give are due from individual and foundations. As of September 30, 2022, 79% of the promises to give are due from three individuals.

Conditional promises to give are only recognized as assets if and when the specified conditions are met. Non-bequest conditional pledges totaled \$70,000 as of September 30, 2022.

#### (3) Investments

Investments are valued at fair value using level 1 inputs, unadjusted quoted prices in active markets, and are comprised of the following as of September 30, 2022

<b>Mutual Fund:</b>	<b>Fair Value:</b>
Domestic equity securities	\$ 2,064,824
International equity securities	\$ 365,041
Federal money market	292,003
Corporate bonds	<u>1,361,559</u>
Total	\$ <u>4,083,427</u>

The federal money market – mutual fund invests in U.S. government securities and its composition consists of repurchase agreements, U.S. government obligations and U.S. treasury bills. The federal money market – mutual funds are restricted for long-term purposes and are not considered to be a cash equivalent.

The equity securities – mutual funds' weighted average composition as of September 30, 2022 consists of:

Basic materials	2.06%
Consumer goods and services	21.25%
Financial services	10.00%
Real estate	3.67%
Health care	13.76%
Utilities	1.03%
Energy	1.15%
Industrials	11.99%
Telecommunications	2.43%
Technology	<u>32.66%</u>
	<u>100%</u>

## Charles River Watershed Association, Inc.

### Notes to the Financial Statements

September 30, 2022

#### (3) Investments - continued

The corporate bond – mutual funds composition as of September 30, 2022 consists of:

Treasury/agency	54.58%
Gov. mortgage - backed	11.81%
Industrial	14.93%
Other	18.68%
	<u>100%</u>

#### (4) Escrow Held for Others

In February 2019, the Organization entered into an escrow agreement with the Town of Milford and Milford Power LLC for implementation of subwatershed restoration projects. The projects are to be completed by the Town of Milford and funds will be released to the town in accordance with the agreement. During the year ended September 30, 2022, interest earned was \$25. Funds released during the fiscal year totaled \$83,038. As of September 30, 2022, the escrow held for others and the escrow held for others (contra) account balance were each \$42,467 and \$42,236, respectively.

#### (5) Contributed Services and Gifts In-Kind

Contributed services and gifts in-kind for the year ended September 30, 2022 were as follows:

Donated materials and services	\$ <u>4,925</u>
Total	\$ <u>4,925</u>

#### (6) Post-Retirement Benefit Plan

The Organization sponsors a post-retirement benefit plan under Section 403(b) of the IRC. The plan allows for voluntary employee contributions and includes all employees. The Organization does not match employee contributions.

#### (7) Related Party Transactions

The Organization received donations, including promises to give, during the year ended September 30, 2022 from various board members; of which \$74,445 was collected during the year ended September 30, 2022. As of September 30, 2022, the outstanding board member promises to give balance was \$1,000.

**Charles River Watershed Association, Inc.**

Notes to the Financial Statements

September 30, 2022

**(8) Operating Leases and Use Occupancy Agreement**

During the year ended September 30, 2022, the Organization entered into a new lease agreement with a property for office space. The new lease commenced on July 29, 2022, and terminates on July 28, 2028. The new lease is \$2,000 a month. Each September 1<sup>st</sup>, 2023, the annual rent will be increased by the same percentages as the Cost of Living for Urban Consumers in Boston as published by the US Department of Labor for the published twelve-month period proceeding each September 1<sup>st</sup> of the then current year.

The Organization is responsible for the increase in the proportionate amount of real estate taxes in excess of the FY22 real estate taxes amount annually.

During the year ended September 30, 2021, the Organization entered into a lease agreement with an escalation clause for office space. The new lease commenced on September 1, 2021, and terminates on August 21, 2028, with an option to extend for 5 years.

The Organization is responsible for all costs of maintenance, water, sewerage, electricity, telephone, or any utility used and consumed in connection with its use of the premises.

Rent expense for the year ended September 30, 2022 was \$79,475.

The following summarizes the weighted average remaining lease term and discount rate as of September 30, 2022:

	<u>2022</u>
<b>Weighted Average Remaining Lease Term</b>	
Operating leases	6 years
<b>Weighted Average Discount Rate</b>	
Operating leases	3.27%

The maturities of lease liabilities as of September 30, 2022 were as follows:

Year Ending December 31:	<u>Operating</u>
2023	\$ 100,362
2024	\$ 102,738
2025	\$ 105,115
2026	\$ 107,502
2027	\$ 85,878
After	\$ 80,718
Total lease payments	582,313
Less: interest	<u>(67,596)</u>
Present value of lease liabilities	<u>\$ 514,717</u>

**Charles River Watershed Association, Inc.**

Notes to the Financial Statements

September 30, 2022

**(9) Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of September 30, 2022, net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for a specified time and purpose:	
Project Fund	\$ 20,000
Action Fund	172,017
Development	315,000
Controlling invasive vegetation	33,333
Client Resilience	100,000
Milford Storm Water Management	11,718
Other projects	<u>12,650</u>
Total subject to expenditure for a specified purpose:	664,718
Subject to the Organization's spending policy:	
Restricted earnings see Note 10	(13,063)
Endowment, see Note 10	<u>4,094,986</u>
Total	\$ <u>4,746,641</u>

The Action Fund is restricted by the donor to advance the Organization's unfunded mission-related work, prioritizing work or initiatives, and to respond to external events, decisions, or actions (external events) that have the potential to undermine watershed protection, or public access. Action Funds will also be used for ideas and planning for new Organization initiatives that grow out the expertise of the association, and to leverage grant funding, or to provide grant matching funds.

The Project Fund will be used for donor designated projects and initiatives.

Net assets released from restrictions during the year ended September 30, 2022 were \$252,200, of which \$120,000 was from program restrictions and \$132,200 was from earnings released in accordance with the Organization's spending policy.

## Charles River Watershed Association, Inc.

### Notes to the Financial Statements

September 30, 2022

#### **(10) Endowment**

The Organization accepts endowment gifts under the stipulation that the funds are invested in perpetuity. Unless otherwise restricted by the donor, the investment income is to be used in accordance with the Organization's endowment spending policy. The goals of the endowment fund are to enhance existing programs, create new programs, make additional funding opportunities for donors and support capital improvements. The Organization's Board of Directors (the Board) oversees the establishment and revision of foals, spending plans and asset allocations for endowments.

The Organization's endowment consists of contributions restricted by the donor in support of the Organization's mission. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, of which there were none, are classified and reported based on the existence or absence of donor-imposed restrictions.

##### ***(a) Uniform Prudent Management of Institutional Funds Act***

The Organization's management and investment of donor-restricted endowment funds are subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a guideline to states to use enacting legislation.

UPMIFA was adopted by the Commonwealth of Massachusetts effective June 30, 2009. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar value threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending.

The Board has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Further, per the interpretation, the UPMIFA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the permanent portion of net assets with donor restrictions is classified in the temporary portion of net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.



Charles River Watershed Association, Inc.

Notes to the Financial Statements

September 30, 2022

**(10) Endowment - continued**

***(b) Endowment Activity***

Changes in endowment net assets for the year ended September 30, 2022 is as follows:

	<u>With donor restrictions</u>		
	<u>Time/ Purpose</u>	<u>Perpetual</u>	<u>Total</u>
Endowment net assets, beginning	\$ 939,333	\$ 3,931,986	\$ 4,871,319
Investment return, net	(820,196)	-	(820,196)
Contributions	-	163,000	163,000
Appropriations	<u>(132,200)</u>	<u>-</u>	<u>(132,200)</u>
Endowment net assets, ending	\$ <u>(13,063)</u>	\$ <u>4,094,986</u>	\$ <u>4,081,923</u>

***(c) Appropriation of Endowment Assets for Expenditure***

The Organization considers the following factors in making a determination to appropriate endowment funds for expenditure:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization
- (8) The role of each investment in the whole portfolio group

***(d) Return Objectives and Risk Parameters***

The Organization has adopted investment and spending policies for endowment assets that invest in a thoughtful and prudent manner. The oversight of the endowment funds is the responsibility of the Organization's Board. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to preserve the endowment funds' principal, considering inflation and to regulate the long-term ability and short term needs to distribute income.

**Charles River Watershed Association, Inc.**

Notes to the Financial Statements

September 30, 2022

**(10) Endowment - continued**

***(e) Spending Policy and Investment Objectives***

During 2019, the Organization adopted a spending policy which is budgeted within a range of 4% to 6% of the preceding market value of the endowment (adjusted for new contributions). The spending will be available for unrestricted operating support. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment. During the year ended September 30, 2022, investment earnings of \$132,200 were used for operating support.

***(f) Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies may result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets. There were no such deficiencies as of September 30, 2022.

**(11) Liquidity and Availability of Resources**

The following reflects the Organization's financial assets as of September 30, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the statement of financial position date:

Financial assets at September 30, 2022:	
Cash and cash equivalents	\$ 662,582
Investments	4,083,427
Accounts receivable and promises to give, net	324,442
Total	<u>5,070,451</u>
Less amounts unavailable for general expenditures within one year, due to:	
Endowment	4,081,923
Restricted by donors for specific purposes	614,718
Total	<u>4,696,641</u>
Financial assets available to meet cash needs for general expenditures within one year:	\$ <u>373,810</u>

**Charles River Watershed Association, Inc.**

Notes to the Financial Statements

September 30, 2022

**(11) Liquidity and Availability of Resources - continued**

The Organization is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**(12) Subsequent Events**

The Organization has performed an evaluation of subsequent events through August 18, 2023, which is the date the Organization's financial statements were available to be issued. No material subsequent events have occurred since September 30, 2022 that required recognition or disclosure in these financial statements.