Charles River Watershed Association

Financial Statements

September 30, 2021

CohnReznick
ADVISORY • ASSURANCE • TAX

CHARLES RIVER WATERSHED ASSOCIATION

Index

September 30, 2021

Independent Auditor's Report

To the Board of Directors of
Charles River Watershed Association

Report on the Financial Statements

We have audited the accompanying financial statements of Charles River Watershed Association (a nonprofit organization), (the Organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CohnReznick

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2021, 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.

Report on Summarized Comparative Information

The financial statements of Charles River Watershed Association as of September 30, 2020, were audited by other auditors whose report dated August 16, 2021, expressed an unmodified opinion on those financial statements. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principal generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Danvers, Massachusetts
August 25, 2022

CHARLES RIVER WATERSHED ASSOCIATION

Statement of Financial Position

As of September 30, 2021
With Comparative Totals as of September 30, 2020

	2021	2020
Current Assets		
Cash and cash equivalents	$ 375,090	$ 401,436
Accounts receivable	108,759	11,785
Promises to give, current portion	167,987	249,998
Inventory	2,535	2,535
Prepaid expenses	31,867	827
Total current assets	686,238	666,581
Escrow deposits held for others		
Escrow - subwatershed restoration projects	125,479	153,274
Fixed Assets		
Property and equipment, net of accumulated depreciation	47,752	38,958
Total net fixed assets	47,752	38,958
Other Assets		
Investments	4,955,623	4,047,990
Promises to give, net and net of current portion	10,687	101,610
Intangible assets, net of accumulated amortization	2,118	8,732
Total other assets	4,968,428	4,158,332
Total Assets	$ 5,827,897	$ 5,017,145
Current Liabilities		
Accounts payable	$ 45,815	$ 34,977
Accrued expenses	14,636	37,716
Paycheck Protection Program (PPP) Loan	-	142,250
Total current liabilities	60,451	214,943
Escrow deposits held for others		
Escrow - subwatershed restoration projects (contra)	125,274	153,274
Total liabilities	185,725	368,217
Net Assets		
Net assets without donor restrictions	447,118	(32,742)
Net assets with donor restrictions	5,195,054	4,681,670
Total net assets	5,642,172	4,648,928
Total Liabilities and Net Assets	$ 5,827,897	$ 5,017,145

The accompanying notes are an integral part of the financial statements.

CHARLES RIVER WATERSHED ASSOCIATION

Statement of Activities

For the Year Ended September 30, 2021
With Comparative Totals for the Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Revenue and Support				
Contributions	$ 474,417	$ 36,077	$ 510,494	$ 697,391
Grants	543,057	27,000	570,057	46,666
Events and sponsorships	288,364	-	288,364	207,886
In-kind	64,424	-	64,424	4,273
Investment revenue	-	724,149	724,149	333,841
Other revenue	15,764	-	15,764	1,091
Net assets released from restrictions	273,842	(273,842)	-	-
Total revenue and support	1,659,868	513,384	2,173,252	1,291,148
Expenses				
Program services	983,767	-	983,767	719,164
General and administrative	167,296	-	167,296	121,607
Fundraising	164,965	-	164,965	173,390
Total expenses	1,316,028	-	1,316,028	1,014,161
Change in Net Assets Before Other Income	343,840	513,384	857,224	276,987
Other Income				
Loss on dispositon of intangible asset	(6,230)	-	(6,230)	-
Forgiveness of debt - PPP	142,250	-	142,250	-
Total other income	136,020	-	136,020	-
Change in Net Assets	479,860	513,384	993,244	276,987
Net Assets at Beginning of Year	(32,742)	4,681,670	4,648,928	4,371,941
Net Assets at End of Year	$ 447,118	$ 5,195,054	$ 5,642,172	$ 4,648,928

The accompanying notes are an integral part of the financial statements.

CHARLES RIVER WATERSHED ASSOCIATION

Statement of Cash Flows

For the Year Ended September 30, 2021
With Comparative Totals for the Year Ended September 30, 2020

Cash Flows from Operating Activities	2021	2020
Change in net assets	$ 993,244	$ 276,987
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,938	7,833
Contributions restricted for investment	-	(55,113)
Dividends and interest reinvested	(62,111)	(67,313)
Unrealized gains on investments, net	(662,038)	(260,364)
Loss on disposal of intangible asset	6,230	-
Forgiveness of debt - PPP	(142,250)	-
Decrease (increase) in assets:		
Accounts receivable	(96,974)	35,668
Promises to give, net	172,934	241,673
Inventory	-	3
Prepaid expenses	(31,040)	4,058
Escrow - subwatershed restoration projects	27,795	(1,534)
Increase (decrease) in liabilities:		
Accounts payable	10,838	(14,153)
Accrued expenses	(23,080)	17,991
Note payable	-	142,250
Escrow - subwatershed restoration projects (contra)	(28,000)	1,534
Net Cash Provided by Operating Activities	176,486	329,520
Cash Flows from Investing Activities		
Purchase of property and equipment	(19,348)	(731)
Proceeds from the sale of investments	1,383,226	186,300
Purchase of investments	(1,566,710)	(504,748)
Net Cash Used in Investing Activities	(202,832)	(319,179)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for investment	-	55,113
Net Cash Provided by Financing Activities	-	55,113
Net (Decrease) Increase in Cash and Cash Equivalents	(26,346)	65,454
Cash and Cash Equivalents - Beginning	401,436	335,982
Cash and Cash Equivalents - Ending	$ 375,090	$ 401,436

The accompanying notes are an integral part of the financial statements.

CHARLES RIVER WATERSHED ASSOCIATION

Statement of Functional Expenses

For the Year Ended September 30, 2021
With Comparative Totals for the Year Ended September 30, 2020

	Total Program Services	General and Administrative	Fundraising	Total 2021	Total 2020
Salaries, related benefits and taxes	$ 609,606	$ 116,000	$ 92,515	$ 818,121	$ 791,322
Accounting and audit	10,860	7,860	1,648	20,368	14,716
Advertising and promotion	-	-	-	-	15
Conferences and meetings	128	84	145	357	7,328
Contract services	239,589	3,555	4,581	247,725	59,285
Depreciation and amortization	5,832	4,221	885	10,938	7,903
Dues, fees and permits	20,372	4,824	4,750	29,946	36,750
Equipment	12,718	5,795	1,986	20,499	10,010
Insurance	7,789	5,638	1,482	14,909	11,127
Legal expense	-	-	-	-	585
Misc. expense	-	-	-	-	25
Office maintenance	5,692	4,119	864	10,675	-
Postage and delivery	9	7	4,999	5,015	1,985
Printing and reproduction	258	170	14,104	14,532	23,493
Rent	10,931	7,910	1,659	20,500	22,000
Repairs and maintenance	2,010	1,455	306	3,771	3,345
Supplies	8,632	1,318	34,129	44,079	6,772
Training and education	450	-	-	450	-
Travel and entertainment	3,951	338	73	4,362	3,719
Utilities and telephone	5,589	4,002	839	10,430	13,781
Grant expense	39,351	-	-	39,351	-
Total Functional Expenses	$ 983,767	$ 167,296	$ 164,965	$ 1,316,028	$ 1,014,161

The accompanying notes are an integral part of these financial statements.

CHARLES RIVER WATERSHED ASSOCIATION

Statement of Functional Expenses, Continued

For the Year Ended September 30, 2021
With Comparative Totals for the Year Ended September 30, 2020

	Advocacy, Policy and Law	Blue Cities®	Education and Outreach	Field Science	Outreach Events	Climate Mitigation and Adaptation	**Total Program Services 2021**	**Total Program Services 2020**
Salaries, related benefits and taxes	$ 139,499	$ 74,792	$ 136,798	$ 67,246	$ 8,703	$ 182,568	$ 609,606	$ 583,734
Accounting and audit	2,485	1,332	2,437	1,198	155	3,253	10,860	8,159
Advertising and promotion	-	-	-	-	-	-	-	-
Conferences and meetings	26	14	26	27	-	35	128	2,904
Contract services	1,124	107,181	41,840	32,463	5,370	51,611	239,589	50,518
Depreciation and amortization	1,335	716	1,309	643	83	1,746	5,832	4,382
Dues, fees and permits	7,187	1,378	4,231	2,411	494	4,671	20,372	26,272
Equipment	1,833	983	1,797	5,093	114	2,898	12,718	3,111
Insurance	1,782	956	1,748	859	111	2,333	7,789	6,169
Legal expense	-	-	-	-	-	-	-	585
Misc. expense	-	-	-	-	-	-	-	14.00
Office maintenance	1,303	698	1,277	628	81	1,705	5,692	-
Postage and delivery	2	1	2	1	-	3	9	311
Printing and reproduction	77	29	53	26	3	70	258	5,073
Rent	2,501	1,341	2,453	1,206	156	3,274	10,931	12,198
Repairs and maintenance	460	247	451	222	29	601	2,010	1,820
Supplies	691	1,076	3,129	2,819	26	891	8,632	2,648
Training and education	100	-	350	-	-	-	450	
Travel and entertainment	117	347	537	2,487	83	380	3,951	3,612
Utilities and telephone	1,265	678	1,241	670	79	1,656	5,589	7,654
Grant expense	-	-		39,351	-	-	39,351	-
Total Functional Expenses	$ 161,787	$ 191,769	$ 199,679	$ 157,350	$ 15,487	$ 257,695	$ 983,767	$ 719,164

The accompanying notes are an integral part of these financial statements.

(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 (U.S. GAAP). The significant accounting policies followed by Charles River Watershed Association are described below to enhance the usefulness of the financial statements to the reader.

When used in these notes, the terms “CRWA,” “Organization,” “our,” “ours,” “we,” or “us” are intended to mean Charles River Watershed Association, Inc.

(a) Nature of Activities

The Organization was organized in the Commonwealth of Massachusetts as a nonprofit corporation on September 23, 1966. The mission is to use science, advocacy and the law to protect, preserve and enhance the Charles River (the Charles) and its watershed (the 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 the positions the organization adopts.

Blue Cities® Initiative - 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.

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

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.

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 38 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 all 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.

Field Science

Volunteer Monthly Monitoring - the Organization's 24-year 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.

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

Field Science - continued

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.

Water Chestnut Removal - The Organization works with local and state partners to eliminate the invasive water chestnut infestation in the river's Lakes District in Newton, Waltham and Weston through mechanical harvesting and hand-pulling by volunteers. This program increases awareness about invasive species and the impacts of nutrient pollution while creating new river stewards.

Climate Mitigation and Adaptation - 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 through CRWA's water-energy nexus work, 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 activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts.

(1) Summary of Significant Accounting Policies - continued

(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.

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. Contributions, gains and investment income that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized.

Net assets with donor restrictions also includes the original amount of gifts and investment earnings required by the donor to be permanently retained. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or 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. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

(1) Summary of Significant Accounting Policies - continued

(d) Cash and Cash Equivalents - continued

The Organization maintains its cash balances at several financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. 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, 2021.

(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 Agency 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.

(1) Summary of Significant Accounting Policies - continued

(e) Revenue Recognition - continued

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 restrictions 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 Organization's 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, 2021, the Organization derived approximately 33% of its total revenue from investment earnings, net, 26% from grants, 24% from contributions, 13% from events and sponsorships and 4% from other sources.

(f) Accounts Receivable

Accounts receivable 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, 2021, management has determined any allowance would be immaterial.

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

(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.

(1) Summary of Significant Accounting Policies - continued

(g) Promises to Give - continued

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 collection trends that differ from scheduled collections on individual promises. As of September 30, 2021, 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 basis and is valued at the lower of cost or net realizable value.

(i) Property and Equipment

Property and equipment 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 $10,554 for the year ended September 30, 2021.

(1) Summary of Significant Accounting Policies - continued

(j) 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 a 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, 2021.

	Level 1	Level 2	Level 3	Total
Investments	$ 4,955,623	$ -	$ -	$ 4,955,623
	$ 4,955,623	$ -	$ -	$ 4,955,623

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.

(k) Amortization

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

(1) Summary of Significant Accounting Policies - continued

(l) Fundraising Expense

Fundraising expense relates to the activities of raising general and specific contributions to the Organization. Fundraising expenses as a percentage of total contribution revenue was 15% for the year ended September 30, 2021. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis. The ratio of expenses to amounts raised excludes activities related to the program events, (see Note 1(a)).

(m) 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 charges. Occupancy costs are allocated based upon associated payroll costs.

(n) Use of Estimates

In preparing the Organization's financial statements in conformity with U.S. 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.

(o) 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 would be subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1) of the IRC.

(1) Summary of Significant Accounting Policies - continued

(p) Summarized Financial Information for 2020

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

(q) Paycheck Protection Program Loan

The Organization has elected to follow the guidance found in FASB ASC 470 - *Not-for Profit Entities - Debt* to account for its PPP Loan, (see Note 4).

(r) Recent Accounting Standard Adopted

On October 1, 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, ASC 606). ASC 606 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and requires the reporting entity to recognize revenues when control of promised goods or services is transferred to customers and at an amount that reflects the consideration to which the Agency expects to be entitled in exchange for those goods or services. ASC 606 was adopted using the modified retrospective method applied to those contracts which were not competed as of October 1, 2020 (the practical expedient elected). Results for reporting periods beginning after October 1, 2020, are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Organization's historic accounting under ASC 605.

There were no material changes in the timing of recognition of revenue and, therefore, there were no adjustments to the opening balance of net assets without donor restrictions. The Agency does not expect the adoption of the new revenue standard to have a significant impact on its changes in net assets on an ongoing basis.

(1) Summary of Significant Accounting Policies - continued

(r) Recent Accounting Standard Adopted - continued

On October 1, 2020, the Organization adopted ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this update removed the following disclosure requirements from Topic 820: (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (2) the policy for timing of transfers between levels, (3) the valuation processes for Level 3 fair value measurements and (4) the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the reporting period. The following disclosure requirements were modified in Topic 820: (1) in lieu of a roll forward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities, (2) for investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly and (3) the amendments clarity that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. The disclosures to the financial statements were updated to reflect the amendments in this update.

(s) Recent Accounting Standards

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 is currently evaluating the impact the adoption of this new standard will have on its financial statements.

(1) Summary of Significant Accounting Policies - continued

(s) Recent Accounting Standards - continued

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires gifts-in-kind to be presented as a separate line item on the statement of activities. Additionally, gifts-in-kind are to be disaggregated into categories based on the type of gift with the following disclosures made for each category: (1) Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description o the programs or other activities in which those assets were used will be disclosed; (2) the entity's policy about monetizing rather than utilizing contributed nonfinancial asset; (3) A description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (4) a description of the valuation techniques and inputs used to arrive at fair value measure at initial recognition; and (5) the principal (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for- profit entity is prohibited by a donor imposed restriction from selling or using the contributed nonfinancial assets. The ASU is effective for early reporting period beginning after June 15, 2021. Early adoption of the ASU is not permitted. The Organization is currently evaluating the impact the adoption of the new standard will have on its financial statements.

(t) 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 the 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.

(u) Contributed Services and Gifts in-Kind

Gifts in-kind are reported as contributions in the financial statements at their estimated fair values at the time of receipt. Contributed services are similarly reported when services are performed which would otherwise have been purchased or performed by Organization personnel.

(2) Promises to Give

Promises to give consist of the following as of September 30, 2021:

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

As of September 30, 2021, 100% of the promises to give are due from individuals and foundations. As of September 30, 2021, 79% of the promises to give are due from three individuals.

Conditional promises are only recognized as assets if and when the specified conditions are met. Non-bequest conditional pledges totaled $70,000 as of September 30, 2021.

(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, 2021:

Mutual Fund:	**Fair Value**
Federal money market	$ 151,629
Domestic equity securities	3,190,517
Corporate bonds	1,613,477
Total	$ 4,955,623

(3) Investments - continued

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, 2021 consists of:

Basic materials	2.96%
Consumer goods & services	21.31%
Financial services	12.32%
Real estate	3.84%
Health care	13.00%
Utilities	1.49%
Energy	1.49%
Industrials	12.30%
Telecommunications	3.43%
Technology	27.86%
	100.00%

The corporate bond - mutual fund's composition as of September 30, 2021 consists of:

Treasury/agency	52.87%
Gov. mortgage - backed	12.55%
Industrial	15.90%
Other	18.68%
	100.00%

(4) PPP Loan

The Organization received a PPP loan from Cambridge Trust in the original amount of $142,250 with a maturity date of April 30, 2022. The loan bore interest at a rate of 1%, which was deferred for the first 6 months. The Small Business Administration (SBA) has disclosed criteria for forgiveness which include but not limited to maintaining the full-time equivalent number of employees over certain time period and expending the funds on eligible expenses over the covered period. Management received forgiveness of the loan in full during the year ended September 30, 2021.

Loan forgiveness is subject to review by the SBA. The Organization is required to retain all related loan forgiveness for 6 years after the loan forgiveness date.

(5) 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, 2021, interest earned was $205. Funds released during the fiscal year totaled $28,000. As of September 30, 2021, the escrow held for others and the escrow held for others (contra) account balance were each $125,479 and $125,274, respectively.

(6) Property and Equipment

Property and equipment consist of the following as of September 30, 2021:

Computer equipment	$	43,985
Equipment		129,411
Furniture and fixtures		39,814
Leasehold improvements		101,446
		314,656
Less: accumulated depreciation		(266,904)
Total	$	47,752

Depreciation expense for the year ended September 30, 2021 was $10,554.

(7) Intangible Assets

Intangible assets consist of the following as of September 30, 2021:

Flagging Model, net of accumulated amortization of $1,722	$	2,118
Total	$	2,118

Amortization expense amounted to $384 for the year ended September 30, 2021. Estimated future amortization expense approximates $384 for each of the next five years.

(8) Contributed Services and Gifts In-kind

Contributed services and gifts in-kind for the year ended September 30, 2021 were as follows:

Donated materials	$	35,624
Donated services		28,800
Total	$	64,424

(9) 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.

(10) Operating Leases and Use and Occupancy Agreement

On December 31, 2016, the Organization entered into a use and occupancy agreement for use of office space through December 31, 2023 under which the use and occupancy fee will be $1,000 per month for the first 9 months of the agreement, $2,000 per month for each month thereafter within the first 5 years with a 3% increase in years 6 and 7.

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.

During the year ended September 30, 2021, the Organization entered into a new lease agreement with an escalation clause for new office space but continued to utilize the old space for storage for a reduce rent of $500 effective September 2021. The new lease commenced on September 1, 2021 and terminates on August 21, 2028, with an option to extend for 5 years.

The minimum annual operating non-cancelable lease commitments for the Organization are as follows for each fiscal year ending September 30th:

2022	$	75,475
2023		76,362
2024		78,738
2025		81,115
2026		83,502

Rent expense for the year ended September 30, 2021 was $20,500.

(11) Related Party Transactions

The Organization received donations, including promises to give, during the year ended September 30, 2021 from various board members; of which $66,258 was collected during the year ended September 30, 2021. As of September 30, 2021, the outstanding board member promises to give balance was $25,240.

(12) Net Assets

(a) 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, 2021, net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for a specified purpose:		
Action Fund	$	277,017
Project Fund		20,000
Storm water management		11,718
Volunteer monthly monitoring program		15,000
Total subject to expenditure for a specified purpose:		323,735
Subject to the Organization's spending policy:		
Restricted earnings, see Note 13		939,333
Endowment, see Note 13		3,931,986
Total	$	5,195,054

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, 2021 amounted to $273,842, of which $167,842 was from program restrictions and $106,000 was from earnings released in accordance with the Organization's spending policy.

(13) 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 goals, 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.

(13) Endowment - continued

(b) Endowment Activity

Changes in endowment net assets for the year ended September 30, 2021 is as follows:

	With donor restrictions		
	Time or Purpose	Perpetual	Total
Endowment net assets, beginning	$ 321,184	$ 3,898,374	$ 4,219,558
Investment return, net	724,149	-	724,149
Contributions	-	33,612	33,612
Appropriations	(106,000)	-	(106,000)
Endowment net assets, ending	$ 939,333	$ 3,931,986	$ 4,871,319

(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.

(13) 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 31, 2021, investment earnings of $106,000 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, 2021.

(14) Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of September 30, 2021, 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 year end		
Cash and cash equivalents	$	375,090
Investments		4,955,623
Accounts receivable and promises to give, net		287,433
Total		5,905,579
Less amounts unavailable for general expenditures		
Within one year, due to:		
Endowment		4,871,319
Restricted by donors for specific purposes		323,735
Total		5,195,054
Financial assets available to meet cash needs for general expenditures within one year	$	710,525

(14) 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. Further, 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.

(15) COVID-19 - *Risks and Uncertainties*

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. At this stage, the limited impact to the Organization resulted in a loss of revenues and other adverse effects to the Organization’s financial position, results of operations, and cash flows. As described in Note 4, the Organization received a PPP loan which was forgiven. Further, the Organization’s liquidity as of September 30, 2021 is documented at Note 14. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Organization’s operations continue for an extended period of time the Organization may have to seek alternative measures to finance its operations. The Organization does not believe that the impact of COVID-19 would have a material adverse effect on its financial condition or liquidity.

(16) Subsequent Events

The Organization has performed an evaluation of subsequent events through August 25, 2022, which is the date the Organization’s financial statements were available to be issued. No material subsequent events have occurred since September 30, 2021 that required recognition or disclosure in these financial statements.

CohnReznick

ADVISORY • ASSURANCE • TAX

Independent Member of Nexia International

cohnreznick.com