



CHARLES RIVER WATERSHED
ASSOCIATION, INC.

Financial Statements

September 30, 2019

Kevin P. Martin & Associates, P.C.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Index

September 30, 2019

Independent Auditors' Report

Financial Statements:

Statement of Financial Position as of September 30, 2019 With Comparative Totals as of September 30, 2018	1
Statement of Activities for the Year Ended September 30, 2019 With Comparative Totals for the Year Ended September 30, 2018	2
Statement of Cash Flows for the Year Ended September 30, 2019 With Comparative Totals for the Year Ended September 30, 2018	3
Statement of Functional Expenses for the Year Ended September 30, 2019 With Comparative Totals for the Year Ended September 30, 2018	4 - 5
Notes to Financial Statements	6 - 23



Independent Auditors' Report

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

We have audited the accompanying financial statements of Charles River Watershed Association, Inc. (a nonprofit organization), (the Organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, cash flows and functional expenses 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.

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, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization has adopted ASU No. 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 15, 2019. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Numin P. Martine & Associates, P.C.

Danvers, Massachusetts
August 17, 2020

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Statement of Financial Position

As of September 30, 2019

With Comparative Totals as of September 30, 2018

	2019	2018
Current Assets		
Cash and cash equivalents	\$ 335,982	\$ 177,672
Accounts receivable	47,453	28,999
Promises to give, current portion	263,998	408,093
Inventory	2,538	2,554
Prepaid expenses	4,885	6,715
Total current assets	654,856	624,033
Escrow deposits held for others		
Escrow - subwatershed restoration projects	151,740	-
Fixed Assets		
Property and equipment, net of accumulated depreciation	42,562	36,922
Total net fixed assets	42,562	36,922
Other Assets		
Investments	3,401,865	2,568,850
Promises to give, net and net of current portion	329,283	652,981
Intangible assets, net of accumulated amortization	12,230	13,787
Total other assets	3,743,378	3,235,618
Total Assets	\$ 4,592,536	\$ 3,896,573
Current Liabilities		
Accounts payable	\$ 49,130	\$ 165,971
Accrued expenses	19,725	35,607
Total current liabilities	68,855	201,578
Escrow deposits held for others		
Escrow - subwatershed restoration projects (contra)	151,740	-
Total liabilities	220,595	201,578
Net Assets		
Net assets without donor restrictions	(4,861)	(207,766)
Net assets with donor restrictions	4,376,802	3,902,761
Total net assets	4,371,941	3,694,995
Total Liabilities and Net Assets	\$ 4,592,536	\$ 3,896,573

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

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Statement of Activities

For the Year Ended September 30, 2019
 With Comparative Totals for the Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Revenue and Support				
Contributions	\$ 508,206	\$ 715,741	\$ 1,223,947	\$ 2,197,863
Grants	221,386	-	221,386	252,944
Events and sponsorships	97,608	-	97,608	94,010
In-kind	56,543	-	56,543	60,891
Memberships	42,019	-	42,019	32,430
Investment revenue	88,833	48,643	137,476	22,580
Other revenue	2,007	-	2,007	9,298
Net assets released from restrictions	290,343	(290,343)	-	-
Total revenue and support	1,306,945	474,041	1,780,986	2,670,016
Expenses				
Program services	703,561	-	703,561	885,152
General and administrative	172,328	-	172,328	197,698
Fundraising	228,151	-	228,151	406,664
Total expenses	1,104,040	-	1,104,040	1,489,514
Change in Net Assets	202,905	474,041	676,946	1,180,502
Net Assets at Beginning of Year	(207,766)	3,902,761	3,694,995	2,514,493
Net Assets at End of Year	\$ (4,861)	\$ 4,376,802	\$ 4,371,941	\$ 3,694,995

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

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Statement of Cash Flows

For the Year Ended September 30, 2019
With Comparative Totals for the Year Ended September 30, 2018

Cash Flows from Operating Activities	<u>2019</u>	<u>2018</u>
Change in net assets	\$ 676,946	\$ 1,180,502
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,805	8,429
Contributions restricted for investment	-	(1,398,375)
Dividends and interest reinvested	(73,250)	(15,361)
Unrealized gains on investments, net	(64,226)	(7,213)
Decrease (increase) in assets:		
Accounts receivable	(18,454)	(4,656)
Promises to give, net	40,199	88,467
Inventory	16	18
Prepaid expenses	1,830	(851)
Escrow - subwatershed restoration projects	(151,740)	-
Increase (decrease) in liabilities:		
Accounts payable	(116,841)	123,455
Accrued expenses	(15,882)	17,107
Escrow - subwatershed restoration projects (contra)	151,740	-
Net Cash Provided by (Used in) Operating Activities	<u>439,143</u>	<u>(8,478)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(12,888)	(9,450)
Proceeds from the sale of investments	1,401,901	350,600
Purchase of investments	(2,097,440)	(2,896,876)
Net Cash Used in Investing Activities	<u>(708,427)</u>	<u>(2,555,726)</u>
Cash Flows from Financing Activities		
Proceeds from contributions restricted for investment	<u>427,594</u>	<u>1,168,876</u>
Net Cash Provided by Financing Activities	<u>427,594</u>	<u>1,168,876</u>
Net Increase (Decrease) in Cash and Cash Equivalents	158,310	(1,395,328)
Cash and Cash Equivalents - Beginning	<u>177,672</u>	<u>1,573,000</u>
Cash and Cash Equivalents - Ending	<u>\$ 335,982</u>	<u>\$ 177,672</u>

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

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2019

With Comparative Totals for the Year Ended September 30, 2018

	Total Program Services	General and Administrative	Fundraising	Total 2019	Total 2018
Salaries, related benefits and taxes	\$ 498,197	\$ 123,133	\$ 130,280	\$ 751,610	\$ 895,296
Accounting and audit	9,166	7,862	2,397	19,425	18,769
Conferences and meetings	9,595	4,157	52,055	65,807	76,300
Contract services	86,483	192	3,209	89,884	298,265
Depreciation and amortization	4,154	3,564	1,086	8,804	8,429
Dues, fees and permits	12,087	3,444	3,362	18,893	22,329
Equipment	12,843	5,425	5,110	23,378	22,845
Insurance	5,705	3,172	1,162	10,039	8,350
Legal expense	348	81	25	454	-
Postage and delivery	488	120	1,331	1,939	4,068
Printing and reproduction	1,204	533	13,831	15,568	14,401
Rent	11,325	9,714	2,961	24,000	24,000
Repairs and maintenance	3,659	3,139	957	7,755	8,830
Supplies	32,116	1,262	7,656	41,034	58,937
Travel and entertainment	8,730	131	778	9,639	13,687
Utilities and telephone	7,461	6,399	1,951	15,811	15,008
Total Functional Expenses	\$ 703,561	\$ 172,328	\$ 228,151	\$ 1,104,040	\$ 1,489,514

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

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Statement of Functional Expenses, Continued

For the Year Ended September 30, 2019
With Comparative Totals for the Year Ended September 30, 2018

	Advocacy, Policy and Law	Blue Cities®	Education and Outreach	Field Science	Outreach Events	Climate Mitigation and Adaptation	Total Program Services 2019	Total Program Services 2018
Salaries, related benefits and taxes	\$ 84,157	\$ 85,125	\$ 133,160	\$ 64,510	\$ 32,762	\$ 98,483	\$ 498,197	\$ 519,483
Accounting and audit	1,548	1,566	2,450	1,187	603	1,812	9,166	7,925
Conferences and meetings	1,055	950	4,061	809	344	2,376	9,595	6,316
Contract services	5,393	358	1,635	40,202	33,951	4,944	86,483	238,912
Depreciation and amortization	702	710	1,110	538	273	821	4,154	3,559
Dues, fees and permits	2,638	1,029	3,448	520	3,658	794	12,087	9,604
Equipment	1,068	1,481	1,690	1,119	6,076	1,409	12,843	8,083
Insurance	625	632	988	479	2,250	731	5,705	4,766
Legal expense	270	16	25	12	6	19	348	-
Postage and delivery	24	106	58	25	247	28	488	1,093
Printing and reproduction	105	106	749	80	41	123	1,204	2,445
Rent	1,913	1,935	3,027	1,466	745	2,239	11,325	10,675
Repairs and maintenance	618	625	978	474	241	723	3,659	3,231
Supplies	248	770	8,027	969	21,745	357	32,116	51,467
Travel and entertainment	2,283	880	1,348	2,458	416	1,345	8,730	11,258
Utilities and telephone	1,260	1,275	1,994	966	491	1,475	7,461	6,335
Total Functional Expenses	\$ 103,907	\$ 97,564	\$ 164,748	\$ 115,814	\$ 103,849	\$ 117,679	\$ 703,561	\$ 885,152

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

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(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, Inc. 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.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(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 37 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.

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 Financial Statements

September 30, 2019

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

Field Science - continued

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.

(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.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(1) Summary of Significant Accounting Policies - continued

(c) Standards of Accounting and Reporting - continued

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.

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, 2019.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(1) Summary of Significant Accounting Policies - continued

(e) *Revenue Recognition*

The Organization earns revenue as follows:

Contributions and Memberships - Contributions are recorded upon receipt or pledge as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Grants - Grants are recorded as revenue as costs related to the services provided are incurred.

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 earned. 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, 2019, the Organization derived approximately 70% of its total revenue from contributions, 12% from grants, 8% investment earnings, net, 5% from events and sponsorships, 3% from in-kind contributions, and 2% from membership dues. All revenue is recorded at the estimated net realizable amounts.

(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, 2019, 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.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(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, 2019, 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 \$7,248 for the year ended September 30, 2019.

(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:

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(1) Summary of Significant Accounting Policies - continued

(j) Fair Value Measurements - continued

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, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ <u>3,401,865</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,401,865</u>
	\$ <u><u>3,401,865</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>3,401,865</u></u>

The Organization's policy is to recognize transfers in and out of levels as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the year ended September 30, 2019.

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Organization records assets and liabilities at fair value on a nonrecurring basis as required by U.S. GAAP. 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, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Promises to Give	\$ <u>-</u>	\$ <u>15,543</u>	\$ <u>-</u>	\$ <u>15,543</u>
	\$ <u><u>-</u></u>	\$ <u><u>15,543</u></u>	\$ <u><u>-</u></u>	\$ <u><u>15,543</u></u>

The 2019 promises to give are discounted using the U.S. Treasury yield curve rate of 2.94%.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(1) Summary of Significant Accounting Policies - continued

(k) Amortization

Flagging model costs and Charles River Film costs are amortized over 15 and 10 years, respectively, using the straight line method.

(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 19% for the year ended September 30, 2019. 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.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(1) Summary of Significant Accounting Policies - continued

(p) Summarized Financial Information for 2018

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, 2018, from which the summarized information was derived.

(q) Recent Accounting Standard Adopted

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. As a result, the Organization has adopted this ASU as of and for the year ended September 30, 2019 with retrospective application for the 2018 financial statements. The Organization opted to not disclose liquidity and availability information as well as an analysis of expenses by both natural and functional classification for 2018 as permitted under the ASU in the year of adoption. As a result, the investment expenses are netted against investment return on the statements of activities. In addition, the Organization changed its presentation of its net asset classes and expanded the footnote disclosures as required by the ASU, with no effect on previously reported change in net assets. Other than these reclassifications, the adoption of ASU 2016-14 did not have a material impact on the Organization's financial position, results of activities or cash flows.

(r) 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.

(s) 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.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(2) Promises to Give

Promises to give consist of the following as of September 30, 2019:

	<u>Gross Promise</u>	<u>Allowance</u>	<u>Net Promise</u>	<u>Unamortized Discount</u>	<u>Total</u>
Receivable less than 1 year	\$ 263,998	\$ -	\$ 263,998	\$ -	\$ 263,998
Receivable in 1 to 5 years	<u>391,000</u>	<u>43,000</u>	<u>348,000</u>	<u>18,717</u>	<u>329,283</u>
	<u>\$ 654,998</u>	<u>\$ 43,000</u>	<u>\$ 611,998</u>	<u>\$ 18,717</u>	<u>\$ 593,281</u>

As of September 30, 2019, 79% or \$520,000 of the promises to give are due from individuals and foundations.

Because of uncertainties with regard to realizability and valuation, conditional promises are only recognized as assets if and when the specified conditions are met. Non-bequest conditional pledges totaled \$95,000 as of September 30, 2019.

(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, 2019:

	<u>Fair Value</u>
Federal money market - mutual fund	\$ 1,768,137
Equity securities - mutual funds	893,685
Short-term treasuries - mutual fund	238,311
Corporate bonds - mutual fund	<u>501,732</u>
 Total	 <u>\$ 3,401,865</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.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(3) Investments - continued

The equity securities - mutual funds' weighted average composition as of September 30, 2019 consists of:

Basic materials	4.57%
Consumer goods	9.46%
Financial services	21.75%
Real estate	4.13%
Consumer defense	6.99%
Health care	12.72%
Utilities	4.30%
Communication services	3.35%
Energy	5.90%
Industrials	9.07%
Technology	<u>17.76%</u>
	<u>100.00%</u>

The corporate bond - mutual fund's composition as of September 30, 2019 consists of:

Finance	35.90%
Industrials	58.10%
Utilities	5.50%
Other	<u>0.50%</u>
	<u>100.00%</u>

96% of the corporate bonds mature over 5 - 10 years.

The above mutual funds are subject to Securities Investor Protection Corporation (SIPC), which protects up to \$500,000.

(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, 2019, \$150,000 was deposited to the account and interest earned was \$1,740. No funds were released during the fiscal year. As of September 30, 2019, the escrow held for others and the escrow held for others (contra) account balance were each \$151,740.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(5) Property and Equipment

Property and equipment consist of the following as of September 30, 2019:

Computer equipment	\$ 43,254
Equipment	116,943
Furniture and fixtures	32,934
Leasehold improvements	<u>101,446</u>
	294,577
Less: accumulated depreciation	<u>(252,015)</u>
Total	\$ <u>42,562</u>

Depreciation expense for the year ended September 30, 2019 was \$7,248.

(6) Intangible Assets

Intangible assets consist of the following as of September 30, 2019:

Charles River Film, net of accumulated amortization of \$6,228	\$ 9,344
Flagging Model, net of accumulated amortization of \$954	<u>2,886</u>
Total	\$ <u>12,230</u>

Amortization expense amounted to \$1,557 for the year ended September 30, 2019. Estimated future amortization expense approximates \$1,848 for each of the next five years.

(7) Contributed Services and Gifts In-kind

Contributed services and gifts in-kind for the year ended September 30, 2019 were as follows:

Outside lab expense	\$ 32,620
Donated materials & services	13,938
Project supplies	<u>9,985</u>
Total	\$ <u>56,543</u>

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(8) 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.

(9) Operating Leases and Use and Occupancy Agreement

On December 31, 2016, the Organization entered into a new use and occupancy agreement for use of the space through December 31, 2023 under which the use and occupancy fee to be paid to DCR 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.

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

2020	\$ 24,000
2021	24,000
2022	24,540
2023	25,278
2024	6,366

Rent expense for the year ended September 30, 2019 was \$24,000.

(10) Related Party Transactions

The Organization received donations, including promises to give, during the year ended September 30, 2019 from various board members; of which \$305,501 was collected as of September 30, 2019. As of September 30, 2019, the outstanding board member promises to give balance was \$172,498.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(11) 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, 2019, net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for a specified purpose:	
Action Fund	\$ 327,338
Project Fund	120,000
Restricted earnings	48,643
Storm water management	<u>37,560</u>
Total subject to expenditure for a specified purpose:	533,541
Endowment, see Note 12	<u>3,843,261</u>
Total	\$ <u>4,376,802</u>

To support its mission of protecting, preserving and enhancing the Charles River and its watershed through science, advocacy and the law, the Organization has embarked on an effort to raise Endowment, Action and Project Funds. Donors have agreed to allocate up to 7% of donations to cover the costs; however, in fiscal year 2016, one donor had authorized a 17% allocation. During the year ended September 30, 2019, these total allocations amounted to \$11,169.

The Action Fund will 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.

(12) 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.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(12) Endowment - continued

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.

(b) 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

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(12) Endowment - continued

(c) 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.

(d) Strategies Employed for Achieving Investment Objectives

To satisfy its objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation by investing a prudently determinable portion, (currently 65%), of the endowment funds in equity investments (to produce long-term appreciation) and a portion to fixed income investments (to produce a consistent level of income and reduce overall volatility). Guidelines have been set forth in the policy for prudent investment options.

(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.

(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 unrestricted net assets. 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, 2019.

(g) Composition and Reconciliation of Endowment Funds

The Endowment Fund is solely comprised of donor-restricted contributions. A reconciliation of the Organization's endowment by net asset class is presented on the statement of activities.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(13) Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of September 30, 2019, 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. Amounts not available include amounts set aside for the quasi-endowment that could be drawn upon if the Board approves that action.

Financial assets at year end	
Cash and cash equivalents	\$ 335,982
Investments	3,401,865
Accounts receivable and promises to give, net	<u>593,281</u>
Total	<u>4,331,128</u>
Less amounts unavailable for general expenditures	
Within one year, due to:	
Endowment	3,843,261
Restricted by donors for specific purposes	<u>178,608</u>
Total	<u>4,021,869</u>
Financial assets available to meet cash needs for	
general expenditures within one year	<u>\$ 309,259</u>

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 described in Note 12 (c), the Organization adopted a spending policy which is budgeted within a range of 4% to 6% of the preceding market value of the endowment. 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.

(14) Subsequent Events

The Organization has performed an evaluation of subsequent events through August 17, 2020, which is the date the Organization's financial statements were available to be issued. No material subsequent events have occurred since September 30, 2019, except as noted below, that required recognition or disclosure in these financial statements.

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 which could result in a loss revenue and other material adverse effects to the Organization's financial position, results of operations, and cash flows.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2019

(14) Subsequent Events - continued

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. There is no assurance these measures will be successful.

Subsequent to year end, the Organization applied for and received a Small Business Administration (SBA) Paycheck Protection Program loan (PPP) in the amount of \$142,250. The PPP loan bears interest at 1% and allows for forgiveness based on conditions as outlined by the SBA.