



CHARLES RIVER WATERSHED
ASSOCIATION, INC.

Financial Statements

September 30, 2017

Kevin P. Martin & Associates, P.C.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Index

September 30, 2017

Independent Auditors' Report

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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, 2017, 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, 2017, 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

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 12, 2017. 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived

Nunir P. Mantua & Associates P.C.

August 14, 2018

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Statement of Financial Position

As of September 30, 2017

With Comparative Totals as of September 30, 2016

Current Assets	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,573,000	\$ 314,517
Accounts receivable	24,343	101,901
Promises to give, current portion	285,093	193,093
Inventory	2,572	2,609
Prepaid expenses	<u>5,864</u>	<u>8,130</u>
 Total current assets	 <u>1,890,872</u>	 <u>620,250</u>
 Fixed Assets		
 Property and equipment, net of accumulated depreciation	 <u>34,053</u>	 <u>9,891</u>
 Total net fixed assets	 <u>34,053</u>	 <u>9,891</u>
 Other Assets		
 Promises to give, net of current portion	 634,949	 1,004,118
Intangible assets, net of accumulated amortization	<u>15,635</u>	<u>17,483</u>
 Total other assets	 <u>650,584</u>	 <u>1,021,601</u>
 Total Assets	 \$ <u>2,575,509</u>	 \$ <u>1,651,742</u>
 Current Liabilities		
 Accounts payable	 \$ 42,516	 \$ 94,193
Accrued expenses	<u>18,500</u>	<u>18,500</u>
 Total current liabilities	 <u>61,016</u>	 <u>112,693</u>
 Total liabilities	 <u>61,016</u>	 <u>112,693</u>
 Net Assets		
 Unrestricted	 (28,775)	 30,449
Temporarily restricted	475,663	379,271
Permanently restricted	<u>2,067,605</u>	<u>1,129,329</u>
 Total net assets	 <u>2,514,493</u>	 <u>1,539,049</u>
 Total Liabilities and Net Assets	 \$ <u>2,575,509</u>	 \$ <u>1,651,742</u>

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, 2017
With Comparative Totals for the Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Revenue and Support					
Contributions	\$ 361,089	\$ 461,330	\$ 938,276	\$ 1,760,695	\$ 2,237,523
Grants	274,542	-	-	274,542	295,568
Events and sponsorships	70,775	-	-	70,775	71,588
In-kind revenue	40,655	-	-	40,655	65,259
Memberships	37,760	-	-	37,760	40,480
Other income	464	-	-	464	8,648
Net assets released from restrictions	364,938	(364,938)	-	-	-
	<u>1,150,223</u>	<u>96,392</u>	<u>938,276</u>	<u>2,184,891</u>	<u>2,719,066</u>
Expenses					
Program	761,158	-	-	761,158	867,085
General and Administrative	264,664	-	-	264,664	236,521
Fundraising	183,625	-	-	183,625	364,581
	<u>1,209,447</u>	<u>-</u>	<u>-</u>	<u>1,209,447</u>	<u>1,468,187</u>
Change in Net Assets	(59,224)	96,392	938,276	975,444	1,250,879
Net Assets at Beginning of Year	<u>30,449</u>	<u>379,271</u>	<u>1,129,329</u>	<u>1,539,049</u>	<u>288,170</u>
Net Assets at End of Year	<u>\$ (28,775)</u>	<u>\$ 475,663</u>	<u>\$ 2,067,605</u>	<u>\$ 2,514,493</u>	<u>\$ 1,539,049</u>

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, 2017
With Comparative Totals for the Year Ended September 30, 2016

Cash Flows from Operating Activities	2017	2016
Change in net assets	\$ 975,444	\$ 1,250,879
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,182	6,266
Contributions restricted for investment	(1,394,415)	(1,129,329)
Decrease (increase) in assets:		
Accounts receivable	77,558	164,841
Promises to give	658,483	(387,976)
Inventory	37	13
Prepaid expenses	2,266	41,487
Increase (decrease) in liabilities:		
Accounts payable	(51,677)	(42,339)
Accrued expenses	-	(37,866)
Net Cash Provided by (Used in) Operating Activities	277,878	(134,024)
Cash Flows from Investing Activities		
Purchase of property and equipment	(32,496)	(4,936)
Net Cash Used in Investing Activities	(32,496)	(4,936)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for investment	1,013,101	333,594
Net Cash Provided by Financing Activities	1,013,101	333,594
Net Increase in Cash and Cash Equivalents	1,258,483	194,634
Cash and Cash Equivalents - Beginning	314,517	119,883
Cash and Cash Equivalents - Ending	\$ 1,573,000	\$ 314,517
Supplement Data for Noncash Investing and Financing Activities		
Disposition of fully amortized other assets	\$ -	\$ 65,148

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, 2017

With Comparative Totals for the Year Ended September 30, 2016

	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total 2017</u>	<u>Total 2016</u>
Salaries, related benefits and taxes	\$ 487,025	\$ 148,320	\$ 118,744	\$ 754,089	\$ 790,817
Subtotal	<u>487,025</u>	<u>148,320</u>	<u>118,744</u>	<u>754,089</u>	<u>790,817</u>
Accounting and audit	8,341	8,266	2,033	18,640	18,000
Advertising and promotion	-	-	-	-	13,743
Bad debt expense	64,875	64,307	15,818	145,000	43,000
Conferences and meetings	6,370	4,198	14,889	25,457	38,073
Contract services	107,924	5,883	1,447	115,254	418,595
Depreciation and amortization	4,556	4,515	1,111	10,182	6,266
Dues, fees and permits	5,848	4,514	9,951	20,313	17,697
Equipment	10,130	6,864	1,688	18,682	14,987
Insurance	5,061	2,689	661	8,411	8,526
Postage and delivery	1,421	335	2,374	4,130	3,013
Printing and reproduction	8,397	1,499	8,456	18,352	17,720
Rent	4,163	4,122	1,015	9,300	1,200
Repairs and maintenance	3,119	3,093	761	6,973	10,586
Supplies	29,646	925	2,976	33,547	38,448
Travel and entertainment	9,296	194	486	9,976	13,705
Utilities and telephone	4,986	4,940	1,215	11,141	13,811
Total Functional Expenses	<u>\$ 761,158</u>	<u>\$ 264,664</u>	<u>\$ 183,625</u>	<u>\$ 1,209,447</u>	<u>\$ 1,468,187</u>

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

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2017

With Comparative Totals for the Year Ended September 30, 2016

	Advocacy, Policy and Law	Blue Cities*	Education and Outreach	Field Science	Events	Climate Mitigation and Adaptation	Total Program Services 2017	Total Program Services 2016
Salaries, related benefits and taxes	\$ 149,062	\$ 62,222	\$ 95,141	\$ 72,763	\$ 15,993	\$ 91,844	\$ 487,025	\$ 508,805
Subtotal	149,062	62,222	95,141	72,763	15,993	91,844	487,025	508,805
Accounting and audit	2,553	1,066	1,629	1,246	274	1,573	8,341	5,975
Advertising and promotion	-	-	-	-	-	-	-	13,684
Bad debt expense	19,856	8,289	12,673	9,692	2,131	12,234	64,875	14,189
Conferences and meetings	1,943	951	1,015	633	139	1,689	6,370	7,482
Contract services	1,816	14,471	7,635	40,196	42,687	1,119	107,924	235,358
Depreciation and amortization	1,394	582	890	681	150	859	4,556	2,081
Dues, fees and permits	1,394	957	1,690	681	267	859	5,848	8,138
Equipment	2,119	885	3,404	1,334	711	1,677	10,130	4,825
Insurance	830	346	530	405	2,439	511	5,061	4,179
Postage and delivery	157	80	409	77	572	126	1,421	1,344
Printing and reproduction	503	434	884	226	4,445	1,905	8,397	5,982
Rent	1,274	532	813	622	137	785	4,163	399
Repairs and maintenance	955	399	609	466	102	588	3,119	2,978
Supplies	531	1,266	1,195	693	25,785	176	29,646	34,524
Travel and entertainment	2,571	462	(38)	1,942	1,058	3,301	9,296	12,556
Utilities and telephone	1,526	637	974	745	164	940	4,986	4,586
Total Functional Expenses	\$ 188,484	\$ 93,579	\$ 129,453	\$ 132,402	\$ 97,054	\$ 120,186	\$ 761,158	\$ 867,085

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

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2017

(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 emission programs and initiatives to protect, improve and expand the natural resources and recreational opportunities of the Charles, are critical strategies towards accomplishing our mission. We believe that energy efficient infrastructure, which reduces energy consumption, provides other environmental benefits related to the Charles including, aquifer recharge, stream flow restoration, flood control and improved water quality, all of which protect the environment and enhance the enjoyment of the Charles and the Watershed by its inhabitants.

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 important statewide water issues. Advocacy includes commenting on all major watershed development projects, challenging permits administratively and sometimes in court, participating in hearings before local boards and commissions, 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 our advocacy and the positions the organization adopts.

Blue Cities® Initiative - Under this program, CRWA plans, designs, implements and promotes green infrastructure approaches 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, 2017

(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.

Field Science

Volunteer Monthly Monitoring - the Organization's 23-year comprehensive study of water quality in the Charles involves a large network of volunteer citizen scientists who collect water samples monthly throughout the length of the river. CRWA has established one of the most extensive water quality data sets of 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. CRWA also conducts macroinvertebrate sampling and analysis for assessing ecosystem health of stream segments.

Lower Charles Water Quality Flagging - From July 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 tracked and monitored.

Canoeing for Clean Water - The Organization is working 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.

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 36 years ago, showcases the ongoing improvements to the River.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2017

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

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, legislators, and the MA Department of Conservation and Recreation.

Climate Mitigation and Adaptation - CRWA is committed to reducing the impacts of climate change and supporting restorative climate adaptation. We work every day across all program areas to create river, and therefore, watershed resiliency to more intense rain events and more frequent summertime droughts. We do this through CRWA's water-energy nexus work and Urban Smart Sewering project, participation in municipal and state climate planning initiatives, watershed- and subwatershed-scale planning, stream, wetland and floodplain restoration, and dam removal.

Urban Smart Sewering - CRWA works to design and promote small-scale distributed wastewater treatment and energy generation systems combined with neighborhood green infrastructure installations in urban settings. This infrastructure design involves recycling waste locally to produce energy, compost and nutrients, and re-use water. This approach to infrastructure has the potential to create more resilient neighborhoods and cities in a changing climate.

(b) Basis of Presentation

The statement of activities reports all changes in net assets, including changes in unrestricted net assets 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 three classes of net assets (unrestricted, temporarily restricted and permanently restricted) 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, 2017

(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:

Unrestricted - Unrestricted net assets are not subject to donor imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations. Unrestricted 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 unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Temporarily Restricted - Temporarily restricted net assets 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Reflects 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 to be cash equivalents.

The Organization maintains its cash balances at 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, 2017.

(e) Revenue Recognition

The Organization earns revenue as follows:

Contributions and Memberships - Contributions and memberships are recorded upon receipt or pledge as unrestricted, temporarily restricted or permanently restricted support 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.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2017

(1) Summary of Significant Accounting Policies - continued

(e) Revenue Recognition - continued

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, 2017, the Organization derived approximately 82% of its total revenue from contributions, 13% from grants, 3% from events and sponsorship, 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, 2017, 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. 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, 2017, the allowance for doubtful accounts was \$43,000.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2017

(1) Summary of Significant Accounting Policies - continued

(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 market.

(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 \$8,334 for the year ended September 30, 2017.

(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.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2017

(1) Summary of Significant Accounting Policies - continued

(j) Fair Value Measurements - continued

Recurring Fair Value Measurements

U.S. GAAP requires that certain assets and liabilities be recorded at fair value on a recurring basis. The Organization had no assets and liabilities that were recognized or disclosed at fair value on a recurring basis under the above fair value hierarchy as of September 30, 2017. 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, 2017.

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, 2017.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Promises to Give	\$ -	\$ 96,228	\$ -	\$ 96,228
	<u>\$ -</u>	<u>\$ 96,228</u>	<u>\$ -</u>	<u>\$ 96,228</u>

Promises to give are discounted using the U.S. Treasury yield curve rate of 3.92%.

(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 10% for the year ended September 30, 2017. 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.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2017

(1) Summary of Significant Accounting Policies - continued

(m) Functional Allocation of Expenses - continued

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.

(p) 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.

(q) 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.

(r) Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2017

(2) Promises to Give

Promises to give consist of the following as of September 30, 2017:

	<u>Gross Promise</u>	<u>Allowance</u>	<u>Net Promise</u>	<u>Unamortized Discount</u>	<u>Total</u>
Receivable less than 1 year	\$ 285,093	\$ -	\$ 285,093	\$ -	\$ 285,093
Receivable in 1 to 5 years	<u>708,000</u>	<u>43,000</u>	<u>665,000</u>	<u>30,051</u>	<u>634,949</u>
	<u>\$ 993,093</u>	<u>\$ 43,000</u>	<u>\$ 950,093</u>	<u>\$ 30,051</u>	<u>\$ 920,042</u>

As of September 30, 2017, 85% or \$840,000 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 \$500,000 as of September 30, 2017.

(3) Property and Equipment

Property and equipment consist of the following as of September 30, 2017:

Computer equipment	\$ 43,254
Equipment	104,055
Furniture and fixtures	32,934
Leasehold improvements	<u>91,996</u>
	272,239
Less: accumulated depreciation	<u>(238,186)</u>
Total	\$ <u>34,053</u>

Depreciation expense for the year ended September 30, 2017 was \$8,334.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2017

(4) Intangible Assets

Intangible assets consist of the following as of September 30, 2017:

Charles River Film, net of accumulated amortization of \$3,114	\$	12,458
Flagging Model, net of accumulated amortization of \$663		<u>3,177</u>
Total	\$	<u>15,635</u>

Amortization expense amounted to \$1,848 for the year ended September 30, 2017. Estimated future amortization expense approximates \$1,848 for each of the next five years.

(5) Contributed Services and Gifts In-kind

Contributed services and gifts in-kind for the year ended September 30, 2017 were as follows:

Outside lab expense	\$	30,100
Project supplies		<u>10,555</u>
Total	\$	<u>40,655</u>

(6) Post-Retirement Benefit Plan

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

(7) Operating Leases and Use and Occupancy Agreement

The Organization leases a photocopier under a non-cancelable lease agreement through April, 2018. The monthly minimum payments are \$208.

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.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2017

(7) Operating Leases and Use and Occupancy Agreement - continued

The minimum annual operating non-cancelable lease commitments for the Organization are as follows:

2018	\$ 24,000
2019	24,000
2020	24,000
2021	24,000
2022	24,540

Rent expense for the year ended September 30, 2017 was \$9,300.

(8) Related Party Transactions

The Organization received donations, including promises to give, during the year ended September 30, 2017 from various board members; of which \$140,500 was collected during the year then ended. As of September 30, 2017, the outstanding board member promises to give balance was \$591,000.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of September 30, 2017, temporarily restricted net assets are restricted or the following purposes:

Action Fund	\$ 254,518
Project Fund	200,000
Urban Smart Sewering	11,145
Special Event Sponsorship	<u>10,000</u>
Total	\$ <u>475,663</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, 2017 these total allocations amounted to \$41,624; of which \$4,426 was attributable to Action Fund contributions and \$37,198 was attributable to Endowment Fund contributions.

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2017

(9) Temporarily Restricted Net Assets - continued

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. During the year ended September 30, 2017, \$250,000 was designated for the Project Fund.

(10) Endowment

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

CHARLES RIVER WATERSHED ASSOCIATION, INC.

Notes to Financial Statements

September 30, 2017

(10) Endowment - continued

(a) Uniform Prudent Management of Institutional Funds Act - continued

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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

(b) Endowment Policies

Endowment Funds are held at a financial institution located in Massachusetts. The Organization is currently in the process of establishing the following policies:

- Appropriation of endowment assets for expenditure
- Return objectives and risk parameters
- Strategies employed for achieving investment objectives
- Spending policy and investment objectives
- Funds with deficiencies

(c) 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.

(11) Subsequent Events

The Organization has performed an evaluation of subsequent events through August 14, 2018, which is the date the Organization's financial statements were available to be issued. No material subsequent events, have occurred since September 30, 2017 that required recognition or disclosure in these financial statements.