

GREAT SWAMP WATERSHED ASSOCIATION

June 30, 2021



GREAT SWAMP WATERSHED ASSOCIATION

For the Year Ended June 30, 2021

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Certified Public Accountants, PC

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Independent Auditors' Report

To the Board of Trustees
Great Swamp Watershed Association
Morristown, New Jersey

We have audited the accompanying Financial Statements of Great Swamp Watershed Association (a non-profit organization), which comprise the Statement of Financial Position as of June 30, 2021, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended, and the related Notes to the Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These 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 Great Swamp Watershed Association as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



BKC, CPAs, PC

December 13, 2021
Flemington, New Jersey

GREAT SWAMP WATERSHED ASSOCIATION
Statement of Financial Position
June 30, 2021

ASSETS

Current assets	
Cash and cash equivalents	\$ 594,014
Grants receivable	51,759
Prepaid expenses and other current assets	10,048
Total current assets	<u>655,821</u>
Property and equipment, net of accumulated depreciation of \$29,095	444,804
Other assets	
Investments	<u>1,750,663</u>
Total assets	<u><u>\$ 2,851,288</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 64,523
Deferred revenue	29,833
Total current liabilities	<u>94,356</u>
Net assets	
Without donor restrictions	2,643,448
With donor restrictions	113,484
Total net assets	<u>2,756,932</u>
Total liabilities and net assets	<u><u>\$ 2,851,288</u></u>

See accompanying notes to the financial statements.

GREAT SWAMP WATERSHED ASSOCIATION
Statement of Activities
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support, revenue and other			
Contributions of cash	\$ 695,663	\$ 66,390	\$ 762,053
Contributions of nonfinancial assets	115,990	-	115,990
Special events	233,731	-	233,731
Net assets released from restrictions	170,641	(170,641)	-
Total public support, revenue and reclassifications	1,216,025	(104,251)	1,111,774
Expenses			
Program	838,934	-	838,934
Management and general	80,239	-	80,239
Fundraising	122,898	-	122,898
Total expenses	1,042,071	-	1,042,071
Other income			
Interest income	791	-	791
Dividend income	38,933	-	38,933
Paycheck Protection Program loan	108,327	-	108,327
Employee retention credit	51,134	-	51,134
Unrealized gain on investments	337,607	-	337,607
Total other income	536,792	-	536,792
Change in net assets	710,746	(104,251)	606,495
Net assets - beginning of year	1,932,702	217,735	2,150,437
Net assets - end of year	<u>\$ 2,643,448</u>	<u>\$ 113,484</u>	<u>\$ 2,756,932</u>

See accompanying notes to the financial statements.

GREAT SWAMP WATERSHED ASSOCIATION
Statement of Functional Expenses
For the Year Ended June 30, 2021

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salary, wages and benefits	\$ 470,163	\$ 51,032	\$ 61,101	\$ 582,296
Professional fees and services	-	6,944	-	6,944
Postage and printing	20,887	94	1,016	21,997
Office supplies	10,061	1,092	1,307	12,460
Occupancy and maintenance	38,987	2,545	2,651	44,183
Programs, meetings and membership	245,201	17,316	52,601	315,118
Insurance	13,069	1,216	912	15,197
Gifts-in kind expenses	32,580	-	3,310	35,890
Total expenses before depreciation	<u>830,948</u>	<u>80,239</u>	<u>122,898</u>	<u>1,034,085</u>
Depreciation	<u>7,986</u>	<u>-</u>	<u>-</u>	<u>7,986</u>
Total expenses	<u><u>\$ 838,934</u></u>	<u><u>\$ 80,239</u></u>	<u><u>\$ 122,898</u></u>	<u><u>\$ 1,042,071</u></u>

See accompanying notes to the financial statements.

GREAT SWAMP WATERSHED ASSOCIATION
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash flows from operating activities	
Increase in net assets	\$ 606,495
Adjustment to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	7,986
Donated land	(80,100)
Investment income	(38,933)
Unrealized gain on investments	(337,607)
Change in assets and liabilities	
Grants receivable	(31,759)
Prepaid expenses and other current assets	(2,086)
Accounts payable and accrued expenses	59,049
Deferred liability	21,333
Total adjustments	<u>(402,117)</u>
Net cash provided by operating activities	<u>204,378</u>
Cash flows used by investing activities	
Purchases of property and equipment	<u>(8,209)</u>
Net cash used in investing activities	<u>(8,209)</u>
Net increase in cash and cash equivalents	196,169
Cash and cash equivalents - beginning of year	<u>397,845</u>
Cash and cash equivalents - end of year	<u><u>\$ 594,014</u></u>

See accompanying notes to the financial statements.

GREAT SWAMP WATERSHED ASSOCIATION
Notes to the Financial Statements

Note 1 - Organization and summary of significant accounting policies

Nature of organization

Great Swamp Watershed Association (the Organization) is a New Jersey non-profit organization founded in 1981 with the mission to protect and improve the water resources of the Passaic River region, from the Great Swamp headwaters to Newark Bay. Based in Harding Township, New Jersey, the Organization monitors and protects water quality, and investigates and participates in land use issues in the Great Swamp Watershed and Passaic River region.

Since its incorporation, the Organization has gradually acquired over 88 acres of property in Harding Township, which contains critical wetlands, forested areas and includes a network of trails that are open to the public to enjoy.

Through education, advocacy, science, land preservation and stewardship, in collaboration with partners, the Organization works to instill its communities with an awareness of water's effect on health and the beauty of the environment, from source to sea. The Organization evaluates the conservation values of its properties and creates a property stewardship and management plan to enhance those values. Some of the properties the Organization owns have undergone significant restoration to improve conservation values including wetlands and stream restoration efforts.

Volunteers are a growing resource for the Organization's land stewardship and management efforts. Volunteers have assisted with restoration planting and trail building. The Organization monitors its properties and the conservation easements it holds on privately owned land annually.

In August 2017, the Organization was designated as an accredited national land trust by the Land Trust Accreditation Commission of the Land Trust Alliance.

Organization status

The Organization has been notified by the Internal Revenue Service that they are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is further classified as an Organization that is not a private organization under Section 509(a)(3) of the Code. The most significant tax positions of the Organization are its assertions that it is exempt from income taxes and its determination that no amounts are subject to unrelated business income tax (UBIT). Income generated by activities that would be considered unrelated to the Organization's mission would be subject to income tax.

GREAT SWAMP WATERSHED ASSOCIATION
Notes to the Financial Statements

Note 1 - Organization and summary of significant accounting policies (continued)

Organization status (continued)

The Organization follows the guidance of FASB's Accounting Standards Codification (ASC) Topic 740, *Accounting for Income Taxes*, related to uncertain income tax provisions, which prescribes a threshold of more likely than not, for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Management has determined that it is more likely than not, that all tax positions would be sustained upon examination by taxing authorities. Accordingly, no provision for income taxes has been recorded.

The Organization files a Form 990 Return of Organization Exempt Form Tax, annually with the Internal Revenue Service, as well as a State equivalent filing. Both filings are subject to audit by the appropriate authority. The Organization's returns prior to 2017 are no longer subject to examination by Federal or State authorities due to the statute of limitations.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers cash equivalents to be all highly liquid debt instruments with an initial maturity of three months or less.

Investments

The Organization classifies its marketable securities at fair value, which are managed internally under a policy adopted by the Board. Realized gains and losses, determined using the specific identification method, are included in earnings as other income. Unrealized gains and losses are also included in earnings as other income.

Property and equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Computers, office and other equipment	5 years
Machinery	7 years

GREAT SWAMP WATERSHED ASSOCIATION
Notes to the Financial Statements

Note 1 - Organization and summary of significant accounting policies (continued)

Property and equipment (continued)

Additions and improvements, of \$5,000 or more are capitalized, while general repairs and maintenance are expensed as incurred. The cost and related accumulated depreciation of assets sold or retired are eliminated from the accounts and any gains or losses are included in the change in net assets.

Certain property acquired by the Organization for conservation purposes may be deed restricted, which substantially reduces use and its fair market value. Property is written down to zero value when the conservation easement is placed on the property. Conservation easements have no economic value and minimal cost to maintain.

Net asset classification

Net assets are classified based on the existence or absence of donor-imposed restrictions. Net assets are defined as follows:

Net assets without donor restrictions - net assets not subject to donor-imposed stipulations, and therefore, are expendable for operating purposes.

Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or by the passage of time.

Contributions, support, and revenue recognition

Contributions of cash and other assets, including unconditional promises to give, are considered to be available for unrestricted use, unless specifically restricted by the donor and are recognized as support in the period the unconditional promise is given.

Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Special events and conference revenue are recognized when the event or conference occurs. The Organization considers the exchange value to be de minimis, as such all treated as unconditional promises to give.

GREAT SWAMP WATERSHED ASSOCIATION
Notes to the Financial Statements

Note 1 - Organization and summary of significant accounting policies (continued)

Contributed nonfinancial assets

For the year ended June 30, 2021, contributed nonfinancial assets recognized within the statement of activities included:

Property	\$ 80,100
Services	35,890
	<u>\$ 115,990</u>

The Organization recognized contributed nonfinancial assets within revenue, including contributed property and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The contributed property will be used for program services. In valuing the contributed property, which is located in Chatham, NJ, the Organization used the assessed land value from the State of New Jersey less the price paid for the property by the Organization.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and services benefited. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization. Indirect expenses have been allocated based on total direct expenses.

Note 2 - Concentration of risks and uncertainties

Credit risk

The Organization maintains its cash and cash equivalents in bank deposit accounts which are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2021, the Organization had approximately \$104,000 in uninsured cash in its accounts.

The Organization invests in various types of marketable securities and money market funds. The Organization has established guidelines relative to diversification and maturities that target certain safety and liquidity risk levels. These guidelines are periodically reviewed and modified. Investment securities in general, are subject to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that the changes could materially affect the amounts reported in the financial statements.

Income sources

A large percentage of the Organization's revenue comes from private foundations and individual donors. There were no major donors at or above 10% for the fiscal year ended June 30, 2021.

GREAT SWAMP WATERSHED ASSOCIATION
Notes to the Financial Statements

Note 2 - Concentration of risks and uncertainties

Income sources (continued)

Additionally, the Organization received approximately 11% of total revenues from its annual fund-raising Gala during the year ended June 30, 2021.

Risks and uncertainties

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the year ending June 30, 2022.

Note 3 - Net assets with donor restrictions

A portion of the Organization's fund balance is restricted by the donors for the purpose of stewardship of preserved properties and annual monitoring. Additionally, the Board of Directors has designated a portion of the unrestricted fund balance for the same purpose.

The balances at June 30, 2021 are summarized as follows:

Unrestricted	
Undesignated	\$ 2,583,448
Board designated for land defense and stewardship	60,000
Total unrestricted	<u>\$ 2,643,448</u>
Subject to expenditures for specified purposes	
For fundraising, equipment purchases and education	\$ 48,404
For continued investment	65,080
Total net assets with donor restrictions	<u>\$ 113,484</u>

Note 4 - Fair value

Financial Accounting Standards Board (FASB) in its *Accounting Standards Codification* (ASC) Topic 820, Fair Value Measurement, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

GREAT SWAMP WATERSHED ASSOCIATION
Notes to the Financial Statements

Note 4 - Fair value (continued)

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 inputs must be observable for substantially the full-term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3
Mutual funds	\$ 1,604,232	\$ -	\$ -
Money market funds	42,099	-	-
Equity	104,332	-	-
Total investments	<u>\$ 1,750,663</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5 - Property and equipment

Property and equipment, as of June 30, 2021, consists of the following:

Land	\$ 416,700
Equipment	57,199
Total property and equipment	<u>473,899</u>
Less: accumulated depreciation	29,095
Property and equipment, net	<u><u>\$ 444,804</u></u>

Depreciation expense for the year ended June 30, 2021 was \$7,986.

The Organization owns 33.25 acres of land that is not deed restricted.

GREAT SWAMP WATERSHED ASSOCIATION
Notes to the Financial Statements

Note 5 - Property and equipment (continued)

As of June 30, 2021, the Organization also owns and manages preserved properties, acquired for conservation purposes, totaling 52.23 acres in Harding Township. Its fair market value is zero and it has no resale value.

Additionally, the Organization maintains two easements totaling 2.85 acres with no economic value and minimal cost to maintain, as such there are no recorded values on the financial statements.

Note 6 - Availability of financial assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date.

Financial assets at June 30, 2021:

Cash and cash equivalents	\$ 594,014
Grants receivable	51,759
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted for fundraising and general operations	48,404
Donor-restricted for continued investment	<u>65,080</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 532,289</u></u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

To manage liquidity, the Organization has a \$350,000 line of credit that can be drawn down as needed.

Note 7 - Investment policy

In December 2001, the Organization established an investment account to have a secure and lasting source of dedicated funds to support the goals of the Organization. This investment account is referred to internally as the endowment fund.

Funds are maintained in a separate investment account that is managed by the Organization's finance committee with a diversified selection of investments. The account consists of a balanced portfolio of stocks and bonds plus money market funds. Assets are diversified to ensure that adverse or unexpected results from one security or security class will not have a significant detrimental impact on the entire portfolio. Per the investment policy set by the Board, asset investment in stock funds (indexed or managed) should remain on average within a range of 50-70% of total endowment assets.

GREAT SWAMP WATERSHED ASSOCIATION
Notes to the Financial Statements

Note 7 - Investment policy (continued)
 Withdrawals in any calendar year may be made on up to 4% of total funds, with the intention to draw from the endowment annually an amount that is less than the average amount earned each year.

Note 8 - Line of credit
 The Organization has a revolving secured line of credit with a bank. Maximum borrowings under the line are \$200,000 with interest due monthly at a rate of prime plus 1.0%. There was no outstanding balance at June 30, 2021. The line is secured by generally all assets of the Organization.

The line of credit was renewed in September 2021. The loan has a maturity date of October 2024. Maximum borrowings were increased to \$350,000 with interest due monthly at a rate of prime plus 1.0%. The line is secured by generally all assets of the Organization.

Note 9 - Paycheck Protection Program loan
 The Organization received a \$108,327 Paycheck Protection Program loan. The loan accrues interest at a rate of 1%. The Organization expects the full amount of the loan to be forgiven and it has been recognized as other income for the year ended June 30, 2021.

Note 10 - Retirement plan
 Effective October 1, 2017, the Organization sponsors a defined contribution benefit plan covering all employees of the Organization or any affiliate. The Organization will match the employee's contribution up to 6%. Additionally, the Organization provides discretionary profit-sharing contributions. The expense for the year ended June 30, 2021 was \$28,635.

Note 11 - Operating leases
 The Organization entered into an operating lease arrangement for office space. Rent expense for the year ended June 30, 2021 totaled approximately \$33,007. The total monthly base rent is approximately \$2,785. The current lease is set to expire September 2031. The monthly rent will be adjusted by the Consumer Price Index each year starting in the second year of the lease. The Organization can opt out of the lease at any time upon ninety days written notice to the lessor.

The future minimum lease payments under the lease for the next five years ended June 30, 2021 are:

2022	\$	25,065
2023		33,420
2024		33,420
2025		33,420
2026		33,420
Thereafter		175,455

GREAT SWAMP WATERSHED ASSOCIATION
Notes to the Financial Statements

- Note 12 - Supplemental disclosures of cash flow information
During the year ended June 30, 2021, the Organization received land valued at \$80,100.
- Note 13 - Change in accounting standards
ASU 2016-02: The FASB issued ASU 2016-02, *Leases*. This ASU recognize as a liability, non-cancellable leases. The liability is offset by an amortizable asset called a right to use. This ASU will be effective to the Organization in the year ending June 30, 2023 (as amended by ASU 2020-05 to give relief for economic effects and business interruptions caused by the coronavirus disease 2019 pandemic). Management has not completed its assessment of the impact of this change.
- ASU 2020-07: The FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is effective for annual periods beginning after June 15, 2021. The Organization adopted ASU 2020-07 for the year ended June 30, 2021. The appropriate disclosures have been made in the Organization's financial statements.
- Note 14 - Subsequent events
The Organization's management has determined that no material events or transactions occurred subsequent to June 30, 2021, and through December 13, 2021, the date of the Organization's financial statements issuance, which require additional disclosure in the Organization's financial statements.