

GREAT SWAMP WATERSHED ASSOCIATION

June 30, 2022



GREAT SWAMP WATERSHED ASSOCIATION

For the Year Ended June 30, 2022

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Certified Public Accountants, PC

www.bkc-cpa.com

Independent Auditors' Report

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

Opinion

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, 2022, and the related Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows for the year then ended, and the related Notes to the Financial Statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Swamp Watershed Association as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Great Swamp Watershed Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

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

In preparing the financial statements, Management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Great Swamp Watershed Association's ability to continue as a going concern within one year after the date that the financial statements issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Great Swamp Watershed Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Great Swamp Watershed Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



BKC, CPAs, PC

January 20, 2023
Flemington, New Jersey

GREAT SWAMP WATERSHED ASSOCIATION
Statement of Financial Position
June 30, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 552,214
Prepaid expenses and other current assets	12,373
Total current assets	564,587
Property and equipment, net of accumulated depreciation of \$37,587	448,862
Other assets	
Investments	1,524,654
Total assets	\$ 2,538,103

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 41,574
Deferred liability	23,000
Total current liabilities	64,574
Net assets	
Without donor restrictions	2,374,998
With donor restrictions	98,531
Total net assets	2,473,529
Total liabilities and net assets	\$ 2,538,103

See accompanying notes to the financial statements.

GREAT SWAMP WATERSHED ASSOCIATION
Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenue and other			
Contributions of cash	\$ 671,618	\$ 26,000	\$ 697,618
Special events	270,158	-	270,158
Government grants	18,820	-	18,820
Net assets released from restrictions	40,953	(40,953)	-
Total public support, revenue and reclassifications	1,001,549	(14,953)	986,596
Expenses			
Program	865,217	-	865,217
Management and general	70,567	-	70,567
Fundraising	98,731	-	98,731
Total expenses	1,034,515	-	1,034,515
Other income (expense)			
Interest income	556	-	556
Dividend income	38,784	-	38,784
Other income	98	-	98
Unrealized loss on investments	(274,922)	-	(274,922)
Total other income	(235,484)	-	(235,484)
Change in net assets	(268,450)	(14,953)	(283,403)
Net assets - beginning of year	2,643,448	113,484	2,756,932
Net assets - end of year	<u>\$ 2,374,998</u>	<u>\$ 98,531</u>	<u>\$ 2,473,529</u>

See accompanying notes to the financial statements.

GREAT SWAMP WATERSHED ASSOCIATION
Statement of Functional Expenses
For the Year Ended June 30, 2022

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salary, wages and benefits	\$ 534,147	\$ 57,150	\$ 71,122	\$ 662,419
Professional fees and services	-	6,250	-	6,250
Postage and printing	18,336	100	1,072	19,508
Office supplies	10,808	1,531	1,905	14,244
Occupancy and maintenance	44,087	2,982	2,997	50,066
Programs, meetings and membership	235,775	1,292	20,688	257,755
Insurance	13,572	1,262	947	15,781
Total expenses before depreciation	<u>856,725</u>	<u>70,567</u>	<u>98,731</u>	<u>1,026,023</u>
Depreciation	<u>8,492</u>	<u>-</u>	<u>-</u>	<u>8,492</u>
Total expenses	<u><u>\$ 865,217</u></u>	<u><u>\$ 70,567</u></u>	<u><u>\$ 98,731</u></u>	<u><u>\$ 1,034,515</u></u>

See accompanying notes to the financial statements.

GREAT SWAMP WATERSHED ASSOCIATION
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash flows from operating activities	
Decrease in net assets	\$ (283,403)
Adjustment to reconcile increase in net assets to net cash used in operating activities	
Depreciation	8,492
Investment income	(38,784)
Unrealized loss on investments	274,922
Donated securities	(10,129)
Change in assets and liabilities	
Grants receivable	51,759
Prepaid expenses and other current assets	(2,325)
Accounts payable and accrued expenses	(22,949)
Deferred liability	(6,833)
Total adjustments	<u>254,153</u>
Net cash used in operating activities	<u>(29,250)</u>
 Cash flows used by investing activities	
Purchases of property and equipment	<u>(12,550)</u>
Net cash used in investing activities	<u>(12,550)</u>
 Net decrease in cash and cash equivalents	(41,800)
 Cash and cash equivalents - beginning of year	<u>594,014</u>
 Cash and cash equivalents - end of year	<u><u>\$ 552,214</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 and Chatham 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, of which 73 acres are 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. The Board adopted a resolution to apply for reaccreditation renewal in April 2022.

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 2018 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.

Membership dues are recognized when received. 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, 2022, contributed nonfinancial assets recognized within the statement of activities totaled \$0.

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

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, 2022, the Organization had approximately \$122,355 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, 2022.

Additionally, the Organization received approximately 16% of total revenues from its annual fund-raising Gala during the year ended June 30, 2022.

GREAT SWAMP WATERSHED ASSOCIATION
Notes to the Financial Statements

Note 2 - Concentration of risks and uncertainties
COVID-19

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.

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, 2022 are summarized as follows:

Unrestricted	
Undesignated	\$ 2,314,998
Board designated for land defense and stewardship	<u>60,000</u>
Total unrestricted	<u>\$ 2,374,998</u>
Subject to expenditures for specified purposes	
For fundraising, equipment purchases and education	\$ 33,451
For continued investment	<u>65,080</u>
Total net assets with donor restrictions	<u>\$ 98,531</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, 2022:

	Level 1	Level 2	Level 3
Mutual funds	\$ 1,389,793	\$ -	\$ -
Money market funds	39,511	-	-
Equity	95,350	-	-
Total investments	<u>\$ 1,524,654</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	69,749
Total property and equipment	<u>486,449</u>
Less: accumulated depreciation	37,587
Property and equipment, net	<u>\$ 448,862</u>

Depreciation expense for the year ended June 30, 2022 was \$8,492.

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, 2022, 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, 2022:

Cash and cash equivalents	\$ 552,214
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted for fundraising and general operations	33,451
Donor-restricted for continued investment	<u>65,080</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 453,683</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, which 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. There was no outstanding balance at June 30, 2022.

Note 9 - 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, 2022 was \$30,787.

Note 10 - Operating leases
 The Organization entered into an operating lease arrangement for office space. Rent expense for the year ended June 30, 2022 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:

2023	\$	33,420
2024		33,420
2025		33,420
2026		33,420
2027		33,420
Thereafter		142,035

GREAT SWAMP WATERSHED ASSOCIATION
Notes to the Financial Statements

Note 11 - 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.

Note 12 - Subsequent events

The Organization's Management has determined that no material events or transactions occurred subsequent to June 30, 2022, and through January 20, 2023 the date of the Organization's financial statements issuance, which require additional disclosure in the Organization's financial statements.