

GREAT SWAMP WATERSHED ASSOCIATION

(A Not-For-Profit Organization)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Great Swamp Watershed Association

We have audited the accompanying financial statements of Great Swamp Watershed Association (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2017, and the related statements of activities 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.

**Auditor's 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 Great Swamp Watershed Association as of June 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 Great Swamp Watershed Association's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

K & L Certified Public Accountants, LLP  
Hillsborough, NJ  
September 18, 2017

GREAT SWAMP WATERSHED ASSOCIATION  
COMPARATIVE STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 432,569	\$ 324,546
Endowment Fund Account	1,057,458	1,004,107
Contributions Receivable	75,000	-
Property and Equipment	189,097	189,097
Prepaid Expenses	6,952	5,840
Deposit	3,250	-
	\$ 1,764,326	\$ 1,523,590
<u>TOTAL ASSETS</u>		

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>		
Accounts Payable and Accrued Expenses	\$ 27,430	\$ 33,841
Deferred Income	74,182	-
	\$ 101,612	\$ 33,841
<u>TOTAL LIABILITIES</u>		
<u>NET ASSETS</u>		
Unrestricted	\$ 1,359,550	\$ 1,299,669
Unrestricted, Board Designated Funds, Reserve	103,084	65,000
Unrestricted, Board Designated Funds, Land Defense Stewardship Reserve	60,000	60,000
Temporarily Restricted	75,000	-
Permanently Restricted	65,080	65,080
	\$ 1,662,714	\$ 1,489,749
<u>TOTAL NET ASSETS</u>		
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 1,764,326	\$ 1,523,590

See independent auditor's report and the accompanying notes.

GREAT SWAMP WATERSHED ASSOCIATION  
COMPARATIVE STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
<u>REVENUES, GAINS AND OTHER SUPPORT</u>					
Contributions	\$ 554,637	\$ 75,000	\$ -	\$ 629,637	\$ 475,643
Grants	-	-	-	-	-
Special Events	130,290	-	-	130,290	162,901
Endowment Investment Income	39,198	-	-	39,198	24,995
Interest Earned	2,431	-	-	2,431	2,743
Unrealized Gain/Loss on Investments	90,622	-	-	90,622	(11,497)
Miscellaneous Revenue	30	-	-	30	140
Net Assets Released From Restrictions:					
Satisfaction of Program Restrictions	-	-	-	-	-
	<u>817,208</u>	<u>75,000</u>	<u>-</u>	<u>892,208</u>	<u>654,925</u>
<u>EXPENSES</u>					
Program	605,299	-	-	605,299	480,832
Costs of Direct Benefits to Donors	9,694	-	-	9,694	14,277
Management and General	40,564	-	-	40,564	46,570
Fundraising	63,686	-	-	63,686	78,911
	<u>719,243</u>	<u>-</u>	<u>-</u>	<u>719,243</u>	<u>620,590</u>
<u>CHANGE IN NET ASSETS</u>	97,965	75,000	-	172,965	34,335
<u>NET ASSETS AT JULY 1, 2016</u>	1,424,669	0	65,080	1,489,749	1,455,414
<u>NET ASSETS AT JUNE 30, 2017</u>	<u>\$ 1,522,634</u>	<u>\$ 75,000</u>	<u>\$ 65,080</u>	<u>\$ 1,662,714</u>	<u>\$ 1,489,749</u>

See independent auditor's report and the accompanying notes.

GREAT SWAMP WATERSHED ASSOCIATION  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 172,965	\$ 34,335
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:		
Depreciation	-	-
Change in Current Assets and Liabilities:		
(Increase) Decrease in Contributions Receivable	(75,000)	37,827
Increase (Decrease) in Accounts Payable and Accrued Expenses	(6,411)	(46,145)
Increase (Decrease) in Deferred Income	74,182	(20,400)
(Increase) Decrease in Prepaid Expenses and Deposits	(4,362)	3,515
Net Cash Provided By Operating Activities	161,374	9,132
<b>Cash Flow from Investing Activities:</b>		
Purchases of Investment Securities-Reinvestments	(39,198)	(24,995)
Stock Donations to Endowment Account	(1,615)	-
Net Unrealized Gain/Loss on Investments	(90,622)	11,497
Net Cash Used In Investing Activities	(131,435)	11,497
<b>Cash Flow from Financing Activities:</b>		
Transfers to (from) Endowment fund, net*	78,084	-
Net Cash Provided By (Used In) Investing Activities	78,084	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	108,023	(4,366)
<b>Cash and Cash Equivalents at July 1</b>	324,546	328,912
<b>Cash and Cash Equivalents at June 30</b>	\$ 432,569	\$ 324,546

**Supplement Cash Flow Disclosures:**

Cash paid for Income Taxes were:	-0-
Cash paid for Interest was:	-0-

\* 2016 and 2017 4% draw captured in 2017

See independent auditor's report and the accompanying notes.

GREAT SWAMP WATERSHED ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Great Swamp Watershed Association's (the "Organization") significant accounting policies are an integral part of the financial statements and are consistently applied in the preparation of the accompanying financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

*Nature of Activities-*

The Great Swamp Watershed Association was founded in 1981 to protect the Great Swamp Watershed. It is now dedicated to protecting and improving the water resources of the Passaic River region, from the Great Swamp headwaters to Newark Bay, for present and future generations. Through education, advocacy, science, land preservation and stewardship, in collaboration with partners, the organization works to instill our communities with an awareness of water's effect on health and the beauty of the environment, from source to sea. The organization submitted an application for accreditation to the Land Trust Alliance.

*Basis of Accounting-*

The financial statements of Great Swamp Watershed Association have been prepared on the accrual basis whereby income is recognized as earned and expenses are recognized as obligations are incurred. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles of the United States of America and have been consistently applied in the preparation of the financial statements.

*Financial Statement Presentation-*

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statements of cash flows.

*Use of Estimates-*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Cash and Cash Equivalents -*

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

GREAT SWAMP WATERSHED ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*Investments -*

The Organization has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

*Property and Equipment -*

Property and equipment are stated at cost less accumulated depreciation. When an asset is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations. Costs of repairs and maintenance that neither materially add to the value of the asset; nor appreciably prolong its life are charged to expense as incurred. Costs of improvements that appreciably improve the efficiency or productive capacity of existing equipment or extend their lives are capitalized. Depreciation is determined by the double declining method, for a period of three to five years depending on the type of asset depreciated.

*Income Taxes -*

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and similar provision for New Jersey. Therefore, no provision for income taxes has been made.

*Contributions -*

The Organization has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

*Support and Revenue -*

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Permanently restricted net assets cannot be spent due to donor-imposed permanent restrictions on the use of funds. The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

GREAT SWAMP WATERSHED ASSOCIATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2017

NOTE 2 - PROPERTY AND EQUIPMENT

A summary of property and equipment assets are as follows:

Land		\$	179,100
Equipment			<u>106,260</u>
			285,360
Less: Accumulated Depreciation		-	<u>(96,263)</u>
Net Property and Equipment		\$	189,097

The Organization also owns and manages Green Acres properties in Harding Township. Its fair market value is zero and it has no resale value. The Organization also maintains two easements with no economical value and minimal cost to maintain, no recorded value on the financial statements.

NOTE 3 - INVESTMENTS

Permanently restricted net assets in the endowment fund are \$ 65,080.

Investments are stated at fair value and are summarized as follows as of June 30, 2017:

	Cost	Fair Value	Carrying Value
Endowment Fund Account Securities Held by the Vanguard Group	\$ 693,952	\$1,057,458	\$1,057,458

The following schedule summarizes the investment return and its classification on the statements of activities for the year ended June 30, 2017.

	<u>Unrestricted</u>
Endowment Investment Income	\$ 39,198
Interest Earned on Cash and Cash Equivalents	2,431
Unrealized Gain on Endowment Investments	<u>90,622</u>
	\$ 132,251

GREAT SWAMP WATERSHED ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 4-INSURANCE COVERAGE

The Organization maintains a commercial general liability insurance coverage of \$2,000,000; a commercial property insurance coverage of \$2,000,000; a personal and advertising injury insurance coverage limit of \$1,000,000; damage to rented premises insurance coverage of \$100,000; and medical expense insurance coverage of \$5,000 on any one person. The insurance is provided by Great American Insurance Company of New York rated A+ by A.M. Best and Standard & Poors, and the policy expires on January 6 of each year.

The Organization maintains a comprehensive commercial umbrella insurance coverage of \$4,000,000. The insurance is provided by Great American Alliance Insurance Company, and the policy expires on January 6 of each year.

The Organization maintains workers' compensation and employer's liability insurance coverage of \$500,000. The insurance is provided by Rochdale Insurance Company, and the policy expires on January 9 of each year.

The Organization maintains a directors and officers liability policy with coverage of \$2,000,000. The insurance is provided by the Chubb Group of Insurance Companies, and the policy expires on September 20 of each year.

There was no lapse in coverage for the year ending June 30, 2017.

NOTE 5 - CONCENTRATION OF RISK

The Organization maintains its cash and cash equivalents in financial institutions; all accounts are fully insured by the Federal Deposit Insurance Corporation (FDIC). Cash balances throughout the year did exceed the insured limit of \$250,000 protected by the FDIC. The Organization has not experienced any losses in such accounts and is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 6 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

Amounts received from government and state agencies relating to grants and awards are subject to audit and adjustment by the government and state agencies. The amount of expenditures, which may be potentially disallowed, cannot be determined at this time. The revenue and activities of the Organization are subject to the administrative directives, rules and regulations of state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by state agencies or the Department of Environmental Protection. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

GREAT SWAMP WATERSHED ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 7 – REPORTING INSTANCES OR INDICATIONS OF ILLEGAL ACTS

There were no instances of illegal acts that could result in criminal prosecution to report to the respective agency and the Office of Inspector General.

NOTE 8 – UNCORRECTED SIGNIFICANT OR MATERIAL FINDINGS

There were no known uncorrected significant or material findings and recommendations from prior audits that affected the current audit objectives.

NOTE 9 – RETIREMENT ACCOUNT

The Organization maintained an IRC 403(b) retirement plan for its employees. The plan allows for employees to contribute a portion of their income to the retirement plan before federal income taxes. The Organization does not currently provide matching retirement contributions on behalf of its employees.

NOTE 10 – SUBSEQUENT EVENTS

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through September 18, 2017, the date the financial statements are available to be issued. No significant events have occurred between the financial statements ending date and the date the financial statements were available to be issued, that would alter the intended parties' conclusion of the financial statements, require recognition or additional disclosure in these financial statements.

On August 2, 2017 the Great Swamp Watershed Association was designated as an accredited national land trust by the Land Trust Accreditation Commission of the Land Trust Alliance.

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Barry J. Levine, CPA

**INDEPENDENT AUDITOR'S  
REPORT ON ADDITIONAL  
INFORMATION**

To the Board of Trustees  
Great Swamp Watershed Association  
(A Not-for-Profit Organization)  
568 Tempe Wick Road  
Morristown, New Jersey 07960

We have audited the financial statements of Great Swamp Watershed Association as of and for the year ended June 30, 2017 and have issued our report thereon dated September 18, 2017, which contained an unmodified opinion on the financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses and the analysis of endowment account on the following pages are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

K & L Certified Public Accountants, LLP

GREAT SWAMP WATERSHED ASSOCIATION  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Supporting Services</u>			Total Program and Supporting Services
	<u>Program Services</u>	Management and General	Fundraising	
Salaries and Payroll Taxes	\$ 363,313	\$ 32,478	\$ 44,619	\$ 440,410
Professional Fees and Services	12,038	956	1,231	14,225
Postage and Printing	17,510	167	633	18,310
Office and Supplies	13,105	1,251	1,609	15,965
Occupancy and Maintenance	38,073	2,507	2,590	43,170
Program, Meetings and Membership Insurance	151,117	2,292	12,227	165,636
Costs of Direct Benefits to Donors	10,143	913	777	11,833
	-	-	9,694	9,694
	<u>\$ 605,299</u>	<u>\$ 40,564</u>	<u>\$ 73,380</u>	<u>\$ 719,243</u>

See independent auditor's report and the accompanying notes.

GREAT SWAMP WATERSHED ASSOCIATION  
ANALYSIS OF ENDOWMENT ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2017

BEGINNING BALANCE - July 1, 2016		\$ 1,004,107
Dividends and Capital Gains	\$ 39,198	
Transfers to Operating Account*	(78,084)	
Donated Stocks	1,615	
Unrealized Gain on Investments	<u>90,622</u>	
Change in Account Balance		<u>53,351</u>
ENDING BALANCE - June 30, 2017		<u>\$ 1,057,458</u>

\* 2016 and 2017 4% draw captured in 2017

See independent auditor's report and the accompanying notes.