

**GREAT SWAMP WATERSHED ASSOCIATION**

**June 30, 2020**

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**GREAT SWAMP WATERSHED ASSOCIATION**

**For the Year Ended June 30, 2020**

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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, 2020, 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, 2020, 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.

DATE  
Flemington, New Jersey

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**GREAT SWAMP WATERSHED ASSOCIATION**  
**Statement of Financial Position**  
**June 30, 2020**

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 397,845
Grants receivable	20,000
Prepaid expenses and other current assets	7,962
Total current assets	<u>425,807</u>
Property and equipment, net of accumulated depreciation of \$21,109	364,481
Other assets	
Investments	<u>1,374,123</u>
Total assets	<u><u>\$ 2,164,411</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities	
Accounts payable and accrued expenses	\$ 5,474
Deferred liability	8,500
Total current liabilities	<u>13,974</u>
Net assets	
Without donor restrictions	1,932,702
With donor restrictions	217,735
Total net assets	<u>2,150,437</u>
Total liabilities and net assets	<u><u>\$ 2,164,411</u></u>

See accompanying notes to the financial statements.

**GREAT SWAMP WATERSHED ASSOCIATION**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenue and other			
Contributions	\$ 676,394	\$ 28,490	\$ 704,884
Special events	226,971	-	226,971
Payroll Protection Program loan	-	109,500	109,500
Net assets released from restrictions	22,697	(22,697)	-
Total public support, revenue and reclassifications	926,062	115,293	1,041,355
Expenses			
Program	671,811	-	671,811
Management and general	51,568	-	51,568
Fundraising	67,301	-	67,301
Total expenses	790,680	-	790,680
Other income			
Interest income	3,643	-	3,643
Dividend income	32,899	-	32,899
Unrealized gain on investments	20,187	-	20,187
Total other income	56,729	-	56,729
Change in net assets	192,111	115,293	307,404
Net assets - beginning of year	1,740,591	102,442	1,843,033
Net assets - end of year	\$ 1,932,702	\$ 217,735	\$ 2,150,437

See accompanying notes to the financial statements.

**GREAT SWAMP WATERSHED ASSOCIATION**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2020**

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salary, wages and benefits	\$ 473,392	\$ 38,982	\$ 54,237	\$ 566,611
Professional fees and services	7,250	6,847	830	14,927
Postage and printing	15,718	150	496	16,364
Office supplies	8,431	687	966	10,084
Occupancy and maintenance	38,756	2,542	2,636	43,934
Programs, meetings and membership	108,105	1,307	7,346	116,758
Insurance	11,318	1,053	790	13,161
Total expenses before depreciation	<u>662,970</u>	<u>51,568</u>	<u>67,301</u>	<u>781,839</u>
Depreciation	<u>8,841</u>	<u>-</u>	<u>-</u>	<u>8,841</u>
Total expenses	<u><u>\$ 671,811</u></u>	<u><u>\$ 51,568</u></u>	<u><u>\$ 67,301</u></u>	<u><u>\$ 790,680</u></u>

See accompanying notes to the financial statements.

**GREAT SWAMP WATERSHED ASSOCIATION**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2020**

Cash flows from operating activities	
Increase in net assets	\$ 307,404
Adjustment to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	8,841
Investment income	(32,899)
Unrealized gain on investments	(20,188)
Change in assets and liabilities	
Grants receivable	(20,000)
Prepaid expenses and other current assets	(3,371)
Accounts payable and accrued expenses	(21,881)
Deferred liability	8,500
Total adjustments	<u>(80,998)</u>
Net cash provided by operating activities	226,406
Net increase in cash and cash equivalents	226,406
Cash and cash equivalents - beginning of year	<u>171,439</u>
Cash and cash equivalents - end of year	<u><u>\$ 397,845</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 75 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 2016 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. Securities classified as available for sale are carried in the financial statements at fair value. 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.

**GREAT SWAMP WATERSHED ASSOCIATION**  
**Notes to the Financial Statements**

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

Property and equipment

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

	Estimated Useful Life
Computers, office and other equipment	5 years
Machinery	7 years

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 maybe 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.

**GREAT SWAMP WATERSHED ASSOCIATION**  
**Notes to the Financial Statements**

Note 1 - Organization and summary of significant accounting policies (continued)  
Contributions, support, and revenue recognition (continued)

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.

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.

Reclassifications

Certain prior year amounts have been reclassified. The change in net assets was not impacted by the reclassification.

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, 2020, the Organization had no 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 for the year ended June 30, 2020.

Additionally, the Organization received approximately 23% of total revenues from its annual fund-raising Gala during the year ended June 30, 2020.

Note 3 - Donated services

Directors and officers have made a significant contribution of their time to develop the Organization and its programs. No amounts have been recognized in the accompanying Statement of Activities and Changes in Net Assets because the criteria for recognition of such efforts under GAAP have not been satisfied.

**GREAT SWAMP WATERSHED ASSOCIATION**  
**Notes to the Financial Statements**

Note 4 - 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, 2020 are summarized as follows:

Unrestricted	
Undesignated	\$ 1,872,702
Board designated for land defense and stewardship	60,000
Total unrestricted	\$ 1,932,702
Subject to expenditures for specified purposes	
For fund raising and general operations	\$ 43,155
For PPP loan related expenditures	109,500
For continued investment	65,080
Total net assets with donor restrictions	\$ 217,735

Note 5 - 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.

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.

**GREAT SWAMP WATERSHED ASSOCIATION**  
**Notes to the Financial Statements**

Note 5 - Fair value (continued)

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, 2020:

	Level 1	Level 2	Level 3
Mutual funds	\$ 1,331,210	\$ -	\$ -
Money market funds	42,913	-	-
Total investments	<u>\$ 1,374,123</u>	<u>\$ -</u>	<u>\$ -</u>

Note 6 - Property and equipment

Property and equipment, as of June 30, 2020, consists of the following:

Land	\$ 334,100
Equipment	51,490
Total property and equipment	<u>385,590</u>
Less: accumulated depreciation	21,109
Property and equipment, net	<u>\$ 364,481</u>

Depreciation expense for the year ended June 30, 2020 was \$8,841.

The Organization owns 23.35 acres of land that is not deed restricted.

As of June 30, 2020, 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 7 - 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.

**GREAT SWAMP WATERSHED ASSOCIATION**  
**Notes to the Financial Statements**

Note 7 - Availability of financial assets (continued)

Financial assets at June 30, 2020:

Cash and cash equivalents	\$ 397,845
Grants receivable	20,000
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted for fundraising and general operations	43,155
Donor-restricted for continued investment	65,080
Financial assets available to meet cash needs for general expenditure within one year	\$ 309,610

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 \$200,000 line of credit that can be drawn down as needed and the proceeds of the PPP loan of \$109,500.

Note 8 - 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.

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 9 - Line of credit

The Organization has a revolving secured line of credit with a bank. The loan has a maturity date of July 2021. 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, 2020. The line is secured by generally all assets of the Organization.

**GREAT SWAMP WATERSHED ASSOCIATION**  
**Notes to the Financial Statements**

Note 10 - Payroll Protection Program Loan

The Organization received a \$109,500 Payroll Protection Program Loan. The loan accrues interest at a rate of 1%. The Organization expects the full amount of the loan to be forgiven.

Note 11 - 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, 2020 was \$29,418.

Note 12 - Operating leases

The Organization entered into an operating lease arrangement for office space. Rent expense for the year ended June 30, 2020 totaled approximately \$32,400. The total monthly base rent is approximately \$2,700. The current lease is set to expire November 2020.

Note 13 - Supplemental disclosures of cash flow information

No non-cash operating activities were recorded for the year ended June 30, 2020.

Note 14 - Change in accounting standards

ASU 2018-08: In June 2018, The FASB issued ASU 2018-08 (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle was adopted on a modified prospective basis for fiscal year end 2020. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of July 1, 2019.

ASU 2014-09: The Organization completed its assessment of ASU 2014-09, *Revenue from Contracts with Customers*. This ASU as modified by ASU 2015-14, changes the timing of recording revenues for services performed. Management has determined that the Organization's method of recording revenue did not require a material change in order to be compliant with this standard.



**GREAT SWAMP WATERSHED ASSOCIATION**  
**Notes to the Financial Statements**

Note 14 - Change in accounting standards (continued)

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 15 - Subsequent events

The Organization's operations are dependent on private and public donations from individuals, foundations, and corporations. The Covid-19 outbreak has negatively impacted the organizations ability to provide in class programming, therefore the organization has redirected its focus to provide remote learning throughout the region in order to advance its mission. Any other events are expected to be limited in scope and availability due to the Covid 19 restrictions. Net assets are projected to be modestly impacted by at an amount less than the net gain from FY 20 operations. There is a potential economic market risk should the country enter a further recession.

The Organization's management has determined that no other material events or transactions occurred subsequent to June 30, 2020 and through \_\_\_\_\_ 2020, the date of the Organization's financial statements issuance, which require additional disclosure in the Organization's financial statements.