

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

For the Year Ended September 30, 2015

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**

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**CHARLES RIVER WATERSHED ASSOCIATION, INC.**

**INDEPENDENT AUDITOR'S REPORT**



# Jacobs, Velella & Kerr, P.C.

*Certified Public Accountants*

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## Members

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of:  
**Charles River Watershed Association, Inc.**  
Weston, Massachusetts

We have audited the accompanying financial statements of **Charles River Watershed Association, Inc.** (a Massachusetts nonprofit corporation), which comprise the statement of financial position as of September 30, 2015, 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 **Charles River Watershed Association, Inc.** as of September 30, 2015, 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 Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for program services and the schedule of functional expenses on pages 19 – 20 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink that reads "Jacobs, Veella & Kerr, PC". The signature is written in a cursive, flowing style.

**Jacobs, Veella & Kerr, P.C.**  
Needham, Massachusetts

June 29, 2016

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**

**AUDITED FINANCIAL STATEMENTS**

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
September 30, 2015

**ASSETS**

Current assets	
Cash ( <i>Notes 3 and 16</i> )	\$ 119,883
Grants and contracts receivable, net of allowance for doubtful accounts ( <i>Note 4</i> )	264,187
Accounts receivable, net of allowance for doubtful accounts of \$0	6,055
Unconditional promises to give ( <i>Note 5</i> )	10,000
Inventory ( <i>Note 6</i> )	2,622
Prepaid expenses	49,617
Total current assets	452,364
Property and equipment, net of accumulated depreciation ( <i>Note 7</i> )	9,373
Intangible assets, net of accumulated amortization ( <i>Note 8</i> )	19,331
Total assets	\$ 481,068

**LIABILITIES AND NET ASSETS**

Current liabilities	
Grants and contracts payable	\$ 77,327
Accounts payable	47,278
Accrued liabilities and taxes ( <i>Note 9</i> )	68,293
Total current liabilities	192,898
Net assets	
Unrestricted	68,170
Temporarily restricted ( <i>Note 10</i> )	220,000
Total net assets	288,170
Total liabilities and net assets	\$ 481,068

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

**CHARLES RIVER WATERSHED ASSOCIATION, INC.****STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, support and other increases			
Grants	\$ -	\$ 529,467	\$ 529,467
Contributions	380,098	-	380,098
Memberships	50,416	-	50,416
Special events	154,907	-	154,907
Donated materials and services ( <i>Note 11</i> )	35,747	-	35,747
Investment income	367	-	367
Merchandise sales	998	-	998
Other income	1,200	-	1,200
Net assets released from restrictions	715,994	(715,994)	-
	<u>1,339,727</u>	<u>(186,527)</u>	<u>1,153,200</u>
Total revenues and support			
	<u>1,339,727</u>	<u>(186,527)</u>	<u>1,153,200</u>
Expenses and other decreases			
Cost of goods sold	92	-	92
Loss on sale of donated securities	1,433	-	1,433
Loss on disposal of fixed assets	2,852	-	2,852
Program	913,470	-	913,470
Administrative ( <i>Notes 12, 13 and 14</i> )	200,067	-	200,067
Fundraising	173,087	-	173,087
	<u>1,291,001</u>	<u>-</u>	<u>1,291,001</u>
Total expenses			
	<u>1,291,001</u>	<u>-</u>	<u>1,291,001</u>
Increase (decrease) in net assets	48,726	(186,527)	(137,801)
Net assets - beginning	<u>19,444</u>	<u>406,527</u>	<u>425,971</u>
Net assets - ending	<u>\$ 68,170</u>	<u>\$ 220,000</u>	<u>\$ 288,170</u>

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

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

For the Year Ended September 30, 2015

Cash flows from operating activities		
Decrease in net assets	\$	(137,801)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization ( <i>Notes 7 and 8</i> )		10,481
Loss on sale of donated securities		1,433
Unrestricted contribution income recognized from donated securities		(52,200)
(Increase) decrease in:		
Grants and contracts receivable		44,530
Accounts receivable		5,216
Unconditional promises to give		62,000
Inventory		91
Prepaid expenses		(38,511)
Increase (decrease) in:		
Grants and contracts payable		3,412
Accounts payable		16,987
Accrued liabilities and taxes		23,679
		<hr/>
Net cash used in operating activities		(60,683)
		<hr/>
Cash flows from investing activities		
Cash received from sales of donated securities		50,767
Cash paid to acquire property and equipment		(1,625)
Cash paid to acquire intangible assets		(19,412)
		<hr/>
Net cash provided by investing activities		29,730
		<hr/>
		Net decrease in cash
		(30,953)
Cash - beginning		<hr/>
		150,836
Cash - ending ( <i>Note 3</i> )	\$	<hr/> <hr/>
		119,883

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

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**

NOTES TO THE FINANCIAL STATEMENTS

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

**Note 1 - Organization**

Charles River Watershed Association, Inc. was organized in the Commonwealth of Massachusetts as a nonprofit corporation on September 23, 1966. The mission is to use science, advocacy and the law to protect, preserve and enhance the Charles River (the “Charles”) and its watershed (the “Watershed”), including improving and expanding its natural resources and recreational opportunities.

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

When used in these notes, the terms “CRWA,” “Organization,” “our,” “ours,” “we,” or “us” are intended to mean Charles River Watershed Association, Inc.

**Blue Cities® Initiative**

Under this program, we plan, design, implement and promote green infrastructure approaches for managing water in urban areas. Through research, planning, design and implementation of demonstration projects on public and private properties, our goal is to mimic or re-create the natural hydrologic cycle making land and water work together.

We partner with numerous municipalities both within and beyond the watershed of the Charles on Blue Cities’® projects. We also advocate for these kinds of projects and staff numerous committees and task forces to influence planning and permitting for developments at various scales. These projects are models for better site design, serve to educate the public on the importance of storm water management and provide developers with low impact storm water retrofit information.

**Blue Cities® Exchange**

Under this program, we are developing tools and technology to help reduce nutrient pollution to waterways, a key component of which is an online phosphorus reduction storm water trading program. The program provides cost-effective approaches and incentives for industrial, commercial and high density residential private property owners with large impervious surfaces to reduce nutrient-laden storm water runoff to the Charles and enables property owners to evaluate design options and costs for managing their storm water. We are now exploring the expansion of this program in connection with our Urban Smart Sewering program.

**Urban Smart Sewering**

This multi-year project is investigating the feasibility of small scale distributed wastewater treatment and resource recovery combined with district energy systems and neighborhood green infrastructure installations in an urban setting. This approach to future infrastructure design includes processing food waste, recycling water, and energy production to reduce greenhouse gas emissions, reduce flooding impacts, improve water quality and create green corridors. This project has the potential to relieve overburdened water infrastructure, produce energy where it is needed and decrease water losses, pollution and other environmental impacts typical of large centralized sewers. It will also lessen the likelihood of a complete system failure in the event of a major disaster and help dense urban areas adapt to climate change.

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**  
NOTES TO THE FINANCIAL STATEMENTS - continued  
For the Year Ended September 30, 2015

**Advocacy, Policy & Law**

We are involved in every major decision affecting the Charles and the Watershed. Advocacy includes lobbying the Massachusetts legislature on environmental and water-related legislation, reviewing all major development projects in the Watershed, challenging permits administratively and occasionally in court, appearing before local boards and commissions, protecting public trust lands and access to parklands, and working with many partner organizations on issues of national, state and regional significance such as climate change, smart growth and water resource protection. CRWA's strong science supports and informs our advocacy and the positions we adopt. Improving policies and regulations for the protection and sustainability of the natural water environment are core components of our work, as is our climate change adaptation work.

*Sustainable Water Management Initiative*

Our campaign for sustainable water resources, which began with a series of test cases in the Ipswich River Watershed, led to the creation of the Massachusetts' Sustainable Water Management Initiative (SWMI) which resulted in the adoption of new water withdrawal permitting regulations that incorporate biologically-based streamflow criteria and requires that withdrawal impacts be minimized and mitigated. By requiring mitigation, or offsets, the permitting program should bring a more holistic approach to managing water, wastewater and storm water.

*Stormwater Management*

In February 2015, we submitted extensive comments to the United States Environmental Protection Agency ("U.S. EPA") on the draft Small Municipal Separate Storm Sewer System (MS4) National Pollutant Discharge Elimination System ("NPDES") general permit for Massachusetts. The draft permit builds on the 2003 general permit and requires each municipality in the Watershed to develop a Phosphorus Control Plan. We also continued to educate conservation commissions about their authority under the Wetlands Protection Act to require project applicants to meet daily nutrient loading limits established for the Watershed.

*American Shad Restoration*

A settlement with GenOn Energy, LLC ("GenOn") of its surface water discharge permit in the Charles by U.S. EPA, CRWA and Conservation Law Foundation, resulted in a planned 95% reduction in the facility's thermal discharge to the Charles Lower Basin. The settlement also established a fund that we manage for the restoration of American shad and other migratory fish. The U.S. Fish and Wildlife Service, Massachusetts Division of Marine Fisheries ("DMF") and CRWA have partnered to release 24 million hatchery-reared shad fry into the Charles' historic Lakes District. We continue to explore options for improving fish migration at the Watertown Dam, mapping habitat in the Lakes District and assessing water quality.

**Education and Outreach**

*Education*

Our work to promote better watershed management and River stewardship includes a wide range of outreach and educational programming, including: a comprehensive website and online communications; the publication of brochures, plans and reports; educational talks and presentations to schools and community groups; trainings and workshops for municipal employees; and participation in many local and regional events and activities. We host numerous student interns each year and support the Rita Barron Fellowship, a one year position for a young professional entering the fields of watershed science and management. We are quoted regularly in the media and host many national and international groups for educational and networking purposes.

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**  
NOTES TO THE FINANCIAL STATEMENTS - continued  
For the Year Ended September 30, 2015

*Twinning*

We are committed to sharing best practices and exchanging knowledge with other watershed restoration practitioners. With funding from the International River Foundation as part of the Riverprize, we are in the third year of a river restoration “Twinning” project for the urban rivers in Jarabacoa, Dominican Republic in partnership with The Nature Conservancy Dominican Republic, Plan Yaque, a local non-governmental organization; and the National Environmental School, a post-secondary school. The project involves community engagement, the development and support of volunteer “citizen scientists,” training and capacity building for local partners, and the development of a long-term river restoration plan.

**Field Science**

*Volunteer Monthly Monitoring*

CRWA’s twenty year comprehensive study of water quality in the Charles involves a vast network of volunteer citizen scientists who collect samples monthly. This monitoring informs much of our science and advocacy work as it enables us to understand the Charles’ problems and to develop informed cutting edge solutions. Our data is used by numerous researchers, students and policy makers and serves as the basis for the annual Charles River Report Card issued by the EPA.

*Lower Charles Water Quality Flagging*

From July through October, boaters from Watertown, Massachusetts to Boston are apprised of real-time water quality forecasts through the flying of CRWA’s red, yellow or blue flags at eleven boating locations. CRWA also posts webpage updates, e-mails and Twitter alerts about water quality at each location. CRWA uses a predictive model premised on environmental factors such as rainfall and river flow. Environmental data is collected in real-time from a weather station on the Charles and transmitted wirelessly to CRWA’s server. E. coli bacteria data is collected twice per week to verify forecasts.

*Sediment Investigation*

The Lower Basin of the Charles, the most heavily recreated stretch of the Charles, is experiencing rapid sedimentation in select areas. Sediment islands are forming at outfall pipes and along certain stretches of the Charles, destroying habitat and impeding recreation. We hired a consultant to analyze the sediments and their extent at the Faneuil Brook outfall in Brighton which resulted in dredging of this area being advocated. The Commonwealth of Massachusetts Department of Conservation and Recreation (“DCR”) has obtained permits to dredge the sediment and will likely remove the sediments in 2016.

*Canoeing for Clean Water*

Non-native and invasive aquatic plants choke sections of the Charles decreasing oxygen in the water necessary for aquatic life and preventing navigation. We continue to partner with Citizens Alliance for Noxious Weed Eradication (CANoE), the DCR, and municipalities to eliminate the water chestnut infestation in the Charles’ historic Lakes District through a combination of mechanical harvesting and hand-pulling. This program increases awareness about invasive species and the impacts of nutrient pollution on aquatic plant growth.

**Special Events**

*The Run of the Charles Canoe and Kayak Race*

Our annual Run of the Charles Canoe and Kayak race (“ROTC”), which began 33 years ago, showcases the ongoing improvements to the River. This race is one of the nation’s oldest and largest canoe and kayak races with professionals, amateurs, and corporate teams competing on the 26-mile course.

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**  
NOTES TO THE FINANCIAL STATEMENTS - continued  
For the Year Ended September 30, 2015

*Annual Earth Day Charles River Cleanup*

For the 16<sup>th</sup> Annual Earth Day Charles River Clean Up, volunteers joined together to make the River cleaner, healthier and more beautiful by picking up trash and removing debris from its banks. We organize the cleanup in partnership with a collaborative of environmental groups, communities, legislators, and DCR.

**Note 2 – Summary of Significant Accounting Policies**

This summary of our significant accounting policies is presented to assist in understanding our financial statements. These financial statements and notes are representations of CRWA's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") and have been consistently applied in the preparation of the financial statements.

Our financial statements have been prepared on the accrual basis of accounting. Our significant accounting policies are as follows:

*Use of Estimates*

The preparation of our financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Fair Value of Financial Instruments*

Our financial instruments consist primarily of cash, grants receivable and unconditional promises to give, accounts payable and accrued liabilities. All instruments, except for unconditional promises to give (see *Promises to give* below) are accounted for on the historical cost basis, which, due to the short maturity of these financial instruments, approximates the fair value at the reporting dates of these financial statements.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1: Quoted prices for identical instruments in active markets accessible at the measurement date.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Unobservable inputs for the instrument are only used when there is little, if any, market activity for the instrument at the measurement date. Prices or valuation techniques require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity).

*Impairments*

In accordance with GAAP, we assess the impairment of our assets whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. The determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. In the event such future cash flows are not expected to be sufficient to recover the carrying amount of the assets, the assets are written down to their fair values.

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**  
NOTES TO THE FINANCIAL STATEMENTS - continued  
For the Year Ended September 30, 2015

*Cash and Cash Equivalents*

For financial statement purposes, we consider all short-term investment and debt securities purchased with a maturity of three months or less to be cash equivalents.

*Accounts and Grants Receivable*

Accounts receivable that we recognize typically consist of amounts due for services performed unrelated to our grant contracts but could also consist of other amounts such as amounts due from brokers/dealers for proceeds from sales of donated securities, refunds due resulting from various overpaid taxes or amounts due resulting from checks returned by banks for insufficient funds.

Under the terms of some of our grant contracts, we fulfill our responsibilities on a reimbursement basis, meaning we must request funds from the grant source, through the issuance of invoices or other required forms, after grant work has been performed or after certain milestones have been achieved. We recognize these amounts as grant receivables, which, depending on the funding source, can take up to ninety to one hundred and eighty days before we receive payment.

We recognize accounts and grants receivable as they are earned or when the right to request or receive payment exists.

*Allowance for Doubtful Accounts*

We provide an allowance for doubtful accounts equal to estimated bad debt losses based on historical collection experience and a review of the current status of existing receivables. The allowance is charged to the program to which the bad debt loss relates or as an administrative expense if not related to any specific program. As of September 30, 2015, we estimate that all of our receivables were collectible; therefore, we have not provided for an allowance for doubtful accounts. No interest is charged on overdue receivables.

*Promises to Give*

Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not included as support until the conditions are substantially met.

*Inventory*

Inventory is stated on a first-in, first-out basis and is valued at the lower of cost or market.

*Property and Equipment*

Property and equipment is stated at cost, except for assets that are donated to us which are recorded at their fair market value. We capitalize the cost of property and equipment, not acquired with grant proceeds or for a particular program purpose, whose total cost exceeds \$1,000 and whose estimated useful life exceeds one year. Property and equipment acquired using grant proceeds or for a particular program purpose are evaluated on a case by case basis to determine if capitalization is appropriate.

When assets are sold or otherwise disposed, the cost and related accumulated depreciation are removed from the related accounts. The resulting gains, reflected in revenues and support, or losses, reflected as a separate category of expenses, are then recognized, except on assets traded where the undepreciated book value of the asset traded is added to the depreciable basis of the new asset acquired. Expenditures for normal maintenance and repairs, which

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
For the Year Ended September 30, 2015

do not improve or extend the lives of the respective assets, are expensed in the year incurred, while major renewals are capitalized.

*Contributions*

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, we report the support as unrestricted.

*Donated Facilities, Good and Services*

We record the value of donated facilities, goods or services when we can reasonably determine that amount. Donated facilities, goods and services are reflected as unrestricted support in the accompanying statements of activities on the date of receipt. No amounts have been reflected in the statements of activities for donated facilities, goods or services when the fair market value cannot be reasonably determined without unreasonable effort or cost. As a result, a substantial number of volunteers have donated significant amounts of their time to us for which there has been no financial statement recognition.

*Interest and Dividend Income*

We earn interest on our cash equivalents that have a maturity of three months or less. Investment income is used to fund operations and, accordingly, is presented as unrestricted revenue.

*Advertising Costs*

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. During the year ended September 30, 2015, we did not engage in any direct-response advertising activities. Our total advertising and promotion expense for the year ended September 30, 2015, included as an administrative expense on our statement of activities, was \$185.

*Depreciation*

The cost (or fair market value for donated assets) of property, plant and equipment is depreciated on the straight line basis over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the length of the related lease or the useful life of the improvement.

The estimated useful lives of our property, plant and equipment are as follows:

Asset	Life in Years
Computer equipment	3 – 5
Equipment	7
Furniture and fixtures	7
Leasehold improvements	Remaining lease term

Maintenance and repairs are charged to operations when incurred while major betterment's and renewals, not specifically related to a particular grant program, are capitalized.

*Compensated Absences*

Our employees are entitled to paid time off (vacation, personal and sick time) depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. Our policy is to

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
For the Year Ended September 30, 2015

recognize the costs of compensated future absences when actually paid to employees. Any paid time off not used by the employees as of the end of our fiscal year is forfeited and not allowed to be carried forward, unless a specific exception is approved by the executive director.

*Tax Status*

We are exempt from income taxes under Internal Revenue Code (“IRC”) §501(c)(3). Therefore, no provision for income taxes has been made in these financial statements. We are not classified as a private foundation.

As of September 30, 2015, we are unaware of any uncertain tax positions taken on any of our previously filed information returns that may subject us to the assessment of unrelated business income taxes or to the determination of our status as an organization exempt from income taxes under IRC §501(c)(3). If we were to become subject to federal and/or state income taxes, interest and penalties related to any uncertain tax positions taken would be recognized as an administrative expense. If the interest and penalties related to a specific program or non-administrative function, they would be recognized as an expense of the respective function or program.

As of September 30, 2015, the Return of Organization Exempt From Income Tax on Form 990 for the years ended September 30, 2014 (taxable year 2013), September 30, 2013 (taxable year 2012) and September 30, 2012 (taxable year 2011) remain open to examination by the Internal Revenue Service.

**Note 3 – Cash**

As of September 30, 2015, none of our cash was temporarily restricted by program or function. All of our cash was unrestricted.

**Note 4 – Grants and Contracts Receivable**

At September 30, 2015, grants receivable consisted of the following:

	<u>Current</u>	<u>Total</u>	<u>Term</u>
Grantor:			
The Scherman Foundation, Inc.	\$ 210,000	\$ 210,000	< 1 year
Boston Redevelopment Authority	22,784	22,784	
International River Foundation	15,061	15,061	
Massachusetts Environmental Trust (“MET”)	4,566	4,566	< 1 year
Massachusetts Department of Environmental Protection (“MA DEP”)	7,795	7,795	< 1 year
Other	<u>3,981</u>	<u>3,981</u>	< 1 year
Total grants receivable as of September 30, 2015	<u>\$ 264,187</u>	<u>\$ 264,187</u>	

**Note 5 – Unconditional Promises to Give**

At September 30, 2015, unconditional promises to give consisted of the following:

Boston Duck Tours, Inc. (“BDT”)	<u>\$ 10,000</u>
Total unconditional promises to give	<u>\$ 10,000</u>

We expect the full amount of unconditional promises to give to be collected within one year. Accordingly, these financial statements do not contain an allowance for uncollectible promises to give.

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
For the Year Ended September 30, 2015

*BDT*

The unconditional promise to give from BDT is a promise to give in perpetuity to be used towards ROTC. Since a time period for the unconditional promise to give cannot be defined, it is impracticable to determine the present value of the promise. Accordingly, no amounts, beyond one year of the balance sheet date for the unconditional promise to give, have been recognized.

**Note 6 – Inventory**

The balance of our inventory consists of Charles River Canoe and Kayak Guides. As of September 30, 2015, our cost to publish those guides was \$2,622.

**Note 7 – Property and Equipment**

At September 30, 2015, our property and equipment consisted of the following:

Computer equipment	\$	43,254
Equipment		100,664
Furniture and fixtures		32,934
Leasehold improvements		57,955
		234,807
Less: accumulated depreciation		(225,434)
		9,373
Net property and equipment	\$	9,373

For the year ended September 30, 2015, depreciation expense was \$4,070.

**Note 8 – Intangible Assets**

*Software*

In a previous fiscal year, we received a donation of geographic information system computer software including licenses and maintenance. The software, including the licenses and maintenance, is being amortized on a straight line basis over 36 months, the term of the licenses and the length of the maintenance agreement.

As of September 30, 2015, the balance of software was comprised as follows:

Software and licenses	\$	19,020
Maintenance		6,300
		25,320
less: accumulated amortization		(25,320)
		-
Net software	\$	-

For the year ended September 30, 2015, amortization expense was \$6,330 and was classified as an expense of our Education and Outreach program.

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
For the Year Ended September 30, 2015

*Charles River Film*

During the year ended September 30, 2015, we produced a film that recorded the entire length of the Charles. This film was used at one of our fundraising events and will be used in the future for other purposes, including fundraising. As of September 30, 2015, the costs of the film, capitalized as an intangible assets are as follows:

Aerial production	\$	5,250
Cinematography, equipment and labor		5,822
Direction and post production		4,500
Net Charles River Film	\$	15,572

*Flagging model*

During the year ended September 30, 2015, we purchased an online data management and public notification system for storing and communicating water quality data about E. coli bacteria, combined sewer overflows and algae blooms.

The total cost of this system, \$3,840, is being amortized over fifteen years. As of September 30, 2015, accumulated amortization related to this system was \$81.

For the year ended September 30, 2015, total amortization expense related to intangible assets was \$6,411.

**Note 9 – Accrued Liabilities and Taxes**

As of September 30, 2015, accrued liabilities and taxes consisted of the following:

Employee benefits and payroll deductions	\$	6,800
Payroll taxes		654
Professional fees		60,839
Total accrued liabilities and taxes	\$	68,293

**Note 10 – Temporarily Restricted Net Assets**

As of September 30, 2015, the balance of temporarily restricted net assets to be used for future program expenses, were comprised as follows:

Urban Smart Sewering	\$	210,000
Special Events		10,000
Total temporarily restricted net assets	\$	220,000

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
For the Year Ended September 30, 2015

**Note 11 – Donated Materials and Services**

The value of donated materials and services, by function and program, included in the statement of activities and the corresponding expenditures for the years ended September 30, 2015 are as follows:

Materials (including property and equipment)		
Fundraising	\$	525
Special Events		5,978
	Total donated materials	6,503
Services		
Education and Outreach		2,536
Field Science		21,200
Fundraising		4,222
Special Events		1,286
	Total donated services	29,244
	Total donated materials and services	\$ 35,747

**Note 12 – Indirect Costs**

We incur costs which cannot be directly attributed to any program or function. These costs have been allocated to the different programs based on total program salaries and related benefits and taxes to our total salaries and related benefits and taxes. We allocated \$227,222 indirect costs for the year ended September 30, 2015.

**Note 13 – Post-Retirement Benefit Plan**

We sponsor a post-retirement benefit plan in accordance with IRC §403(b). The plan allows for voluntary employee contributions and includes all employees. We do not match employee contributions made to the plan. Accordingly, there is no pension expense recognized in these financial statements.

**Note 14 – Operating Leases and Use and Occupancy Agreement**

*Operating leases*

We lease a photocopier under a sixty month non-cancelable lease agreement that expires on April 23, 2018. The lease calls for minimum monthly payments of \$208.

*Use and Occupancy Agreement*

On October 2, 2014, our Board of Directors voted to approve a new Use and Occupancy Agreement (the “New Agreement”) between us and DCR regarding the use of the building that we current occupy for our operations. Under the New Agreement, retroactive to December 31, 2013, we will continue to pay the Agreement Fee of \$100 and be permitted to occupy and use the building for our operations until December 30, 2016 at which time the New Agreement expires. In addition, the New Agreement requires us to be responsible for all costs of utilities consumed in connection with the use of the property, including but not limited to, water and sewer, electricity, fuel, oil, telephone, etc. We are also responsible for maintaining certain types and levels of insurance, performing repairs and maintenance to the property in accordance with DCR standards, including the following specified improvements by November 1, 2014 or as soon as feasible in 2015:

- Replace, solely at our own expense, a Title V compliant septic system in accordance with DEP regulations and subject to DCR approval of all specifications and plans, including having our contractor prepare a DEP plan for the system prior to submission to the Weston Conservation Commission and the DEP;

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
For the Year Ended September 30, 2015

- Prepare a Massachusetts Historical Commission (“MHC”) Project Notification Form for DCR review and approval prior to filing with the MHC for any contemplated improvements to the property that would fall under MHC jurisdiction.

The New Agreement does not contain any provisions for extension or renewals.

Future minimum lease and use and occupancy payments under all existing cancelable and non-cancelable operating leases and the New Agreement for the next five years, and in the aggregate, are as follows:

Years Ended September 30,	Amount
2016	\$ 3,696
2017	2,796
2018	1,456
2019	-
2020	-
	\$ 7,948

For the years ended September 30, 2015, the Agreement Fee, classified in Schedule II – Functional Expenses as rent expense, was \$1,200. Equipment lease payments classified as equipment expense in Schedule II – Functional Expenses was \$2,496 for the year ended September 30, 2015.

**Note 15 – Concentrations of Credit Risk**

We maintain cash balances at a large national bank and at a local bank headquartered in Newton, Massachusetts. The combined balances in all accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000.

In addition, the combined balances at the local bank are insured by the Share Insurance Fund, a private fund owned by the member co-operative banks, which insures all deposits at co-operative banks in Massachusetts above the FDIC limits.

From time to time, balances at the national bank may exceed the federally insured limit. As of September 30, 2015, we had no balances on deposit at the national bank that exceeded the federal insurance limit.

**Note 16 – Subsequent Events**

Management has evaluated subsequent events through June 29, 2016, the date the financial statements were issued. Other than as disclosed, management has not identified any subsequent events occurring subsequent to September 30, 2015 that require disclosure in these financial statements in accordance with GAAP.

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**

**SUPPLEMENTARY INFORMATION**

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**  
**SCHEDULE I - FUNCTIONAL EXPENSES FOR PROGRAM SERVICES**  
For the Year Ended September 30, 2015

	Advocacy, Policy & Law	Blue Cities® Initiative	Blue Cities® Exchange	Education & Outreach	Field Science	Special Events	Urban Smart Sewering	Total
Salaries, related benefits and taxes	\$ 123,769	\$ 67,260	\$ 26,482	\$ 103,373	\$ 67,309	\$ 17,927	\$ 142,112	\$ 548,232
Accounting and audit	2,086	1,134	446	1,742	1,134	302	2,395	9,239
Advertising and promotion	-	-	-	-	-	-	-	-
Awards and prizes	-	-	-	-	-	4,175	-	4,175
Bad debts	-	-	-	-	-	-	-	-
Conferences and meetings	1,121	1,111	227	885	636	153	5,269	9,402
Contract services	14,958	43,624	15,457	17,694	28,501	34,582	90,092	244,908
Depreciation and amortization	1,085	590	232	906	671	157	1,245	4,886
Dues, fees and permits	1,244	519	498	1,634	494	3,685	1,043	9,117
Equipment ( <i>Note 14</i> )	334	182	72	3,352	229	1,148	535	5,852
Insurance	1,066	579	228	891	580	1,379	1,224	5,947
Postage and delivery	211	256	45	670	194	374	242	1,992
Printing and reproduction	357	194	76	2,243	194	3,447	410	6,921
Rent ( <i>Note 14</i> )	125	68	27	105	68	18	144	555
Repairs and maintenance	936	509	200	782	509	136	1,075	4,147
Supplies	315	1,354	64	2,294	6,303	23,849	394	34,573
Training and education	15	8	3	12	8	2	87	135
Travel and entertainment	2,227	3,086	35	2,725	2,116	210	4,669	15,068
Utilities and telephone	1,878	1,021	402	1,569	1,022	272	2,157	8,321
<b>Total Expenses</b>	<b>\$ 151,727</b>	<b>\$ 121,495</b>	<b>\$ 44,494</b>	<b>\$ 140,877</b>	<b>\$ 109,968</b>	<b>\$ 91,816</b>	<b>\$ 253,093</b>	<b>\$ 913,470</b>

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

**CHARLES RIVER WATERSHED ASSOCIATION, INC.**

**SCHEDULE II - FUNCTIONAL EXPENSES**

For the Year Ended September 30, 2015

	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total Support Services</u>	<u>Total Program Services</u>	<u>Total – All Functions</u>
Salaries and related benefits and taxes	\$ 153,315	\$ 82,859	\$ 236,174	\$ 548,232	\$ 784,406
Accounting and audit	9,365	1,396	10,761	9,239	20,000
Advertising and promotion	-	-	-	-	-
Awards and prizes	-	-	-	4,175	4,175
Bad debts	-	1,000	1,000	-	1,000
Conferences and meetings	4,757	1,622	6,379	9,402	15,781
Contract services		53,575	53,575	244,908	298,483
Depreciation and amortization	4,869	726	5,595	4,886	10,481
Dues, fees and permits	4,080	5,374	9,454	9,117	18,571
Equipment ( <i>Note 14</i> )	1,502	10,279	11,781	5,852	17,633
Insurance	4,787	714	5,501	5,947	11,448
Postage and delivery	945	1,910	2,855	1,992	4,847
Printing and reproduction	1,603	8,238	9,841	6,921	16,762
Rent ( <i>Note 14</i> )	562	84	646	555	1,201
Repairs and maintenance	4,203	627	4,830	4,147	8,977
Supplies	1,348	2,096	3,444	34,573	38,017
Training and education	65	544	609	135	744
Travel and entertainment	232	774	1,006	15,068	16,074
Utilities and telephone	8,434	1,269	9,703	8,321	18,024
<b>Total Expenses</b>	<u>\$ 200,067</u>	<u>\$ 173,087</u>	<u>\$ 373,154</u>	<u>\$ 913,470</u>	<u>\$ 1,286,624</u>

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