



ST. MARY'S RIVER
Watershed Association

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2013**

ST. MARY’S RIVER WATERSHED ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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toal, griffith + ragula, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Directors
St. Mary's River Watershed Association, Inc.
Lexington Park, Maryland

We have audited the accompanying financial statements of St. Mary's River Watershed Association, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2013, and the related statements of support, revenue, and expenses – modified cash basis, and functional expenses – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 assets, liabilities, and net assets of St. Mary's River Watershed Association, Inc. as of December 31, 2013, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Toal, Griffith + Ragula, LLC". The signature is written in a cursive, flowing style.

Annapolis, Maryland
July 11, 2014

ST. MARY'S RIVER WATERSHED ASSOCIATION, INC.
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2013

ASSETS

Current Assets:

Cash	\$ 64,502
Investments at Fair Value	<u>41,034</u>
Total Current Assets	105,536

Fixed Assets:

Furniture, Fixtures and Equipment	11,221
Accumulated Depreciation	<u>(9,685)</u>
Net Fixed Assets	<u>1,536</u>

Total Assets	<u>\$ 107,072</u>
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LIABILITIES AND NET ASSETS

Net Assets:

Unrestricted	\$ 37,000
Temporarily Restricted	<u>70,072</u>
Total Net Assets	<u>107,072</u>

Total Liabilities and Net Assets	<u>\$ 107,072</u>
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See independent auditor's report and accompanying notes to financial statements.

ST. MARY'S RIVER WATERSHED ASSOCIATION, INC.
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Individual Donations	\$ 32,275	\$ -	\$ 32,275
Corporate Donations	11,800	-	11,800
Grants	40,950	69,000	109,950
Auction	11,222	-	11,222
A River Affair	10,080	-	10,080
Rain Gardens	4,035	-	4,035
Dividend Income	-	1,795	1,795
Unrealized Gain on Investments	-	4,815	4,815
Other	962	-	962
Net Assets Released from Restriction	<u>94,954</u>	<u>(94,954)</u>	<u>-</u>
 Total Revenue and Support	 206,278	 (19,344)	 186,934
EXPENSES			
Program Services	132,104	-	132,104
Management and General	43,934	-	43,934
Fundraising	<u>11,469</u>	<u>-</u>	<u>11,469</u>
 Total Expenses	 <u>187,507</u>	 <u>-</u>	 <u>187,507</u>
 Change in Net Assets	 18,771	 (19,344)	 (573)
 Net Assets at Beginning of Year	 <u>18,229</u>	 <u>89,416</u>	 <u>107,645</u>
 Net Assets at End of Year	 <u>\$ 37,000</u>	 <u>\$ 70,072</u>	 <u>\$ 107,072</u>

See independent auditor's report and accompanying notes to financial statements.

ST. MARY'S RIVER WATERSHED ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program</u>	Management and <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 35,266	\$ 19,121	\$ 1,006	\$ 55,393
Benefits	-	4,519	238	4,757
Rent	-	4,375	4,400	8,775
Utilities	-	1,815	96	1,911
Insurance	-	587	31	618
Professional Fees	-	5,198	-	5,198
Subcontractors	62,334	-	5,469	67,803
Advertising	-	319	17	336
Dues and Subscriptions	2,902	631	-	3,533
Bank Fees	-	458	24	482
Honorarium	3,600	440	-	4,040
Meals and Entertainment	-	582	-	582
Office Supplies	-	176	-	176
Program Supplies	23,919	818	-	24,737
Printing and Postage	1,697	3,580	188	5,465
Depreciation	-	391	-	391
Taxes	-	508	-	508
Travel	1,464	316	-	1,780
Refunds	922	100	-	1,022
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 132,104</u>	<u>\$ 43,934</u>	<u>\$ 11,469</u>	<u>\$ 187,507</u>

See independent auditor's report and accompanying notes to financial statements.

ST. MARY'S RIVER WATERSHED ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

St. Mary's River Watershed Association (the Association) was incorporated in the State of Maryland in 2002 and was organized exclusively for charitable, scientific, and nonprofit purposes. The Association has stimulated new efforts to protect and enhance the watershed in ways that also revitalize the economic, social, and cultural health of the community. With over five years of data from the St. Mary's River Project, the Association was formed to establish a sustainable, reciprocally beneficial relationship between the ecology of the St. Mary's River and the communities that reside within the watershed. The Association strives to establish win-win partnerships that guide growth and preserve the natural, cultural, and economic characteristics of value to all citizens of St. Mary's County.

Basis of Accounting

The Association prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this method, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the related obligation is incurred. Modifications to the cash basis of accounting result from management's decision to record property and equipment in the accompanying statement of assets, liabilities, and net assets – modified cash basis, as well as recording investments at fair value on the statement of assets, liabilities, and net assets – modified cash basis.

Basis of Presentation

The Association's financial reporting classifies resources, for accounting and reporting purposes, into three net asset categories according to externally (donor) imposed restrictions. The Association records unconditional promises to give (pledges) as receivables and revenues and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the three net asset categories follows.

- Permanently Restricted - the portion of the net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Association pursuant to those stipulations.
- Temporarily Restricted - the portion of the net assets resulting from contributions or other inflows of assets whose use by the Association is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Association pursuant to those stipulations.

ST. MARY'S RIVER WATERSHED ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

- Unrestricted - the portion of the net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the liabilities as of the date of the financial statements, and reports amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments consist of equities and are recorded at fair market value. Investment income, which consists of interest and dividend income earned, realized gains or losses, and unrealized appreciation (depreciation) on those investments, is included in the statement of support, revenue, and expenses – modified cash basis. All investments and investment income are reported as temporarily restricted and are intended to be used to pay salaries for the summer interns.

Fair Value Measurement

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. For certain long-term debt, the fair value was based on present value techniques using inputs derived principally or corroborated from market data. Financial assets and liabilities using level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied. All assets have been valued using a market approach. The Association recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

ST. MARY'S RIVER WATERSHED ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Equipment is recorded at cost if purchased, or fair market value at time of donation if donated. Acquisition of exhibits and property and equipment with a useful life of one year or greater and cost or fair market value of \$500 or more is capitalized. The costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation is calculated using the straight line method over the estimated useful lives of the assets as follows:

Furniture, Fixtures, and Equipment	3-5 Years
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When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is recognized in income for the period.

Allocation of Expenses

Expenses are allocated between program services, management and general support, and fundraising, in accordance with generally accepted accounting principles, and have been summarized on a functional basis in the statement of functional expenses – modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

All advertising costs are expensed as incurred.

Income Taxes

St. Mary's River Watershed Association is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified the Association as a publicly supported organization, and not as a private foundation. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. Currently, the Association has no obligation for any unrelated business income tax.

The Association's informational return filings are subject to audit by the Internal Revenue Service, generally for three years after filing.

ST. MARY'S RIVER WATERSHED ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (CONTINUED)

Lease Commitments

The Association leases office space on a month to month basis.

Cash Concentration

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant credit risk on cash and cash equivalents. The Association has no cash balances on deposit at December 31, 2013 that exceeded the balance insured by the FDIC.

Subsequent Events

The Association evaluated subsequent events through the date that the financial statements were available to be issued. The Association is not aware of any significant events that occurred subsequent to the statement of assets, liabilities, and net assets – modified cash basis date but prior to July 11, 2014 that would have a material impact on the financial statements.

NOTE 2 - INVESTMENTS

The following table presents the Association's fair value hierarchy for the assets measured at fair value on a recurring basis as of December 31, 2013:

	Quoted Market Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
Equities	\$ 40,498	\$ ---	\$ ---	\$ 40,498
Cash Equivalents	<u>536</u>	<u>---</u>	<u>---</u>	<u>536</u>
Total Investments	\$ <u>41,034</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>41,034</u>

ST. MARY'S RIVER WATERSHED ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2013, temporarily restricted net assets are available for the following purposes:

Intern Salaries	\$ 41,034
Ebbing the Flow Grant	1,052
CBT Capacity Building Grant	24,786
CBT Restoration Grant	<u>3,200</u>
Total	\$ <u>70,072</u>