

**THE WATERSHED INSTITUTE, INC**  
**(A New Jersey Not-for-Profit**  
**Corporation)**

**FINANCIAL STATEMENTS**

**For The Year Ended December 31,**  
**2019**

**THE WATERSHED INSTITUTION, INC.**  
**(A New Jersey Not-for-Profit Corporation)**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
The Watershed Institute, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **The Watershed Institute, Inc.** (a New Jersey nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, 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.

### ***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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 misstatements 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.

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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 **The Watershed Institute, Inc.** as of December 31, 2019, 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.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *schedule of expenditures of federal and state awards*, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2020 on our consideration of **The Watershed Institute, Inc.**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **The Watershed Institute, Inc.**'s internal control over financial reporting and compliance.

Respectfully submitted,



RAGONE, LACATENA, FAIRCHILD & BEPPEL, P.C.  
Certified Public Accountants

Haddonfield, New Jersey  
July 10, 2020



**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Statement of Financial Position**  
**December 31, 2019**

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable and Accrued Expenses	\$ 143,031
Capital Lease Payable	<u>15,067</u>

**Total Current Liabilities** \$ 158,098

**Long-Term Liabilities**

Capital Lease Payable	<u>11,300</u>
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**Total Long-Term Liabilities** 11,300

**Total Liabilities** 169,398

**Net Assets**

Without Donor Restrictions:

Undesignated	302,894
Board Designated	2,528,651
Net Investment in Property and Equipment	<u>7,562,507</u>

**Total Net Assets Without Donor Restrictions** 10,394,052

With Donor Restrictions:

Other (Note 8)	1,174,302
Buttinger Endowment	3,513,989
Net Investment in Property	<u>4,022,244</u>

**Total Net Assets With Donor Restrictions** 8,710,535

**Total Net Assets** 19,104,587

**Total Liabilities and Net Assets** \$ 19,273,985

See Accompanying Notes to Financial Statements.

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Statement of Activities**  
**For the Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support and Revenue</u>			
Contributions & Government Grants	\$ 922,415	\$ 1,092,289	\$ 2,014,704
Programs	400,904	6,175	407,079
Special Events	303,206	-	303,206
Rental Income	105,757	-	105,757
Gift Shop	20,409	-	20,409
Investment Income, Net	517,439	590,795	1,108,234
Net Assets Released From Restrictions	1,245,487	(1,245,487)	-
	<u>3,515,617</u>	<u>443,772</u>	<u>3,959,389</u>
<u>Expenses</u>			
Program Expenses - General	2,400,452	-	2,400,452
Program Expenses - Depreciation	302,048	-	302,048
Management and General	344,611	-	344,611
Fundraising	315,034	-	315,034
	<u>3,362,145</u>	<u>-</u>	<u>3,362,145</u>
<u>Change in Net Assets</u>	153,472	443,772	597,244
<u>Net Assets - Beginning of Year</u>	<u>10,240,580</u>	<u>8,266,763</u>	<u>18,507,343</u>
<u>Net Assets - End of Year</u>	<u>\$ 10,394,052</u>	<u>\$ 8,710,535</u>	<u>\$ 19,104,587</u>

See Accompanying Notes to Financial Statements.

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2019**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,056,537	\$ 268,076	\$ 252,305	\$ 1,576,918
Payroll Taxes	82,454	23,729	22,333	128,516
Employee Benefits	162,618	25,342	23,231	211,191
Office	-	-	1,177	1,177
Telephone	8,318	2,310	924	11,552
Postage	5,117	-	444	5,561
Printing	18,293	-	2,733	21,026
Dues and Subscriptions	2,796	567	687	4,050
Travel and Activity Fees	15,962	1,241	532	17,735
Training	7,710	-	-	7,710
Professional Fees	480,542	2,414	-	482,956
Advertising and Promotion	22,385	-	-	22,385
Utilities	24,552	-	-	24,552
Repairs and Maintenance	3,287	-	-	3,287
Supplies	110,998	10,578	10,668	132,244
Property Taxes	1,900	10,354	-	12,254
Insurance	86,190	-	-	86,190
Special Events	71,158	-	-	71,158
Program Expenses	39,884	-	-	39,884
Grants and Awards	182,976	-	-	182,976
Equipment and Leases	16,775	-	-	16,775
Depreciation	302,048	-	-	302,048
	<u>\$ 2,702,500</u>	<u>\$ 344,611</u>	<u>\$ 315,034</u>	<u>\$ 3,362,145</u>

See Accompanying Notes to Financial Statements.



**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2019**

Note 1:      Nature of Operations and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at cost or the fair value of contributed property, less accumulated depreciation. The Institute capitalizes asset additions with a cost or fair value greater than \$1,000. Depreciation is recorded over the estimated useful lives as follows:

	<u>Method</u>	<u>Estimated Useful Life</u>
Building and improvements	Straight-line	20 – 50 years
Machinery and equipment	Straight-line	3-5 years
Furniture and fixtures	Straight-line	5-7 years
Automobiles	Straight-line	5 years

Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification 820 "Fair Value Measurements and Disclosures (ASC 820)" establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy under ASC 820 are described below:

Basis of Fair Value Measurement:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for identical assets in markets that are not active, quoted prices for similar assets in active markets, inputs other than quoted market prices, and inputs derived principally from observable market data.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2019**

**Note 1:**      **Nature of Operations and Summary of Significant Accounting Policies (continued)**

**Grants Receivable and Allowance for Doubtful Accounts**

All Institute receivables are predominately with individuals, corporations, foundations, and government agencies, which are periodically reviewed by management for collectability. Bad debts are provided on the allowance method based on historical experience and management's evaluation of the outstanding receivable. Amounts are written off when deemed uncollectible. No allowance is deemed necessary at December 31, 2019.

**Note 2:**      **Beneficial Interest in Assets Held By Princeton Area Community Foundation**

The Institute has established a nonprofit fund identified as the "Watershed Investment Fund" with the Princeton Area Community Foundation (PACF). PACF provides the Organization a valuation of the beneficial interest on a monthly basis. The original investment funded on April 29, 2009 for \$250,000 was valued at \$578,399 as of December 31, 2019.

The Institute established a second nonprofit fund identified as the "Watershed Institute Education Intern Fund" with PACF. The original investments funded on March 31, 2011 for \$100,000 and July 1, 2011 for \$100,000 were valued at \$272,379 as of December 31, 2019. \$13,178 was transferred out of this fund to pay for intern expenses in 2019.

The Institute established a third fund identified as the "Chris Lokhammer Watershed Internship Fund" with PACF. The original investment into the fund totaled \$16,950. \$14,930 was transferred out of this fund to pay for intern expenses in 2019. The fund was valued at \$1,836 as of December 31, 2019.

The Institute has completed a Nonprofit Fund Agreement with the foundation whereby the foundation has agreed to:

- Manage the invested amount within investment pools of funds of which the foundation has full legal ownership.
- Distribute amounts back to the organization upon request either partially or a distribution of the entire fund.

In accordance with the Nonprofit Fund Agreement the foundation maintains a variance power which states, "so long as a nonprofit maintains its exempt status as a charity under 501(c)(3) of the internal revenue code, and has executed a fund agreement that authorizes a 100% distribution, the nonprofit's board of trustees may direct the expenditure of any or all of the principal or income from the fund, and the principal and accumulated income and interest of the fund may be returned, at any time, to the management and control of the nonprofit".

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2019**

**Note 3:**      **Marketable Securities – Vanguard Funds**

Marketable securities are stated at fair value, as determined by quoted market values for the securities. In accord with the Board of Directors investment policy statement, the finance/investment committee will oversee the management of financial investments. The Board's investment objectives include preservation of purchasing power and obtaining a reasonable rate of return. Investments are intended to be allocated to a diversified portfolio of equity investments, fixed income securities and cash equivalents, while complying with the "prudent person" rule concerning fiduciary oversight of assets.

**Note 4:**      **Investments** – Investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GAAP. See Note 1 for a discussion of the Institute's policies regarding this hierarchy. Unrealized gains and losses and net investment income is reported in the statement of activities, net of investment fees of \$6,100.

The investments as of December 31, 2019 are summarized as follows:

	<u>Bonds</u>	<u>Stocks</u>	<u>Short Term Reserves</u>	<u>Beneficial Interest</u>	<u>Total</u>
Buttinger Endowment	430,910	2,573,549	261,105	-	3,265,564
Hanson Endowment	-	-	52,522	-	52,522
Watershed Institute Education Intern Fund	-	-	-	272,379	272,379
Chris Lokhammer Watershed Internship Fund	-	-	-	1,836	1,836
Watershed Investment Fund	356,312	1,563,486	30,454	578,399	2,528,651
	787,222	4,137,035	344,081	852,614	6,120,952

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2019**

**Note 4:**      **Investments (continued)**

The following table shows, by level within the fair value hierarchy, the Institute's financial assets that are accounted for at fair value on a recurring basis as of December 31, 2019. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Institute's assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy levels.

	<u>Assets at Fair Value</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds	787,222	-	-	\$ 787,222
Stocks	4,137,035	-	-	4,137,035
Short-Term Reserve	344,081	-	-	344,081
Beneficial Interest	-	852,614	-	<u>852,614</u>
Total Portfolio Investments at fair value				<u>\$6,120,952</u>

**Note 5:**      **Pledges Receivable – Capital Campaign and Endowment Fund**

Unconditional promises to give at December 31, 2019 are as follows:

Receivable in less than one year	\$ 73,300
Receivable in one to five years	<u>92,500</u>
	<u>\$ 165,800</u>

**Note 6:**      **Concentration of Credit Risk**

The Institute maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits.

**Note 7:**      **Property and Equipment**

Land	\$ 4,250,201
Building and improvements	8,281,272
Machinery and equipment	325,770
Furniture and fixtures	948,989
Automobiles	<u>29,860</u>
	13,836,092
Less-accumulated depreciation	<u>(2,251,341)</u>
Net property and equipment	<u>\$11,584,751</u>

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2019**

Note 8: Board Designated and Donor-Restricted Net Assets

Board Designated Net Assets

Net assets without donor restrictions held in the Watershed Investment Fund were designated by the board for the following purposes at December 31, 2019:

General operations support	<u>\$ 2,528,651</u>
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Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2019:

Educational and other programs	\$1,162,264
Capital campaign	12,038
Land and building to be held in perpetuity	4,022,244
Buttinger endowment	<u>3,513,989</u>
 Total net assets with donor restrictions	 <u>\$8,710,535</u>

Capital Campaign

Net assets with donor restrictions include \$12,038 of capital campaign cash funds reflected in other assets in the Statement of Financial Position. The purpose of the capital campaign was to raise funds to create a new environmental center. This new facility opened in 2015 and demonstrates responsible technologies as it provides classrooms, exhibit halls, a laboratory, computer learning center, conference rooms, gift shop, a kitchen and staff offices.

Endowment Funds

*The Watershed Investment Fund* is a Board restricted fund designated to support the general operations of the Institute.

*The Watershed Institute Education Intern Fund* and *The Chris Lokhammer Internship Fund* was established to provide support for the Institute's intern programs.

*The Hanson Family Fund* (the "Fund") is a quasi-endowment that was formed to provide annual support to the Institute's Annual Fund. At the discretion of the Fund's trustees and with the mutual agreement of the Institute, the Fund's focus may be amended to support a purpose other than the Annual Fund, such as a specific education, research, water or land conservation project, at which time the Fund's name may also be amended.

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2019**

**Note 8:** Board Designated and Donor-Restricted Net Assets (continued)

Endowment Funds (continued)

*Buttinger Endowment Fund* - The Institute established a permanent endowment, named the Buttinger Endowment Fund, to provide an ongoing source of support, to enhance its stability and prestige, to fund its program expansion, to provide financial independence from outside sources, and to offer flexibility for its management. The Fund's investment objectives are to preserve and grow its real purchasing power over time, after adjusting for spending, fees and inflation. The Board of Trustees has the ultimate responsibility for the Funds, and will oversee and manage the Endowment in accordance with *the Uniform Prudent Management of Investment Funds Act (UPMIFA)*. On an annual basis, the Board will review the Investment Policy Statement, the performance of the Funds, and approve a spending rate with the Finance Committee. Fund assets will be allocated to a diversified portfolio of domestic and international equity investments, fixed income investments, alternative investments and cash equivalents. As the Board believes that it is important to align its investments with the Watershed's Mission, the Asset Allocation Guidelines will also include targets for investment of the Funds with managers guided by Environmental, Social and Governance ("ESG") objectives. The Committee will recommend an annual distribution rate separately for each fund for approval by the Trustees, which will be based on the 12 trailing quarters' market value.

The following table represents the reconciliation of changes in endowment net assets for the year ended December 31, 2019:

	Value at <u>12/31/18</u>	Investment <u>Income</u>	<u>Net</u> <u>Appreciation/</u> <u>depreciation</u>	<u>Fees</u>	Transfers from <u>Endowment</u>	<u>Contributions</u>	Value at <u>12/31/2019</u>
Buttinger Endowment	2,143,398	74,406	465,723	-	(100,040)	682,077	3,265,564
Hanson Family Fund	51,421	1,101	-	-	-	-	52,522
Watershed Institute Education Intern Fund	235,742	3,271	48,487	(1,943)	(13,178)	-	272,379
Chris Lokhammer Watershed Internship Fund	17,116	25	-	(375)	(14,930)	-	1,836
Watershed Investment Fund	2,140,330	36,308	483,045	(3,782)	(127,250)	-	2,528,651
	<u>4,588,007</u>	<u>115,111</u>	<u>997,255</u>	<u>(6,100)</u>	<u>(255,398)</u>	<u>682,077</u>	<u>6,120,952</u>

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2019**

Note 9:      Retirement Plan

The Institute participates in a 403(b) Custodial Account Agreement for qualified employees. The terms of the plan define qualified employees as those who are currently employed with the Institute and who work at least 25 hours per week. Eligibility starts at the employee's date of hire. Employee contributions are discretionary up to the federal limits. The Institute does not contribute to this plan.

Note 10:     Contingent Liability

In 1974, the Institute entered into an agreement with the State of New Jersey, Department of Environmental Protection to maintain three dams, none of which are owned by the Institute. In 2002, the Institute indicated to the Department that it was exercising its option to withdraw from this agreement. Since the Institute took this action, the Soil Conservation District agreed to undertake inspections and minor maintenance actions at the three dams. As of December 31, 2019, the Institute has continued to attempt to secure a written agreement from the State acknowledging that the Institute has no responsibility for the dams.

Note 11:     Leases

The Institute leases equipment from vendors under operating leases. The following is a schedule of future lease payments as of December 31, 2019:

2020	\$ 2,028
2021	507
2022	507

The Institute purchased lab equipment valued at \$56,501 under a capital lease. The accumulated amortization taken as of December 31, 2019 was \$11,300. Future minimum lease payments are as follows:

2020	\$ 15,067
2021	<u>11,300</u>
	<u>\$ 26,367</u>

Amortization expense of \$5,650 for 2019 is included with depreciation expense.

Note 12:     Functional Allocation of Expenses

General operating costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. The general operating costs have been allocated to programs or general & administrative based on management's estimate of the percentage of personnel time spent on programs vs. general support functions. Direct expenses are charged to their respective programs based on specific identification.

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2019**

**Note 13: Evaluation of Subsequent Events**

The Institute has evaluated subsequent events through June 5, 2020, the date which the financial statements were available to be issued. Management has determined there were no subsequent events that require disclosure.

As a result of the COVID-19 outbreak, economic uncertainties may arise which may negatively impact the operating results of the Institute. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our donors, employees and vendors all of which are uncertain and cannot be predicted. At this point, the related financial impact and duration cannot be reasonably estimated.

**Note 14: Liquidity and Availability of Financial Assets**

The Institute monitors its liquidity on a regular basis so that it is able to meet its operating needs and other contractual commitments.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash & Cash Equivalents	\$ 1,152,089
Grants and Contributions Receivable	142,673
Prepaid Expenses & Other Current Assets	13,057
Beneficial Interest in Assets Held By PACF	852,614
Marketable Securities – Vanguard Funds	1,950,252
Cash Restricted for Capital Campaign	12,038
Cash Restricted for Hanson Endowment	<u>52,522</u>
Total financial assets	<u>4,175,245</u>

Less: funds unavailable for general expenditure within one year due to:

Cash restricted for specific uses	<u>1,174,302</u>
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Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,000,943</u>
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**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

To the Board of Trustees of  
The Watershed Institute, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **The Watershed Institute, Inc.** (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 10, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **The Watershed Institute, Inc.**'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **The Watershed Institute, Inc.**'s internal control. Accordingly, we do not express an opinion on the effectiveness of the **The Watershed Institute, Inc.**'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **The Watershed Institute, Inc.**'s financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



RAGONE, LACATENA, FAIRCHILD & BEPPEL, P.C.  
Certified Public Accountants

Haddonfield, New Jersey  
July 10, 2020

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended December 31, 2019**

<u>Federal Grantor/Program Title:</u>	<u>Grant Number</u>	<u>Grant Amount</u>	<u>Grant Period</u>	<u>Current Year Expenditures</u>
United States Environmental Protection Agency - Passed through:				
State of New Jersey <u>Department of Environmental Protection:</u>				
Implementation of the Raritan River TMDL through actions in the Millstone River	WM19-017	\$ 300,000	05/28/15 - 06/30/20	\$ 3,170
Community Based, NJ Volunteer Monitoring Network	WM18-023	240,000	07/01/18 - 06/30/21	69,728
Restoration of the Beden Brook Watershed	WM18-013	400,000	10/30/18 - 10/29/21	162,752
				<u>235,650</u>
<u>State Grantor/Program Title:</u>				
State of New Jersey <u>Department of Consumer Affairs:</u>				
Brookdale Farm Restoration Project	2018.0004	49,090	03/18/19 - 03/18/21	<u>48,586</u>
<b>TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS</b>				<b><u>\$ 284,236</u></b>

