

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

**FINANCIAL STATEMENTS**

**For The Year Ended**  
**December 31, 2023**

**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.

### **Opinion**

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, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Watershed Institute, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Watershed Institute, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Watershed Institute, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Watershed Institute, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **SUPPLEMENTARY INFORMATION**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and State of New Jersey Circular 15-08 OMB, is presented for purposes of additional analysis and is not required part of the financial statements. Such information is the responsibility of management and was derived from and related 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 3, 2024 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 solely 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 the effectiveness of The Watershed Institute, Inc.'s 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,



Bowman & Company, LLP  
Certified Public Accountants

Haddonfield, New Jersey  
July 3, 2024



**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Statement of Financial Position**  
**As of December 31, 2023**

**LIABILITIES AND NET ASSETS**

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 219,092	
Grants Payable to the Municipality of Princeton	<u>358,333</u>	
<u>Total Current Liabilities</u>		\$ <u>577,425</u>
<u>Total Liabilities</u>		<u>577,425</u>

Net Assets

Without Donor Restrictions:		
Undesignated	(115,864)	
Board Designated	4,057,569	
Net Investment in Property and Equipment	<u>7,786,087</u>	
<u>Total Net Assets Without Donor Restrictions</u>	11,727,792	
With Donor Restrictions:		
Purpose Restrictions	1,228,421	
Buttinger Endowment	3,995,128	
Johnson Endowment	10,100,320	
Net Investment in Property	<u>5,714,116</u>	
<u>Total Net Assets With Donor Restrictions</u>	21,037,985	
<u>Total Net Assets</u>		<u>32,765,777</u>
<u>Total Liabilities and Net Assets</u>		\$ <u><u>33,343,202</u></u>

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, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>Support and Revenue</u></b>			
Contributions & Government Grants	\$ 1,256,046	\$ 1,507,994	\$ 2,764,040
Programs	395,441	-	395,441
Special Events	334,784	-	334,784
Rental Income	77,517	-	77,517
Gift Shop	30,068	-	30,068
Investment Income	475,720	1,971,584	2,447,304
Net Assets Released From Restrictions	2,011,619	(2,011,619)	-
	<u>4,581,195</u>	<u>1,467,959</u>	<u>6,049,154</u>
<b><u>Expenses</u></b>			
Program Expenses - General	3,808,171	-	3,808,171
Program Expenses - Depreciation	366,288	-	366,288
Management and General	406,536	-	406,536
Fundraising	381,984	-	381,984
	<u>4,962,979</u>	<u>-</u>	<u>4,962,979</u>
<b><u>Change in Net Assets</u></b>	(381,784)	1,467,959	1,086,175
<b><u>Net Assets - Beginning of Year</u></b>	<u>12,109,576</u>	<u>19,570,026</u>	<u>31,679,602</u>
<b><u>Net Assets - End of Year</u></b>	<u>\$ 11,727,792</u>	<u>\$ 21,037,985</u>	<u>\$ 32,765,777</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, 2023**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,645,606	\$ 329,433	\$ 310,054	2,285,093
Payroll Taxes	136,379	28,229	27,997	192,605
Employee Benefits	343,950	35,823	32,839	412,612
Office Supplies and Expenses	39,807	-	2,892	42,699
Telephone	6,955	1,217	486	8,658
Postage	15,642	-	858	16,500
Printing	19,691	-	1,553	21,244
Dues and Subscriptions	2,457	269	328	3,054
Travel and Activity Fees	19,642	555	238	20,435
Training	16,814	2,403	-	19,217
Professional Fees	509,353	-	-	509,353
Advertising and Promotion	30,366	-	-	30,366
Utilities	40,288	-	-	40,288
Repairs and Maintenance	22,931	-	-	22,931
Supplies	170,270	4,662	4,739	179,671
Property Taxes	1,634	3,945	-	5,579
Insurance	99,362	-	-	99,362
Special Events	131,617	-	-	131,617
Permits and Fees	31,901	-	-	31,901
Grants and Awards	501,535	-	-	501,535
Equipment and Leases	21,971	-	-	21,971
Depreciation	366,288	-	-	366,288
	<u>\$ 4,174,459</u>	<u>\$ 406,536</u>	<u>\$ 381,984</u>	<u>4,962,979</u>

See Accompanying Notes to Financial Statements.

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2023**

Cash Flows From Operating Activities

Change in Net Assets	\$	1,086,175
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:		
Depreciation		366,288
Net Investment Gain from Investment Accounts		(2,425,849)
Change in:		
Grants and Contributions Receivable		(4,563)
Prepaid Expenses and Other Current Assets		(4,564)
Accounts Payable and Accrued Expenses		88,614
Grant Payable to the Municipality of Princeton		<u>358,333</u>
Total Adjustments		<u>(1,621,741)</u>
<u>Net Cash Used In Operating Activities</u>		(535,566)
<u>Cash Flows From Investing Activities</u>		
Acquisition of Property and Equipment		(934,035)
Transfers From Investment Accounts		1,880,548
Transfers To Investment Accounts		<u>(471,412)</u>
<u>Net Cash Provided By Investing Activities</u>		<u>475,101</u>
<u>Net Change in Cash and Cash Equivalents</u>		(60,465)
<u>Cash and Cash Equivalents - Beginning of Year</u>		<u>1,251,871</u>
<u>Cash and Cash Equivalents - End of Year</u>	\$	<u><u>1,191,406</u></u>

Reconciliation of cash and restricted cash within the  
statement of financial position that sum to the total of the  
same amounts shown in the statement of cash flows:

Cash and Cash Equivalents	\$	1,106,156
Cash Restricted for Buttinger Endowment		<u>85,250</u>

See Accompanying Notes to Financial Statements.

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2023**

Note 1:      Nature of Operations

**The Watershed Institute, Inc.** (the “Institute”) was incorporated on November 20, 1951 under the laws of the State of New Jersey. Keeping water clean, safe and healthy is the heart of its mission. The Institute works to protect and restore our water and natural environment in central New Jersey through conservation, advocacy, science and education. It addresses key issues affecting water quality and land use, educates area residents about the ecology of the natural environment and preserves open space by maintaining a 950-acre nature reserve and organic farm. The Institute receives most of its funding through program fees and grants and contributions from corporations, foundations and individuals.

Note 2:      Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Institute have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

The Institute is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

Without Donor Restrictions - These resources are available for use in general operations and are not subject to donor-imposed restrictions. The Board of Directors has discretionary control over these resources. Board Designated amounts, if any, represent those net assets that the board has set aside for a particular purpose.

With Donor Restrictions - These resources are subject to donor-imposed restrictions that will be satisfied by action of the Institute or by the passage of time.

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, 2023**

Note 2:      Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory

The nature shop inventory is valued at the lower of cost and net realizable value and is included with prepaid expenses and other current assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Contributions and Grants - Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A portion of the Institute's revenue is derived from cost-reimbursable federal, state, and local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Institute has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

Program Revenue - The Institute recognizes program fees for educational programs and camps at a point in time, when the service has been provided. Amounts received in advance are recorded as deferred revenue if the program does not occur in the same fiscal year.

Special Event Revenue – The Institute records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Tax-Exempt Status

**THE WATERSHED INSTITUTE, INC.** qualifies as a 501(c)(3) tax-exempt organization under existing provisions of the Internal Revenue Code. Therefore, it is not subject to federal or state income taxes on revenues that are related to the exempt purpose of the organization. The Organization is subject to a tax on income from any unrelated business.

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2023**

Note 2:      Summary of Significant Accounting Policies (continued)

Marketable Securities – Investment Funds

Investments in marketable securities consist of securities traded on the national stock exchange and are carried on the statement of financial position at marketable value. Interest, dividends and gain and losses, both realized and unrealized, are reflected in the accompanying statement of activities as net investment return. The Institute is potentially subject to concentrations of credit risk in its investment portfolio due to the potential for a loss in value of its investments.

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.

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

Grants and Contributions Receivable and Allowance for Doubtful Accounts

All Institute receivables are predominately with individuals, corporations, foundations, and government agencies. Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for credit losses and an adjustment to valuation allowance based on historical experience, current conditions, as well as reasonable and supportable forecasts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Management has estimated that accrual of a current provision for expected credit losses is not required based on historical experience, current conditions, as well as reasonable and supportable forecasts.

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2023**

Note 2:      Summary of Significant Accounting Policies (continued)

Advertising and Promotion

The Institute expenses advertising and promotion costs as incurred. Advertising and promotion costs were \$30,366 for the year ended December 31, 2023.

Newly Adopted Accounting Pronouncements

Financial Instruments-Credit Losses Standard - Issued in June 2016, Accounting Standards Update (ASU) No. 2016-13 requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The new guidance affects organizations that hold financial assets and net investments in leases that are not accounted for at fair value with changes in fair value reported in net income. The new guidance also affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The standard is effective for fiscal years beginning after December 15, 2022, and for interim periods within fiscal years beginning after December 15, 2023. The Institute adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and did not result in any new/enhanced disclosures.

Note 3:      Beneficial Interest in Assets Held By Princeton Area Community Foundation

The Institute has established a 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 \$712,956 as of December 31, 2023.

Note 4:      Pledges Receivable – Capital Campaign and Endowment Fund

Unconditional promises to give at December 31, 2023 are as follows:

Receivable in less than one year	<u>\$ 20,800</u>
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Note 5:      Investments

Investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GAAP. Unrealized gains and losses and net investment income is reported in the statement of activities, net of investment fees of \$56,687.

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2023**

**Note 5:**      **Investments** (continued)

The investments as of December 31, 2023 are summarized as follows:

	Watershed Investment Fund	Buttinger Endowment	Johnson Endowment	Watershed Institute Education Intern Fund	Watershed Vision Fund	Watershed Bequest Fund	Total
Bonds	\$ 172,348	\$ 681,945	\$ 1,802,392	\$ -	\$ -	\$ -	\$ 2,656,685
Stocks	1,211,162	2,329,948	5,362,740	-	-	-	8,903,850
Short Term Reserve	47,920	93,118	430,573	-	486,934	1,034,686	2,093,231
Exchange Traded Funds	391,563	784,067	1,933,649	-	-	-	3,109,279
Private Equity Funds	-	-	570,966	-	-	-	570,966
Beneficial Interest	712,956	-	-	321,083	-	-	1,034,039
Total	<u>\$ 2,535,949</u>	<u>\$ 3,889,078</u>	<u>\$ 10,100,320</u>	<u>\$ 321,083</u>	<u>\$ 486,934</u>	<u>\$ 1,034,686</u>	<u>\$ 18,368,050</u>

**Note 6:**      **Fair Value Measurement**

Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level disclosure hierarchy has been established to indicate the level of judgment used to estimate fair value measurements:

**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, 2023**

**Note 6:**      **Fair Value Measurement** (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, 2023. 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>
Stocks	\$ 8,903,850	\$ -	\$ -	\$ 8,903,850
Bonds	-	2,656,685	-	2,656,685
Short-Term Reserve	2,093,231	-	-	2,093,231
Exchange Traded Funds	3,109,279	-	-	3,109,279
Private Equity Funds	-	570,966	-	570,966
Beneficial Interest	-	-	1,034,039	<u>1,034,039</u>
 Total Portfolio Investments at Fair Value				 <u>\$ 18,368,050</u>

**Note 7:**      **Concentration of Credit Risk**

The Institute maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. At December 31, 2023, the Institute's uninsured balances total \$941,406. The Institute has not experienced any losses from maintaining these cash accounts.

**Note 8:**      **Property and Equipment**

Land	\$ 5,902,910
Building and improvements	9,665,531
Machinery and equipment	371,102
Furniture and fixtures	969,624
Automobiles	<u>29,860</u>
	16,939,027
Less-accumulated depreciation	<u>(3,438,824)</u>
 Net property and equipment	 <u>\$ 13,500,203</u>

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2023**

Note 8:      Property and Equipment (continued)

There are 29 parcels of permanently restricted land under management and/or partial ownership by the Watershed Institute. 22 of the parcels are contiguous to the Watershed Reserve, and another 7 properties are non-contiguous to the Watershed Reserve. The majority of the parcels (25) are located in Hopewell Township and the remaining four parcels are located in Princeton.

Note 9:      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, 2023:

General operations support	\$ <u>4,057,569</u>
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Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2023:

Educational and other programs	\$ 1,228,421
Buttinger endowment	3,995,128
Johnson endowment	10,100,320
Land and building to be held in perpetuity	<u>5,714,116</u>
 Total net assets with donor restrictions	 \$ <u>21,037,985</u>

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* was established to provide support for the Institute's intern programs.

*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 WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2023**

Note 9:      Board Designated and Donor-Restricted Net Assets (continued)

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.

*Johnson Endowment Fund* – On August 21, 2020, The Watershed Institute received a bequest from Mrs. Betty Wold Johnson to create an additional endowment fund to support the Organization. This new endowment is being managed in a manner substantially the same as the Buttinger Endowment.

The following table represents the reconciliation of changes in endowment net assets for the year ended December 31, 2023:

	Value at 12/31/22	Investment Income	Net Appreciation	Fees	Transfers from/to Endowment	Contributions	Value at 12/31/23
Buttinger Endowment Watershed Institute	\$ 3,526,867	\$ 34,706	\$ 521,381	\$ (10,876)	\$ (183,000)	\$ -	\$ 3,889,078
Education Intern Fund	305,304	2,590	31,336	(2,404)	(15,743)	-	321,083
Watershed Investment Fund	2,468,119	5,220	361,656	(11,046)	(288,000)	-	2,535,949
Watershed Vision Fund	-	15,522	-	-	471,412	-	486,934
Watershed Bequest Fund	2,145,779	82,912	-	-	(1,194,005)	-	1,034,686
Johnson Endowment	8,905,269	(97,341)	1,524,553	(32,361)	(199,800)	-	10,100,320
	<u>\$ 17,351,338</u>	<u>\$ 43,609</u>	<u>\$ 2,438,926</u>	<u>\$ (56,687)</u>	<u>\$ (1,409,136)</u>	<u>\$ -</u>	<u>\$ 18,368,050</u>

Note 10:      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 also contributes 5% or a cap of \$2,500 per each eligible employee enrolled in the plan.

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2023**

**Note 11:**      **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	\$	1,106,156
Grants and Contributions Receivable		242,208
Marketable Securities – Investment Funds		3,344,613
Buttinger Endowment		3,995,128
Johnson Endowment		10,100,320
Total Financial Assets		18,788,425
Less: funds unavailable for general expenditure within one year due to:		
Restrictions by donor with purpose restrictions		(15,323,869)
Financial assets available to meet cash needs for general expenditures within one year	\$	3,464,556

**Note 12:**      **Contingencies**

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, 2023, the Institute has continued to attempt to secure a written agreement from the State acknowledging that the Institute has no responsibility for the dams.

In May 2020, the Organization received a loan in the amount of \$400,400 from PNC Bank under the Small Business Administration’s (SBA) Paycheck Protection Program. Under this program the SBA will forgive all, or a portion of, the loan if certain employee retention criteria are met and the funds are used for eligible expenses. On April 5, 2021, the Organization received the SBA determination that the entirety of the PPP loan will be forgiven. The SBA retains the right to audit the Organization for six years to substantiate that all forgiveness criteria have been met. Management believes the Organization has fulfilled all loan criteria and spending requirements by December 31, 2020 to sustain 100% loan forgiveness. The Organization recognized the entire \$400,400 as a government grant in 2020.

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2023**

Note 13:      Professional Fees

Professional fees reported in the Statement of Functional Expenses consist of \$199,236 in contracted services to support the conservation department's stewardship, facilities improvements, general repairs, and monthly maintenance services, \$285,268 in contracted services to support program and development needs, and \$24,849 in accounting and auditing services.

Note 14:      Evaluation of Subsequent Events

The Institute has evaluated subsequent events through July 3, 2024, the date which the financial statements were available to be issued. Management has determined there were no subsequent events that require disclosure.

**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 organization), which comprise the statement of financial position as of December 31, 2023, 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 3, 2024.

**Report on 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) as a basis for designing 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.

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 or significant deficiencies may exist that have not been identified.

## Report on 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 financial statements. 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,

A handwritten signature in blue ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

BOWMAN & COMPANY, LLP  
Certified Public Accountants

Haddonfield, New Jersey  
July 3, 2024

**THE WATERSHED INSTITUTE, INC.**  
**(A New Jersey Not-for-Profit Corporation)**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Year Ended December 31, 2023**

<b><u>Federal Grantor/Program Title:</u></b>	<u>Grant Number</u>	<u>Grant Amount</u>	<u>Grant Period</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
<u>United States Environmental Protection Agency -</u>					
Passed through:					
State of New Jersey					
<u>Department of Environmental Protection:</u>					
Restoration of the Beden Brook Watershed	WM18-013	\$ 400,000	10/30/18 - 2/28/24	\$ 1,136	\$ 321,689
 <b><u>State Grantor/Program Title:</u></b>					
State of New Jersey					
<u>Department of Environmental Protection:</u>					
Green Acres/Habitat Restoration and Environmental Education Project	11-19-03	120,000	01/01/23 -12/31/23	120,200	120,200
Urban Education Program/Volunteer Monitoring-New Jersey Watershed Watch Network	WQR-2020	300,000	01/01/23 - 12/31/25	<u>80,738</u>	<u>80,738</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>				<b><u>\$ 202,074</u></b>	<b><u>\$ 522,627</u></b>

The accompanying notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

**THE WATERSHED INSTITUTE, INC.**  
**Notes to the Schedule of Expenditures**  
**of Federal Awards and State Financial Assistance**  
**For the Year Ended December 31, 2023**

Note 1:     Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the direct and indirect federal and state grant activity of **THE WATERSHED INSTITUTE, INC.** The information in this schedule is presented in accordance with the requirements of Title U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey Circular 15-08 OMB. Because the Schedule presents only a selected portion of the operations of **THE WATERSHED INSTITUTE, INC.** it is not intended to and does not present the financial position, changes in net assets, or cash flows of **THE WATERSHED INSTITUTE, INC.**

Note 2:     Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3:     Indirect Cost Rate

**THE WATERSHED INSTITUTE, INC.**, has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4:     Relationship to the Financial Statements

Amounts reported in the accompanying Schedules agree with the amount reported in **THE WATERSHED INSTITUTE, INC.**'s financial statements.