

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2024



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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Watershed Institute Inc (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, 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 respective financial position of The Watershed Institute Inc as of December 31, 2024, 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 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.

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 Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 Organization'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 and state financial assistance, 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 and state financial assistance 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 September 9, 2025 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

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

THE WATERSHED INSTITUTE, INC.

Statement of Net Position

As of December 31, 2024

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,381,956
Grants and Contributions Receivable	220,505
Inventory	22,038
Other Current Assets	<u>11</u>

Total Current Assets \$ 1,624,510

Property and Equipment, Net of Accumulated

Depreciation of \$3,808,118 13,441,769

Investments - Board Designated:

Beneficial Interest in Assets Held By Princeton Area Community Foundation	187,211
Marketable Securities - Investment Funds	<u>3,333,966</u>

Total Investments - Board Designated 3,521,177

Other Assets:

Pledges Receivable - Buttinger Endowment	800
Investment Funds - Buttinger Endowment	4,141,053
Investment Funds - Johnson Endowment	10,678,259
Investment Funds - Education Intern Fund	249,078
Investment Funds - Sycamore Fund	219,970
Beneficial Interest in Assets Held By Princeton Area Community Foundation	<u>84,266</u>

Total Other Assets 15,373,426

Total Assets \$ 33,960,882

The accompanying notes to financial statements are an integral part of this statement.

THE WATERSHED INSTITUTE, INC.

Statement of Net Position (Cont'd)

As of December 31, 2024

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable and Accrued Expenses	\$	147,640
Grants Payable to the Municipality of Princeton		<u>55,951</u>

Total Liabilities \$ 203,591

Net Assets:

Without Donor Restrictions:

Undesignated		38,992
Board Designated		3,521,177
Net Investment in Property and Equipment		<u>7,723,056</u>

Total Net Assets Without Donor Restrictions 11,283,225

With Donor Restrictions:

Purpose Restrictions		1,935,241
Buttinger Endowment		4,141,853
Johnson Endowment		10,678,259
Net Investment in Property		<u>5,718,713</u>

Total Net Assets With Donor Restrictions 22,474,066

Total Net Assets 33,757,291

Total Liabilities and Net Assets \$ 33,960,882

The accompanying notes to financial statements are an integral part of this statement.

THE WATERSHED INSTITUTE, INC.
Statement of Activities
For the Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Government Grants	\$ 82,560		\$ 82,560
Contributions	1,315,573	\$ 2,179,681	3,495,254
Events and Sponsorships	272,384		272,384
Admissions	433,233		433,233
Rental Income	78,384		78,384
Gift Shop	32,769		32,769
Net Investment Return	335,762	1,560,545	1,896,307
Net Assets Released From Restrictions	2,274,033	(2,274,033)	-
	<u>4,824,698</u>	<u>1,466,193</u>	<u>6,290,891</u>
Expenses:			
Program Expenses	4,475,055		4,475,055
Management and General	422,443		422,443
Fundraising	401,879		401,879
	<u>5,299,377</u>	<u>-</u>	<u>5,299,377</u>
Change in Net Assets	(474,679)	1,466,193	991,514
Net Assets - Beginning of Year	<u>11,727,792</u>	<u>21,037,985</u>	<u>32,765,777</u>
Net Assets - End of Year	<u>\$ 11,253,113</u>	<u>\$ 22,504,178</u>	<u>\$ 33,757,291</u>

The accompanying notes to financial statements are an integral part of this statement.

THE WATERSHED INSTITUTE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2024

	<u>Science & Advocacy</u>	<u>Education</u>	<u>Conservation</u>	<u>Total Program Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 707,908	\$ 656,110	\$ 362,588	\$ 1,726,606	\$ 345,649	\$ 325,316	\$ 2,397,571
Payroll Taxes	61,211	56,732	31,351	149,294	30,902	30,648	210,844
Employee Benefits	146,798	136,057	75,190	358,045	37,291	34,185	429,521
Office	20,313	18,827	10,405	49,545		3,600	53,145
Telephone	2,010	1,863	1,030	4,903	858	342	6,103
Postage	3,906	3,620	2,001	9,527		523	10,050
Printing	9,104	8,438	4,662	22,204		1,751	23,955
Dues and Subscriptions	1,814	1,681	929	4,424	484	591	5,499
Travel and Activity Fees	6,332	5,869	3,243	15,444	436	188	16,068
Training	6,211	5,757	3,181	15,149	2,165		17,314
Professional Fees	239,103	221,607	122,467	583,177			583,177
Advertising and Promotion	8,083	7,492	4,140	19,715			19,715
Utilities			37,246	37,246			37,246
Repairs and Maintenance			53,891	53,891			53,891
Supplies	69,754	64,650	35,728	170,132	4,658	4,735	179,525
Property Taxes			4,394	4,394			4,394
Insurance			101,340	101,340			101,340
Special Events	52,877	49,008	27,083	128,968			128,968
Permits and Fees	11,938	11,065	6,115	29,118			29,118
Grants and Awards	607,973			607,973			607,973
Equipment and Leases			14,666	14,666			14,666
Depreciation			369,294	369,294			369,294
	<u>\$ 1,955,335</u>	<u>\$ 1,248,776</u>	<u>\$ 1,270,944</u>	<u>\$ 4,475,055</u>	<u>\$ 422,443</u>	<u>\$ 401,879</u>	<u>\$ 5,299,377</u>

The accompanying notes to financial statements are an integral part of this statement.

THE WATERSHED INSTITUTE, INC.
Statement of Cash Flows
For the Year Ended December 31, 2024

Cash Flows From Operating Activities:	
Change in Net Assets	\$ 991,514
Adjustments to Reconcile Change in Net Assets	
to Net Cash Used In Operating Activities:	
Depreciation	369,294
Net Realized Gains on Investments	(901,379)
Net Unrealized Gains on Investments	(479,630)
Change in:	
Grants and Contributions Receivable	21,703
Pledge Receivable	20,000
Inventory	(3,517)
Other Current Assets	2,003
Accounts Payable and Accrued Expenses	(71,452)
Grant Payable to the Municipality of Princeton	(302,382)
Net Cash Used In Operating Activities	(353,846)
Cash Flows From Investing Activities:	
Acquisition of Property and Equipment	(310,861)
Transfers From Investment Accounts	3,651,654
Transfers To Investment Accounts	(2,796,397)
Net Cash Provided By Investing Activities	544,396
Net Change in Cash and Cash Equivalents	190,550
Cash and Cash Equivalents - Beginning of Year	1,191,406
Cash and Cash Equivalents - End of Year	\$ 1,381,956

The accompanying notes to financial statements are an integral part of this statement.

THE WATERSHED INSTITUTE, INC.
Notes to Financial Statements

Note 1: NATURE OF ACTIVITIES

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.

The Watershed Institute, Inc. has three major programs, which are comprised of the following:

Science & Advocacy – Science is at the heart of the organization's environmental leadership. Across the region, the organization collects key data on the health of streams and on other environmental factors, The organization distributes the information to citizens and officials in central New Jersey and works with them to address pollution of water supplies and waterways. The organization's geographic information system combines scientific data with mapping systems to help local governments and citizens understand the environmental issues facing communities and help plan for a better future.

Education – The organization serves more than 10,000 children and adults through nearly 400 education programs and events each year. The programs inspire an appreciation for the wonders of nature and explain what we can do to protect the environment. The organization's teacher workshops train educators to incorporate the environment into their curriculums, while adult education programs teach strategies to reduce the environmental impacts of their homes and businesses. At the organization's nature center, attendees will discover an assortment of exhibits and a collection of small creatures or surround yourself with butterflies (in season) at the Kate Gorrie Memorial Butterfly House.

Conservation – From a 950-acre watershed reserve in Hopewell, NJ to locations across the region, volunteers and staff are engaged in projects that protect and restore natural habitats. The organization has also helped to grow other important regional organizations over the years. In the 1980's, the organization helped launch the D&R Greenway Land Trust and the Northeast Organic Farming Association of New Jersey. A portion of the Watershed Reserve is being leased to Fairgrown Farm that combines organic produce grown at the Watershed with crops grown by other farmers through a collaborate agreement.

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.

Basis of Financial Statement Presentation - The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of trustees.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

THE WATERSHED INSTITUTE, INC.
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 gift shop inventory is valued at the lower of cost or net realizable value and is determined using the first-in, first out method.

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.

Marketable securities are stated at fair value, as determined by quoted market values for the securities. In accordance with the Board of Trustees' 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

Revenue Recognition

Contributions – The Institute recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Government Grants – The Institute recognizes contributions from federal, state, and local contracts and grants as conditional promises to give. The Institute must incur certain qualifying expenses (or costs) in compliance with the rules and regulations established by the Office of Management and Budget and federal, state, or local awarding agencies. Government grants are paid on a cost reimbursement basis by the Institute initiating drawdowns of the grant assets. Any unused assets are forfeited and unallowed costs that have been drawn down are required to be refunded. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Admissions – The Institute recognizes revenue from ticket sales at the time of admission.

Gift Shop Sales – The Institute recognizes revenue at the time of sale.

Rental Income – The Institute offers their facilities for community use events. The Institute recognizes revenue from community use at the time of the booking.

Events and sponsorships – The Institute records events and sponsorship revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Amounts received in advance are recorded as deferred revenue if the event does not occur in the same fiscal year.

THE WATERSHED INSTITUTE, INC.
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Promises to give receivables - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional 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-adjusted interest rates applicable to the years in which the promises are received. Discounted amortization is included in the contribution revenue. Conditional promises to give are not included as support until the conditions are met. Unconditional promises to give as of December 31, 2024, were \$800.

Allowance for doubtful accounts - Promises to give and contributions receivable are stated at the principal amount net of an allowance based on an analysis of specific donors, taking into consideration the age of past due amounts and an assessment of the donor's ability to pay. The Institute has determined that there was no allowance for doubtful accounts required for receivables at December 31, 2024.

Advertising and Promotion - The Institute expenses advertising and promotion costs as incurred. Advertising and promotion costs were \$19,715 for the year ended December 31, 2024.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Income Taxes - The organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly does not record a provision for income taxes on its earnings. The organization is eligible to receive a charitable contribution deduction under Section 170(b)(1)(A) and is classified as an Organization other than a private foundation under Section 509(a)(2).

The Watershed Institute, Inc. has reviewed any potential tax positions as of December 31, 2024, and has determined that it does not have any unrecognized tax benefits or liabilities. During the year ended December 31, 2024, the organization did not incur any tax-related interest or penalties. The organization's information returns are generally subject to examination by the Internal Revenue Service for three years and generally subject to examination by the State of New Jersey for four years.

Leases - The Institute determines if a contract is a leasing arrangement and the classification of that lease, if applicable, at inception. The Institute has adopted a lease capitalization threshold of \$5,000 and has applied the practical expedite to treat all leases with a term of 12 months or less without a purchase option as a short-term lease. These leases are expensed on a straight-line basis and are not recorded on the statement of financial position. The Institute leases an office copier under an operating lease agreement. The terms of the agreement state the quarterly payment of \$1,227 plus an additional fee for copying overages. Equipment rent related to the office copier for the year ended December 31, 2024 was \$4,908.

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.

Note 3: LIQUIDITY AND AVAILABILITY

The Watershed Institute, Inc. regularly monitors the liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments. See note 4 for information about the organization's investments available to meet cash flow needs.

THE WATERSHED INSTITUTE, INC.
Notes to Financial Statements

Note 3: LIQUIDITY AND AVAILABILITY (CONT'D)

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the organization considers all expenditures related to its ongoing activities of the science, advocacy, education, and conservation programs as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

The following table reflects The Watershed Institute Inc.'s financial assets as of December 31, 2024, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. As stated in note 10, there were net assets with donor restrictions of \$16,755,353 as of December 31, 2024.

Cash and Cash Equivalents	\$	1,381,956
Grants and Contributions Receivable		140,865
Membership Receivable		79,640
Pledges Receivable - Buttinger Endowment		800
Marketable Securities – Investment Funds		3,803,014
Buttinger Endowment		4,141,053
Johnson Endowment		10,678,259
		20,225,587
Total Financial Assets		
Less: funds unavailable for general expenditure within one year due to:		
Restrictions by donor with purpose restrictions		(16,755,353)
		\$ 3,470,234
Financial assets available to meet cash needs for general expenditures within one year		

Note 4: INVESTMENTS

Investments consist of funds designated by the Board of Trustees to be used for the purpose of guaranteeing the continuance of the mission of the Organization for future generations. Investments as of December 31, 2024 was as follows:

	<u>Mutual Funds</u>	<u>Exchange Traded Funds</u>	<u>Short Term Reserve</u>	<u>Total</u>
Watershed Investment Fund	\$ 2,057,316	\$ 242,536	\$ 116,167	\$ 2,416,019
Buttinger Endowment	3,542,454	412,076	186,524	4,141,054
Johnson Endowment	9,188,375	1,074,341	415,544	10,678,260
Watershed Institute Education Intern Fund	222,115	25,902	1,061	249,078
Sycamore Fund	195,988	22,959	1,023	219,970
Watershed Vision Fund			262,605	262,605
Watershed Bequest Fund			655,343	655,343
PACF Education Intern Fund			84,266	84,266
PACF Investment Fund			187,211	187,211
Total	\$ 15,206,248	\$ 1,777,814	\$ 1,909,744	\$ 18,893,806

THE WATERSHED INSTITUTE, INC.
Notes to Financial Statements

Note 4: INVESTMENTS (CONT'D)

The following schedule summarizes the net investment return for the fiscal years ended December 31, 2024:

Investment earnings	\$ 569,149
Less: Investment expenses	<u>(53,851)</u>
Investment Income before gains	<u>515,298</u>
Net realized gain	901,379
Unrealized gain	<u>479,630</u>
Total investment income	<u>\$ 1,896,307</u>

Note 5: 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:

Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities valued using models or other pricing methodologies that do not require significant judgment because the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

Level 3 – Uses inputs that are unobservable, supported by little or no market activity and reflect significant management judgment. These values are generally determined using pricing models that utilize management’s estimates of market participant assumptions.

The asset’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table represents investments that are measured at fair value on a recurring basis at December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange Traded Funds	\$ 1,777,814	\$ -	\$ -	\$ 1,777,814
Mutual Funds	15,206,248	-	-	15,206,248
Short-term Reserve	<u>1,909,744</u>	-	-	<u>1,909,744</u>
Total Portfolio Investments at fair value	<u>\$ 18,893,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,893,806</u>

For the valuation of certain exchange traded funds, mutual funds, and short-term reserves at December 31, 2024, the Institute used quoted prices in principal active markets for identical assets as of the valuation date (Level 1).

THE WATERSHED INSTITUTE, INC.
Notes to Financial Statements

Note 6: 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 with a valuation of the beneficial interest on a monthly basis. The original investment, funded on April 29, 2009, for \$250,000, was valued at \$187,211 as of December 31, 2024.

Note 7: PROPERTY & EQUIPMENT

Land	\$	5,718,305
Building & Improvements		10,721,476
Machinery & Equipment		369,260
Furniture & Fixtures		410,986
Automobiles		29,860
		<u>17,249,887</u>
Less: Accumulated Depreciation		<u>(3,808,118)</u>
Net Property and Equipment	<u>\$</u>	<u>13,441,769</u>

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. 25 parcels are located in Hopewell Township and 4 parcels are located in Princeton.

Depreciation expense for the year ended December 31, 2024 was \$369,294.

Note 8: CONCENTRATIONS OF CREDIT RISK

The Institute places its investments in a variety of financial instruments and, by policy, limits the amount of credit exposure through diversification and by restricting its investments to highly rated securities. The Institute has experienced realized and unrealized gains and losses in its investment accounts as detailed in Note 4.

The Institute maintains cash balances at several financial institutions, which at times exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Institute has never experienced any losses in such accounts. As of December 31, 2024, the Institute had cash balances of \$1,430, 206 in excess of the FDIC limit.

The Institute's total contributions and grant revenue were \$3,660,374 for the year ended December 31, 2024. Contributions and grant revenue represented 58% of total program and support revenue for the year ending December 31, 2024.

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 as of December 31, 2024:

General operations support	<u>\$ 3,521,177</u>
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THE WATERSHED INSTITUTE, INC.
Notes to Financial Statements

Note 9: BOARD DESIGNATED AND DONOR-RESTRICTED NET ASSETS (CONT'D)

Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2024:

Educational and other programs	\$	1,935,241
Buttinger endowment		4,141,853
Johnson endowment		10,678,259
Land and building to be held in perpetuity		<u>5,718,713</u>
 Total net assets with donor restrictions	 \$	 <u>22,474,066</u>

Note 10: 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 endow 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.

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 Sycamore Endowment Fund was created in 2022 with anonymous donation to support excellence and leadership in land conservation and stewardship of The Watershed Institute's nature. This is a donor restricted Endowment Fund.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Institute's Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Institute has interpreted state law as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by state law.

The Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Institute and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Institute
- (7) The investment policies of the Institute.

THE WATERSHED INSTITUTE, INC.
Notes to Financial Statements

Note 10: ENDOWMENT FUNDS (CONT'D)

Endowment Net Asset Composition by Type of Fund for the fiscal year ended December 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor Restricted			
Endowment Funds	\$ -	\$ 15,289,160	\$ 15,289,160
Board Designated	3,521,177	-	3,521,177
	<u>\$ 3,521,177</u>	<u>\$ 15,289,160</u>	<u>\$ 18,810,337</u>

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Institute Board, the endowment assets are invested in a manner that seeks long-term capital growth, current income, and growth of income, consistent with prudent, conservative, and risk-averse investments for its endowment. Endowment investments may be invested in any combination of common stocks, bond funds, alternative investments or mutual funds containing both stocks and bonds.

To satisfy its long-term objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints.

The following table provides information regarding the change in endowment net assets for the fiscal year ended December 31, 2024:

	<u>Value at 12/31/23</u>	<u>Investment Income</u>	<u>Net Appreciation</u>	<u>Fees</u>	<u>Transfers from/to Endowment</u>	<u>Value at 12/31/24</u>
With Donor Restriction						
Buttinger Endowment	\$ 3,889,078	\$ 104,164	\$ 351,886	\$ (11,128)	\$ (192,147)	\$ 4,141,853
Johnson Endowment	10,100,320	276,557	270,800	(34,886)	65,468	10,678,259
Watershed Institute						
Education Intern Fund	321,083	3,219	(7,609)	-	(67,615)	249,078
Watershed Sycamore Fund	-	2,417	(10,203)	-	227,756	219,970
Without Donor Restriction						
Watershed Investment Fund	2,535,949	52,540	238,280	(3,800)	(219,740)	2,603,229
Watershed Vision Fund	486,934	19,118	-	-	(243,447)	262,605
Watershed Bequest Fund	1,034,686	46,816	-	-	(426,159)	655,343
	<u>\$ 18,368,050</u>	<u>\$ 504,831</u>	<u>\$ 843,154</u>	<u>\$ (49,814)</u>	<u>\$ (855,884)</u>	<u>\$ 18,810,337</u>

Note 11: 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 Institute made contributions of \$60,996 in 2024.

THE WATERSHED INSTITUTE, INC.
Notes to Financial Statements

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, 2024, 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 13: EVALUATION OF SUBSEQUENT EVENTS

The Institute has evaluated subsequent events through September 9, 2025, the date on which the financial statements were available to be issued. Management has determined there were no subsequent events that require disclosure.

THE WATERSHED INSTITUTE, INC,
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
DECEMBER 31, 2024

**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, 2024, 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 September 9, 2025.

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 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*.

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

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,

Bowman & Company LLP

BOWMAN & COMPANY, LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
September 9, 2025

THE WATERSHED INSTITUTE, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

<u>Federal/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass Through Entity or Other Identifying Number</u>	<u>Grant Award Period</u>	<u>Total Award</u>	<u>2024 Expenditures</u>	<u>Total Grant Expenditures to Date</u>
<u>United States Environmental Protection Agency -</u>						
Passed through:						
State of New Jersey						
<u>Department of Environmental Protection:</u>						
Nonpoint Source Implementation Grants						
Restoration of the Beden Brook Watershed	N/A	WM18-013	10/30/18 - 2/28/24	\$ 400,000	<u>\$ 2,580</u>	<u>\$ 324,269</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u><u>\$ 2,580</u></u>	<u><u>\$ 324,269</u></u>

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.
Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2024

<u>State Grantor Department/Program Title</u>	<u>State Grant Award Number or Account Number</u>	<u>Grant Award Period</u>	<u>Total Award</u>	<u>2024 Expenditures</u>	<u>Total Grant Expenditures To Date</u>
State of New Jersey					
<u>Department of Environmental Protection:</u>					
Urban Education Program/Volunteer					
Monitoring-New Jersey Watershed Watch Network	WQR-2020	300,000	01/01/23 - 12/31/25	\$ 79,980	\$ 160,718
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE				\$ 79,980	\$ 160,718

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 SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL
ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2024

Note 1: General

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (the "Schedules") includes the federal and state grant activity of The Watershed Institute, Inc. (the "Organization") under programs of the federal and state governments for the year ended December 31, 2024. The information in these Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the Schedules present only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position or cash flows of the organization.

Note 2: Summary of Significant Accounting Policies

Basis of presentation

Expenditures reported on these Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3: Relationship to the Financial Statements

Amounts reported in the accompanying Schedules agree with the amount reported in The Watershed Institute, Inc.'s financial statements.

Note 4: Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedule agree, in all material respects, with the amounts reported in the related federal and state financial reports.