



*Anacostia Watershed Society, Inc. and AWS  
Saturday Environmental Academy*

Consolidated Financial Statements  
and  
Independent Auditor's Report

December 31, 2020 and 2019



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## **Independent Auditor's Report**

To the Board of Directors  
Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy  
Bladensburg, Maryland

We have audited the accompanying consolidated financial statements of Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy (collectively referred to as the Organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis-of-Matter Regarding Revenue Recognition**

As discussed in Note 2 to the consolidated financial statements, the Organization adopted the provisions of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU 2015-14, as of January 1, 2020, which supersedes or replaces nearly all accounting principles generally accepted in the United States of America revenue recognition guidance. The adoption of this ASU did not result in a material change to the accounting for any of the Organization's revenue streams; as such, no cumulative effect adjustment was recorded. Our opinion is not modified with respect to this matter.

*Sikich LLP*

Alexandria, Virginia  
September 24, 2021

**Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy**  
**Consolidated Statements of Financial Position**  
**December 31, 2020 and 2019**

	2020	2019
<b>Assets</b>		
Current assets:		
Cash	\$ 1,001,016	\$ 579,093
Contracts receivable	41,732	47,979
Grants receivable	124,722	211,581
Contributions receivable	8,300	102,339
Prepaid expenses	2,621	-
Total current assets	1,178,391	940,992
Property and equipment, net	1,075,649	825,692
Total assets	\$ 2,254,040	\$ 1,766,684
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 81,259	\$ 199,321
Accrued payroll liabilities	88,075	59,226
Total current liabilities	169,334	258,547
Note payable	150,000	-
Total liabilities	319,334	258,547
Net assets:		
Without donor restrictions	1,645,131	1,180,563
With donor restrictions	289,575	327,574
Total net assets	1,934,706	1,508,137
Total liabilities and net assets	\$ 2,254,040	\$ 1,766,684

See accompanying notes to the consolidated financial statements.

Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy

Consolidated Statement of Activities

For the Year Ended December 31, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues:			
Contributions	\$ 1,040,459	\$ 199,767	\$ 1,240,226
Grants	551,999	-	551,999
In-kind contributions	533,948	-	533,948
Contract revenue	463,919	-	463,919
Program service fees	42,711	-	42,711
Other income	9,361	-	9,361
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>237,766</u>	<u>(237,766)</u>	<u>-</u>
Total revenues	<u>2,880,163</u>	<u>(37,999)</u>	<u>2,842,164</u>
Expenses:			
Program services:			
Environmental education	778,038	-	778,038
Stewardship	690,293	-	690,293
Advocacy	251,220	-	251,220
Recreation	<u>59,924</u>	<u>-</u>	<u>59,924</u>
Total program services	<u>1,779,475</u>	<u>-</u>	<u>1,779,475</u>
Support services:			
Management and general	408,201	-	408,201
Development	<u>227,919</u>	<u>-</u>	<u>227,919</u>
Total support services	<u>636,120</u>	<u>-</u>	<u>636,120</u>
Total expenses	<u>2,415,595</u>	<u>-</u>	<u>2,415,595</u>
Change in net assets	464,568	(37,999)	426,569
Net assets, beginning of year	<u>1,180,563</u>	<u>327,574</u>	<u>1,508,137</u>
Net assets, end of year	<u>\$ 1,645,131</u>	<u>\$ 289,575</u>	<u>\$ 1,934,706</u>

See accompanying notes to the consolidated financial statements.

Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy

Consolidated Statement of Activities

For the Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Contributions	\$ 922,672	\$ 473,144	\$ 1,395,816
Grants	733,916	-	733,916
In-kind contributions	168,780	-	168,780
Contract revenue	94,964	-	94,964
Program service fees	75,512	-	75,512
Other income	986	-	986
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>439,046</u>	<u>(439,046)</u>	<u>-</u>
Total revenues	<u>2,435,876</u>	<u>34,098</u>	<u>2,469,974</u>
Expenses:			
Program services:			
Environmental education	503,523	-	503,523
Stewardship	978,231	-	978,231
Advocacy	212,823	-	212,823
Recreation	<u>75,026</u>	<u>-</u>	<u>75,026</u>
Total program services	<u>1,769,603</u>	<u>-</u>	<u>1,769,603</u>
Support services:			
Management and general	335,921	-	335,921
Development	<u>231,757</u>	<u>-</u>	<u>231,757</u>
Total support services	<u>567,678</u>	<u>-</u>	<u>567,678</u>
Total expenses	<u>2,337,281</u>	<u>-</u>	<u>2,337,281</u>
Change in net assets	98,595	34,098	132,693
Net assets, beginning of year	<u>1,081,968</u>	<u>293,476</u>	<u>1,375,444</u>
Net assets, end of year	<u>\$ 1,180,563</u>	<u>\$ 327,574</u>	<u>\$ 1,508,137</u>

See accompanying notes to the consolidated financial statements.

**Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended December 31, 2020**

	Environmental education	Stewardship	Advocacy	Recreation	Total program services	Management and general	Development	Total support services	Total expenses
Salaries	\$ 253,724	\$ 415,172	\$ 77,311	\$ 41,649	\$ 787,856	\$ 91,776	\$ 158,011	\$ 249,787	\$ 1,037,643
Contract services	386,651	83,067	134	-	469,852	1,580	-	1,580	471,432
Professional fees	3,692	6,042	147,723	606	158,063	180,162	2,299	182,461	340,524
Materials and supplies	57,256	65,103	1,500	1,229	125,088	1,019	11,934	12,953	138,041
Payroll taxes	19,558	32,537	3,441	3,544	59,080	17,169	12,110	29,279	88,359
Depreciation and amortization	20,704	33,879	6,309	3,399	64,291	7,489	12,894	20,383	84,674
Employee benefits	8,636	14,132	2,632	1,418	26,818	44,855	5,378	50,233	77,051
Insurance	12,302	18,358	4,139	1,691	36,490	3,727	6,416	10,143	46,633
Computer and website	4,710	5,354	4,286	740	15,090	14,718	7,585	22,303	37,393
Repairs and maintenance	350	1,311	179	2,096	3,936	15,856	-	15,856	19,792
Office expenses	2,978	4,681	1,196	459	9,314	6,784	1,811	8,595	17,909
Dues and membership	778	115	-	1,933	2,826	13,527	653	14,180	17,006
Rent - barges	2,934	4,801	894	482	9,111	1,061	1,827	2,888	11,999
Utilities	1,503	2,459	458	247	4,667	4,265	936	5,201	9,868
Postage and shipping	62	-	-	-	62	2,207	5,490	7,697	7,759
Travel	1,303	2,370	518	336	4,527	539	385	924	5,451
Event registrations and supplies	402	892	500	95	1,889	385	90	475	2,364
Miscellaneous	495	20	-	-	515	1,082	100	1,182	1,697
<b>Total expenses</b>	<b>\$ 778,038</b>	<b>\$ 690,293</b>	<b>\$ 251,220</b>	<b>\$ 59,924</b>	<b>\$ 1,779,475</b>	<b>\$ 408,201</b>	<b>\$ 227,919</b>	<b>\$ 636,120</b>	<b>\$ 2,415,595</b>

See accompanying notes to the consolidated financial statements.



**Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended December 31, 2019**

	Environmental education	Stewardship	Advocacy	Recreation	Total program services	Management and general	Development	Total support services	Total expenses
Salaries	\$ 261,900	\$ 439,743	\$ 64,718	\$ 49,901	\$ 816,262	\$ 76,315	\$ 119,893	\$ 196,208	\$ 1,012,470
Materials and supplies	24,126	272,898	1,310	2,739	301,073	1,127	18,596	19,723	320,796
Contract services	134,029	119,489	766	70	254,354	21,726	34,979	56,705	311,059
Professional fees	1,000	2,250	124,750	1,500	129,500	139,223	8,500	147,723	277,223
Payroll taxes	24,870	41,601	3,649	3,739	73,859	5,145	10,380	15,525	89,384
Depreciation and amortization	21,449	36,014	5,300	4,087	66,850	6,251	9,819	16,070	82,920
Insurance	12,605	21,164	3,115	2,402	39,286	3,673	5,770	9,443	48,729
Computer and website	2,065	5,102	2,433	286	9,886	20,797	7,368	28,165	38,051
Repairs and maintenance	1,067	2,677	-	3,919	7,663	24,271	500	24,771	32,434
Employee benefits	8,566	14,383	2,117	1,632	26,698	2,554	3,921	6,475	33,173
Office expenses	3,068	5,197	942	564	9,771	13,817	1,750	15,567	25,338
Dues and membership	442	6,801	525	2,710	10,478	8,034	1,085	9,119	19,597
Rent - barges	3,104	5,212	767	591	9,674	905	1,421	2,326	12,000
Utilities	1,754	2,945	433	334	5,466	3,824	803	4,627	10,093
Postage and shipping	58	427	-	-	485	2,028	6,035	8,063	8,548
Travel	2,560	1,148	1,738	552	5,998	976	587	1,563	7,561
Event registrations and supplies	860	759	260	-	1,879	4,103	350	4,453	6,332
Miscellaneous	-	421	-	-	421	1,152	-	1,152	1,573
<b>Total expenses</b>	<b>\$ 503,523</b>	<b>\$ 978,231</b>	<b>\$ 212,823</b>	<b>\$ 75,026</b>	<b>\$ 1,769,603</b>	<b>\$ 335,921</b>	<b>\$ 231,757</b>	<b>\$ 567,678</b>	<b>\$ 2,337,281</b>

See accompanying notes to the consolidated financial statements.

**Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy**

**Consolidated Statements of Cash Flows**

**For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>426,569</u>	\$ <u>132,693</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	84,674	82,920
Loss on disposal of assets	702	984
Donated property and equipment	(304,100)	-
Decrease (increase) in assets:		
Contracts receivable	6,247	150,690
Grants receivable	86,859	(211,581)
Contributions receivable	94,039	150,490
Prepaid expenses	(2,621)	766
Increase (decrease) in liabilities:		
Accounts payable	(118,062)	22,977
Accrued payroll liabilities	<u>28,849</u>	<u>12,001</u>
Total adjustments	<u>(123,413)</u>	<u>209,247</u>
Net cash provided by operating activities	<u>303,156</u>	<u>341,940</u>
Cash flows from investing activities:		
Purchases of property and equipment	(31,233)	(59,479)
Proceeds from sales of property and equipment	<u>-</u>	<u>5,000</u>
Net cash used in investing activities	<u>(31,233)</u>	<u>(54,479)</u>
Cash flows from financing activities:		
Proceeds from issuance of note payable	<u>150,000</u>	<u>-</u>
Net cash provided by financing activities	<u>150,000</u>	<u>-</u>
Net increase in cash	421,923	287,461
Cash, beginning of year	<u>579,093</u>	<u>291,632</u>
Cash, end of year	\$ <u><u>1,001,016</u></u>	\$ <u><u>579,093</u></u>
Supplemental disclosures of cash flow information:		
PPP loan proceeds	\$ <u><u>211,525</u></u>	\$ <u><u>-</u></u>
PPP loan forgiveness	\$ <u><u>(211,525)</u></u>	\$ <u><u>-</u></u>

See accompanying notes to the consolidated financial statements.

**Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**1. Organization**

The accompanying consolidated financial statements include the accounts of Anacostia Watershed Society, Inc. (the Society) and AWS Saturday Environmental Academy (AWS SEA), collectively referred to as the Organization.

The Society was founded as a nonprofit environmental organization in 1989. The mission of the Organization is to protect and restore the Anacostia River by bringing partners and communities together to achieve a clean and safe Anacostia River for the benefit of all living in its watershed and for future generations. The Organization's vision is to restore and sustain the Anacostia as a swimmable and fishable river for the health and well-being of all. The Organization also remains committed to working with the historical preservation and cultural communities by maintaining the integrity of their historic headquarters, the George Washington House.

AWS SEA is a D.C. nonprofit organization that offers outdoor education opportunities primarily for 7th and 8th graders living in the watershed area.

Organizational Activities

The Organization empowers and engages local watershed residents from youth to adults to take direct action to restore the Anacostia River and its watershed communities through four main program areas:

Environmental education: the Organization educates, demonstrates, and engages the public in sustainable solutions that foster a clean river with healthy and vibrant communities by building deeper connections to the river among communities in the watershed.

Stewardship: the Organization advocates for and works with partners to restore the ecological health of the river.

Advocacy: the Organization influences policies and resources favorably towards the restoration of the Anacostia River, resulting in a swimmable and fishable river, with a particular emphasis on enhanced storm-water controls, reduction of trash inputs, and increased attention to remediation of toxics impacting the river.

Recreation: the Organization engages community members of all ages in recreational activities in the watershed to increase awareness of the river, foster their enjoyment of nature, and motivate them to further their stewardship of the river.

**Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020 and 2019**

More than one million people reside in the 176 square mile Anacostia watershed, which encompasses eastern Washington, DC, and northern Prince George's and eastern Montgomery counties in Maryland. The watershed is widely believed to have been one of the most polluted in the nation. By restoring the watershed, the Organization is improving the quality of the environment and human health.

**2. Summary of Significant Accounting Policies**

**a. Principles of consolidation**

The accompanying consolidated financial statements include the accounts of Anacostia Watershed Society, Inc. (the Society) and AWS Saturday Environmental Academy (AWS SEA). All significant intra-entity accounts and transactions have been eliminated in consolidation.

**b. Basis of presentation**

The Organization's consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (USGAAP) for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* represent resources that are not subject to donor imposed restrictions and are available for operations at management's discretion.
- *Net Assets With Donor Restrictions* represent resources restricted by donors. Some donor restrictions are temporary in nature and those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**c. Basis of accounting**

The Organization's consolidated financial statements are prepared on the accrual basis of accounting in accordance with USGAAP.

**Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**d.** Use of estimates

The preparation of consolidated financial statements in conformity with USGAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

**e.** Income taxes

The Society and AWS SEA are not private foundations and are both exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to their exempt purpose.

**f.** Contracts receivable

Contracts receivable principally represent amounts due from corporate contracts and are stated at their net realizable value. All contracts receivable outstanding are considered collectible. Accordingly, no allowance for doubtful accounts has been recorded at December 31, 2020 and 2019.

**g.** Grants receivable

Grants receivable principally represent amounts due from government awards and are recognized as contributions when the qualifying expenditures for cost-reimbursement grants are incurred but not received. All grants receivables outstanding are considered collectible. Accordingly, no allowance for doubtful accounts has been recorded at December 31, 2020 and 2019.

Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

h. Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. All contributions receivable are expected to be collected in less than one year and are reported at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At December 31, 2020 and 2019, all receivables are considered collectible, therefore no allowance for doubtful accounts has been recognized.

i. Property and equipment, net

Property and equipment acquisitions are recorded in the consolidated financial statements at cost, net of accumulated depreciation and amortization. Donated property and equipment is stated at fair value at the date of donation. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	10 - 27.5 years
Equipment	5 - 10 years
Vehicles	5 - 7 years
Office barges	20 years
Website development	3 years

The Organization's policy is to capitalize major additions and improvements over \$1,000. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

j. Revenue recognition

*Contributions:* The Organization recognizes unconditional 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. The Organization reports gifts of cash and other assets as donor restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions.

**Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy**

**Notes to the Consolidated Financial Statements**

**December 31, 2020 and 2019**

*Grants:* A portion of the the Organization's revenue is derived from cost-reimbursable federal and state grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenues are recognized when the Organization 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 consolidated statements of financial position. The Organization was awarded conditional, cost-reimbursable grants of \$1,139,709 and \$822,122 that have not been recognized at December 31, 2020 and 2019, respectively, because qualifying expenditures have not yet been incurred. There was no refundable advance at December 31, 2020 and 2019.

*Program service fees:* Program service fees are recognized as revenue at the point in time in which office product sales are made or events, such as river tours or curriculum programs, take place. Payments are due when the sale takes place or upon event registration or ticket purchase, typically in advance of the event. In addition the Organization has a fee for service agreement for which revenue is recognized over time as services are provided. Based on the factors outlined in the agreement, the billing is variable (number of hours) using fixed billing rates. This includes a variable component, however, the variability is limited to quantity not the actual rate or price charged. Payment is due within 30 days of receipt of invoices.

*Contracts:* Contract revenue from corporate contracts is recognized over time as earned when the qualifying costs are incurred. Based on the factors outlined in the agreement, the billing is variable (number of hours) using fixed billing rates. This includes a variable component, however, the variability is limited to quantity not the actual rate or price charged. Payment is due within 14 days of receipt of invoices.

The beginning and ending contract balances were as follows at December 31:

	<u>2020</u>	<u>2019</u>
Contracts receivable	\$ 41,732	\$ 47,979

**Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy**

**Notes to the Consolidated Financial Statements**

**December 31, 2020 and 2019**

*In-kind contributions:* Donated materials, services, use of facilities and property and are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expenses/assets in the accompanying consolidated financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited.

**k. Functional allocation of expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs, such as salaries, professional fees, payroll taxes, depreciation and amortization, employee benefits, office expenses, insurance and utilities, have been allocated among programs and supporting services based on staff time spent on each area. Expenses that can be identified with a specific program are allocated directly according to their natural expense classification.

**l. Adoption of new accounting standard**

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. On June 3, 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*, to defer the effective date of FASB ASC 606 to fiscal years beginning after December 15, 2019 for private not-for-profit entities that have not yet issued financial statements due to the COVID-19 pandemic. The Organization adopted the new standard as of January 1, 2020, utilizing the prospective method of transition.



**Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy**  
**Notes to the Consolidated Financial Statements**  
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**m.** New pronouncements

In September 2020, the FASB issued ASU 2020-07 on Topic 958, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This standard requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The standard is effective for annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022. The Organization is currently assessing the impact of this new standard.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosure about leasing arrangements. ASU No. 2016-02, as amended by 2020-05, is effective for not-for-profit entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new lease standard at the beginning of the earliest period presented in the financial statements.

In July 2018, FASB issued ASU NO. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The Organization is currently assessing the impacts of this new standard, including the transition methods.

The Organization plans to adopt the new standards at the required implementation date.

**Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**3. Liquidity and Availability**

The following represents the Organization's financial assets at December 31:

Financial assets at year end:	<u>2020</u>	Restated <u>2019</u>
Cash	\$ 1,001,016	\$ 579,093
Contracts receivable	41,732	47,979
Grants receivable	124,722	211,581
Contributions receivable	<u>8,300</u>	<u>102,339</u>
Total financial assets	1,175,770	940,992
Less amounts not available within one year:		
Net assets with donor restrictions	(281,275)	(240,235)
Collateral held for note payable	<u>(150,000)</u>	<u>-</u>
Total	<u>(431,275)</u>	<u>(240,235)</u>
Financial assets available to meet general expenditures within one year	\$ <u>744,495</u>	\$ <u>700,757</u>

The Organization's goal is generally to hold funds to cover up to two months' operating expenses (approximately \$300,000) in highly liquid bank accounts. Excess funds may be deposited in negotiable instruments backed by the Federal Deposit Insurance Corporation (FDIC) with a maturity not to exceed six months. The Organization has a \$250,000 line of credit available to meet cash flow needs.

**4. Concentrations of Credit Risk**

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2020 and 2019, there were no deposits in excess of FDIC limits.

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**December 31, 2020 and 2019**

**5. Property and Equipment, Net**

The following is a summary of property and equipment held at December 31:

	2020	2019
Land	\$ 438,175	\$ 134,075
Building and improvements	839,673	830,709
Equipment	362,823	343,054
Vehicles	27,136	30,736
Office barges	231,557	231,557
Website development	15,750	15,750
Property and equipment	1,915,114	1,585,881
Accumulated depreciation and amortization	(839,465)	(760,189)
Total property and equipment, net	\$ 1,075,649	\$ 825,692

**6. Line of Credit**

On March 29, 2012, the Organization entered into a \$60,000 line of credit with a financial institution. The line of credit was increased to \$250,000 on December 19, 2018. The line of credit is payable on demand and matures on December 29, 2021. The line has an interest rate equal to the "Wall Street Journal Prime Rate" plus 2% with a minimum rate of 6% and is secured by accounts and equipment of the Organization. There was no balance due on the line of credit for the years ended December 31, 2020 and 2019.

**7. Note Payable**

On May 22, 2020, the Organization entered into a note payable in the form of an EIDL loan for amount of \$150,000 with a fixed interest of 2.75% per annum. Payments of principal and interest in the amount of \$641 are due monthly beginning on June 25, 2022, with payments first applied to accrued interest. All unpaid principal due on June 25, 2050. The note is secured by all tangible and intangible personal property.

Aggregate future payments of the note payable are as follows for the years ending December 31:

2021	\$ -
2022	-
2023	2,095
2024	3,671
2025	3,773
2026 and thereafter	140,461
Total	\$ 150,000

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**8. Net Assets With Donor Restrictions**

Net assets were released from donor restrictions during the years ended December 31, 2020 and 2019 for the following purposes:

	<u>2020</u>	<u>2019</u>
Stewardship	\$ 7,521	\$ 41,452
Advocacy	-	69,463
Environmental education	142,906	133,708
Time restricted	<u>87,339</u>	<u>194,423</u>
Total net assets released from restrictions	<u>\$ 237,766</u>	<u>\$ 439,046</u>

At December 31, 2020 and 2019, net assets were available for the following purposes:

	<u>2020</u>	<u>2019</u>
Advocacy	37,480	-
Environmental education	213,795	240,235
Time restricted	<u>38,300</u>	<u>87,339</u>
Total with donor restrictions net assets	<u>\$ 289,575</u>	<u>\$ 327,574</u>

**9. Paycheck Protection Program**

The Paycheck Protection Program (PPP) is a low interest Small Business Administration (SBA) loan and may be forgiven entirely if the borrower maintains certain staffing levels and the proceeds are used for qualified expenses over the qualified period of time. The Organization was approved for a loan on April 23, 2020 under this program in the amount of \$211,525, and bears interest at 1.0% per annum. Management believed the proceeds were used for qualifying expenses, all conditions were met and forgiveness was reasonably assured and therefore the Company elected to record the loan as a contribution on the accompanying statement of activities. The loan was forgiven by the SBA on February 12, 2021.

On February 1, 2021, the Organization was approved for a second PPP loan also in the amount of \$211,525 and bearing a 1% interest rate. Management believes the proceeds were used for qualifying expenses, all conditions were met and forgiveness is reasonably assured.

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**10. In-Kind Contributions**

During the years ended December 31, 2020 and 2019, the Organization received various donated goods and services which require skill and would need to be purchased if not donated. The Organization received donated supplies, vehicles, food and equipment valued at \$13,106 and \$26,779 for the years ended December 31, 2020 and 2019, respectively. For the year ended December 31, 2019, the Organization received donated use of space valued \$8,675. There was no donated use of space for the year ended December 31, 2020. The Organization also received donated legal and professional services of \$216,742 and \$133,326 for the years ended December 31, 2020 and 2019, respectively and donated land in the amount of \$304,100 for the year ended December 31, 2020. Total donated goods, use of space and services are recorded as in-kind contributions revenue and included under advocacy, stewardship, and management and general in the accompanying consolidated statements of activities or in property and equipment on the accompanying statement of financial position.

**11. Disaggregation of revenue**

Disaggregated revenue as of the year ended December 31, 2020 is as follows:

<u>Timing of Revenue Recognition:</u>	<u>2020</u>
Services transferred over time	\$ 476,073
Goods and services transferred at a point in time	<u>30,557</u>
Total	<u>\$ 506,630</u>

Various economic factors affect the recognition of revenue and cash flows, including the Organization's ability to perform restoration projects and provide educational opportunities. No significant events occurred that have a material impact on the Organization's revenue recognition or cash flows for the year ended December 31, 2020.

**12. Operating Lease**

On October 14, 2014, the Organization entered into a lease agreement for the rental slips for two barges. The agreement calls for monthly payments of \$1,000 beginning December 2014 and is on a month-to-month basis. If a barge is in use and not stored at the dock, the Organization does not have to pay rent for that period of time. Rent expense for the years ended December 31, 2020 and 2019 was \$12,000 for each year.

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**13. Contingencies**

The Organization receives a portion of its revenue from conditional government grants. The ultimate determination of amounts received under these grants often is based upon allowable costs reported to and audited by the awarding agency. Until such audits have been completed and final settlement reached, a contingency exists to refund any amount received in excess of allowable costs. Management is of the opinion that no liability will result from such an audit.

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, Organization programs and funding sources could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. The Organization expects that it is reasonably possible that this matter will negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time. No adjustments have been made to these financial statements as a result of this uncertainty.

**14. Retirement Plan**

The Organization sponsors a defined contribution retirement plan (the Plan) under Internal Revenue Code section 403(b) which substantially covers all of its employees who elect to participate in the plan. Employees are eligible to participate on their hire date. The Organization makes matching contributions in accordance with the Plan provisions. Employees are eligible for matching contributions after six months of services to the organization. Retirement plan expense for the years ended in December 31, 2020 and 2019 was \$26,371 and \$25,159, respectively.

**15. Subsequent Events**

In preparing the consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 24, 2021, which is the date the consolidated financial statements were available to be issued. Except as discussed in Note 9, there were no additional subsequent events that require recognition of, or disclosure in, these financial statements.