



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

Consolidated Financial Statements
and
Independent Auditor's Report

December 31, 2019 and 2018



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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 statement of financial position as of December 31, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Restatement

As discussed in Note 13 to the consolidated financial statements, the December 31, 2018 consolidated financial statements have been restated to correct misstatements. Our opinion is not modified with respect to that matter.

Emphasis-of-Matter Regarding Revenue Recognition

As discussed in Note 2 to the consolidated financial statements, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of January 1, 2019. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The consolidated financial statements of the Organization as of December 31, 2018, were audited by Halt, Buzas & Powell, Ltd., who merged with Sikich LLP as of January 1, 2020, and whose report dated July 22, 2019, expressed an unmodified opinion on those statements.

Sikich LLP

Alexandria, Virginia
July 27, 2020

Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy
Consolidated Statements of Financial Position
December 31, 2019 and 2018

	2019	Restated 2018
Assets		
Current assets:		
Cash	\$ 579,093	\$ 291,632
Contracts receivable	47,979	198,669
Grants receivable	211,581	-
Contributions receivable	102,339	252,829
Prepaid expenses	-	766
Total current assets	940,992	743,896
Property and equipment, net	825,692	855,117
Total assets	\$ 1,766,684	\$ 1,599,013
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 199,321	\$ 176,344
Accrued payroll liabilities	59,226	47,225
Total liabilities	258,547	223,569
Net assets:		
Without donor restrictions	1,214,713	1,081,968
With donor restrictions	293,424	293,476
Total net assets	1,508,137	1,375,444
Total liabilities and net assets	\$ 1,766,684	\$ 1,599,013

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues:			
Contributions	\$ 910,753	\$ 438,994	\$ 1,349,747
Grants	733,916	-	733,916
In-kind contributions	168,780	-	168,780
Program service fees	121,582	-	121,582
Contract revenue	94,964	-	94,964
Other income	1,969	-	1,969
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>439,046</u>	<u>(439,046)</u>	<u>-</u>
Total revenues	<u>2,471,010</u>	<u>(52)</u>	<u>2,470,958</u>
Expenses:			
Program services:			
Stewardship	978,231	-	978,231
Environmental education	503,523	-	503,523
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	336,905	-	336,905
Fundraising	<u>231,757</u>	<u>-</u>	<u>231,757</u>
Total support services	<u>568,662</u>	<u>-</u>	<u>568,662</u>
Total expenses	<u>2,338,265</u>	<u>-</u>	<u>2,338,265</u>
Change in net assets	132,745	(52)	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>\$ 1,214,713</u>	<u>\$ 293,424</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 Activities

For the Year Ended December 31, 2018, as Restated

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Contributions	\$ 803,065	\$ 608,169	\$ 1,411,234
Contract revenue	1,084,155	-	1,084,155
In-kind contributions	117,967	-	117,967
Program service fees	135,087	-	135,087
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>463,127</u>	<u>(463,127)</u>	<u>-</u>
Total revenues	<u>2,603,401</u>	<u>145,042</u>	<u>2,748,443</u>
Expenses:			
Program services:			
Stewardship	1,209,658	-	1,209,658
Environmental education	708,775	-	708,775
Advocacy	158,338	-	158,338
Recreation	<u>128,564</u>	<u>-</u>	<u>128,564</u>
Total program services	<u>2,205,335</u>	<u>-</u>	<u>2,205,335</u>
Support services:			
Management and general	339,804	-	339,804
Fundraising	<u>178,805</u>	<u>-</u>	<u>178,805</u>
Total support services	<u>518,609</u>	<u>-</u>	<u>518,609</u>
Total expenses	<u>2,723,944</u>	<u>-</u>	<u>2,723,944</u>
Change in net assets	(120,543)	145,042	24,499
Net assets, beginning of year	<u>1,202,511</u>	<u>148,434</u>	<u>1,350,945</u>
Net assets, end of year	<u>\$ 1,081,968</u>	<u>\$ 293,476</u>	<u>\$ 1,375,444</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, 2019

	Stewardship	Environmental education	Advocacy	Recreation	Total program services	Management and general	Fundraising	Total support services	Total expenses
Salaries	\$ 439,743	\$ 261,900	\$ 64,718	\$ 49,901	\$ 816,262	\$ 76,315	\$ 119,893	\$ 196,208	\$ 1,012,470
Materials and supplies	272,898	24,126	1,310	2,739	301,073	1,127	18,596	19,723	320,796
Contract services	119,489	134,029	766	70	254,354	21,726	34,979	56,705	311,059
Professional fees	2,250	1,000	124,750	1,500	129,500	139,223	8,500	147,723	277,223
Payroll taxes	41,601	24,870	3,649	3,739	73,859	5,145	10,380	15,525	89,384
Depreciation and amortization	36,014	21,449	5,300	4,087	66,850	6,251	9,819	16,070	82,920
Insurance	21,164	12,605	3,115	2,402	39,286	3,673	5,770	9,443	48,729
Computer and website	5,102	2,065	2,433	286	9,886	20,797	7,368	28,165	38,051
Repairs and maintenance	2,677	1,067	-	3,919	7,663	25,255	500	25,755	33,418
Employee benefits	14,383	8,566	2,117	1,632	26,698	2,554	3,921	6,475	33,173
Office expenses	5,197	3,068	942	564	9,771	13,817	1,750	15,567	25,338
Dues and membership	6,801	442	525	2,710	10,478	8,034	1,085	9,119	19,597
Rent - barges	5,212	3,104	767	591	9,674	905	1,421	2,326	12,000
Utilities	2,945	1,754	433	334	5,466	3,824	803	4,627	10,093
Postage and shipping	427	58	-	-	485	2,028	6,035	8,063	8,548
Travel	1,148	2,560	1,738	552	5,998	976	587	1,563	7,561
Conferences and conventions	759	860	260	-	1,879	4,103	350	4,453	6,332
Miscellaneous	421	-	-	-	421	1,152	-	1,152	1,573
Total expenses	<u>\$ 978,231</u>	<u>\$ 503,523</u>	<u>\$ 212,823</u>	<u>\$ 75,026</u>	<u>\$ 1,769,603</u>	<u>\$ 336,905</u>	<u>\$ 231,757</u>	<u>\$ 568,662</u>	<u>\$ 2,338,265</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, 2018, as Restated

	Stewardship	Environmental education	Advocacy	Recreation	Total program services	Management and general	Fundraising	Total support services	Total expenses
Salaries	\$ 410,523	\$ 261,560	\$ 61,762	\$ 83,312	\$ 817,157	\$ 120,787	\$ 95,263	\$ 216,050	\$ 1,033,207
Contract services	201,493	329,409	231	-	531,133	3,702	22,911	26,613	557,746
Materials and supplies	450,861	35,565	454	16,761	503,641	5,075	14,823	19,898	523,539
Professional fees	3,500	-	77,250	1,500	82,250	130,101	5,252	135,353	217,603
Payroll taxes	38,452	25,056	4,273	5,845	73,626	7,428	8,454	15,882	89,508
Depreciation and amortization	32,897	20,953	4,949	6,676	65,475	9,679	7,634	17,313	82,788
Insurance	20,308	11,549	2,518	3,397	37,772	4,925	3,884	8,809	46,581
Employee benefits	13,644	8,690	2,053	2,769	27,156	3,845	3,166	7,011	34,167
Repairs and maintenance	4,629	1,301	14	2,950	8,894	14,155	-	14,155	23,049
Dues and membership	9,485	696	-	2,857	13,038	8,934	161	9,095	22,133
Computer and website	6,309	1,677	497	-	8,483	6,163	6,926	13,089	21,572
Office expenses	4,753	3,035	792	925	9,505	9,195	1,924	11,119	20,624
Rent - barges	4,768	3,037	717	968	9,490	1,403	1,107	2,510	12,000
Telephone	3,690	2,361	160	-	6,211	4,380	480	4,860	11,071
Utilities	2,871	1,829	432	583	5,715	4,109	666	4,775	10,490
Postage and shipping	15	254	-	-	269	2,232	4,015	6,247	6,516
Travel	1,205	1,502	1,353	21	4,081	551	558	1,109	5,190
Conferences and conventions	255	301	883	-	1,439	1,270	545	1,815	3,254
Miscellaneous	-	-	-	-	-	1,870	1,036	2,906	2,906
Total expenses	<u>\$ 1,209,658</u>	<u>\$ 708,775</u>	<u>\$ 158,338</u>	<u>\$ 128,564</u>	<u>\$ 2,205,335</u>	<u>\$ 339,804</u>	<u>\$ 178,805</u>	<u>\$ 518,609</u>	<u>\$ 2,723,944</u>

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, 2019 and 2018

	<u>2019</u>	<u>Restated 2018</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>132,693</u>	\$ <u>24,499</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	82,920	82,788
Loss on disposal of assets	984	-
Decrease (increase) in assets:		
Contracts receivable	150,690	62,418
Grants receivable	(211,581)	-
Contributions receivable	150,490	(109,568)
Prepaid expenses	766	1,400
Increase (decrease) in liabilities:		
Accounts payable	22,977	(45,503)
Accrued payroll liabilities	<u>12,001</u>	<u>2,545</u>
Total adjustments	<u>209,247</u>	<u>(5,920)</u>
Net cash provided by operating activities	<u>341,940</u>	<u>18,579</u>
Cash flows from investing activities:		
Purchases of property and equipment	(59,479)	(24,521)
Proceeds from sales of property and equipment	<u>5,000</u>	<u>-</u>
Net cash used in investing activities	<u>(54,479)</u>	<u>(24,521)</u>
Cash flows from financing activities:		
Principal payments on note payable	<u>-</u>	<u>(4,176)</u>
Net cash used in financing activities	<u>-</u>	<u>(4,176)</u>
Net increase (decrease) in cash	287,461	(10,118)
Cash, beginning of year	<u>291,632</u>	<u>301,750</u>
Cash, end of year	<u>\$ 579,093</u>	<u>\$ 291,632</u>
Supplemental disclosures of cash flow information:		
Interest expense	<u>\$ -</u>	<u>\$ 24</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, 2019 and 2018

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:

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

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.

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, 2019 and 2018

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 generally accepted accounting principles 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. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, donor restricted net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the accompanying consolidated statements of activities.

Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

c. Basis of accounting

The Organization's consolidated financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

d. Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 receivables outstanding are considered collectible. Accordingly, no allowance for doubtful accounts has been recorded at December 31, 2019 and 2018.

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, 2019 and 2018.

Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018, all receivables are considered collectible, therefore no allowance for doubtful accounts have 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 \$1000. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

j. Revenue recognition

Contributions: The Organization recognized 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, 2019 and 2018

Grants: A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and 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 \$822,122 that have not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred. There was no refundable advance at December 31, 2019.

Program service fees: Program service fees are recognized as revenue in the period in which services are provided. Fees received relating to future periods are recorded as deferred revenue in the accompanying consolidated statements of financial position.

Contracts: Contract revenue from corporate contracts is recognized as earned when the qualifying costs are incurred. Amounts received in advance are recorded as deferred revenue in the accompanying consolidated statements of financial position.

In-kind contributions: Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense 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, payroll taxes, employee benefits, office expenses, professional fees, utilities, insurance and depreciation and amortization, among others, have been allocated among programs and supporting services based on staff time spent on each area.

Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

I. Adoption of new accounting standard

In June 2018, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The Organization adopted the new standard as of January 1, 2019, utilizing the prospective method of transition.

m. New pronouncements

The 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 has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

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.

Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy

Notes to the Consolidated Financial Statements

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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.

3. Liquidity and Availability

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

	<u>2019</u>	<u>Restated 2018</u>
Financial assets at year end:		
Cash	\$ 579,093	\$ 291,632
Contracts receivable	47,979	198,669
Grants receivable	211,581	
Contributions receivable	<u>102,339</u>	<u>252,829</u>
Total financial assets	940,992	743,130
Less amounts not available within one year:		
Net assets with donor restrictions	<u>(206,085)</u>	<u>(99,053)</u>
Financial assets available to meet general expenditures within one year	\$ <u><u>734,907</u></u>	\$ <u><u>644,077</u></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. There were no deposits in excess of FDIC limits at December 31, 2019. At December 31, 2018, the Organization had bank deposits in excess of FDIC limits of \$2,414.

Anacostia Watershed Society, Inc. and AWS Saturday Environmental Academy
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

5. Property and Equipment, Net

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

	2019	2018
Land	\$ 134,075	\$ 134,075
Building and improvements	830,709	830,709
Equipment	343,054	293,575
Vehicles	30,736	30,736
Office barges	231,557	231,557
Website development	15,750	15,750
Property and equipment	1,585,881	1,536,402
Accumulated depreciation and amortization	(760,189)	(681,285)
Total property and equipment, net	\$ 825,692	\$ 855,117

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was \$82,920 and \$82,788, respectively.

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, 2020. 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, 2019 and 2018.

7. Notes Payable

On August 26, 2015, the Organization entered into a note payable in the amount of \$16,000 with interest on the unpaid principal balance calculated as 3.75% per annum. Payments of \$471 are due monthly beginning on September 26, 2015, with all unpaid principal due on August 26, 2018. The note is secured by a vehicle. The balance was paid in full on February 28, 2018.

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8. Net Assets With Donor Restrictions

Net assets were released from donor restrictions during the years ended December 31, 2019 and 2018 for the following purposes:

	2019	2018
Stewardship	\$ 41,452	\$ 25,382
Advocacy	69,463	46,930
Environmental education	133,708	390,815
Time restricted	194,423	-
Total net assets released from restrictions	\$ 439,046	\$ 463,127

At December 31, 2019 and 2018, net assets were available for the following purposes:

	2019	Restated 2018
Stewardship	\$ -	\$ 25,000
Advocacy	-	40,915
Environmental education	206,085	33,138
Time restricted	87,339	194,423
Total with donor restrictions net assets	\$ 293,424	\$ 293,476

9. In-Kind Donations

During the years ended December 31, 2019 and 2018, 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, food and equipment valued at \$26,779 and \$13,490 for the years ended December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, the Organization received donated use of space valued at \$8,675 and \$17,590, respectively. The Organization also received donated legal, consulting and photography services of \$133,326 and \$86,887 for the years ended December 31, 2019 and 2018, respectively. 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.

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10. 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, 2019 and 2018 was \$12,000 for each year.

11. Contingency

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.

12. 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. The Organization makes matching contributions in accordance with the Plan provisions. Retirement plan expense for the years ended in December 31, 2019 and 2018 was \$25,159 and \$24,977, respectively.

13. Restatement

The accompanying consolidated financial statements for the year ended December 31, 2018 have been restated to adjust the classification of net assets and functional expenses. The result of the restatement decreased net assets without donor restrictions and increased net assets with donor restrictions by \$194,423. Also, the result of the restatement decreased program services and increased support services by \$74,739. The restatement had no net effect on the total change in net assets and no effect on total net assets.

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14. Subsequent Events

In preparing the consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 27, 2020, which is the date the consolidated financial statements were available to be issued. Except as noted below, there were no additional subsequent events that require recognition of, or disclosure in, these financial statements.

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 reasonable 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.

In April 2020, the Organization received a \$211,525 loan through the Payroll Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Security Act (Cares Act). Almost 100% of this note may be forgiven under the terms of the Cares Act depending on use of the funds.