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CHAGRIN RIVER WATERSHED PARTNERS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF TRUSTEES
CHAGRIN RIVER WATERSHED PARTNERS, INC.
WILLOUGHBY, OHIO

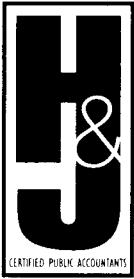
We have audited the accompanying statements of financial position for the Chagrin River Watershed Partners, Inc. as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chagrin River Watershed Partners, Inc. as of December 31, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended.

Willoughby, Ohio
May 7, 2009

H.J.
Certified Public Accountants



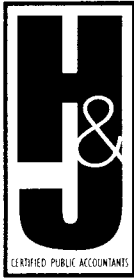
CHAGRIN RIVER WATERSHED PARTNERS, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2008 AND 2007

ASSETS	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2008</u>	<u>2007</u>
CURRENT ASSETS				
Cash & Cash Equivalents	\$ 192,040	\$ -	\$ 192,040	\$199,505
Investments - CD	100,978		100,978	
Grant Receivable (Note 5)	306	29,650	29,956	66,424
Contract Reimbursements Receivable (Note 5)	48,958		48,958	118,650
Total Current Assets	<u>342,282</u>	<u>29,650</u>	<u>371,932</u>	<u>384,579</u>
PROPERTY AND EQUIPMENT				
Computer Equipment	6,008		6,008	6,008
Office Furniture & Equipment	1,807		1,807	1,807
	7,815		7,815	7,815
Less: Accumulated Depreciation	5,666		5,666	4,441
Total Property & Equipment	<u>2,149</u>		<u>2,149</u>	<u>3,374</u>
OTHER ASSETS				
Grant Receivable - Long-Term (Note 5)		12,980	12,980	39,841
Deposits	1,465		1,465	1,465
Total Other Assets	<u>1,465</u>	<u>12,980</u>	<u>14,445</u>	<u>41,306</u>
TOTAL ASSETS	<u>\$ 345,896</u>	<u>\$ 42,630</u>	<u>\$ 388,526</u>	<u>\$429,259</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 34,291	\$ -	\$ 34,291	\$114,758
Deferred Revenue				10,500
Total Current Liabilities	<u>34,291</u>		<u>34,291</u>	<u>125,258</u>
NET ASSETS				
Unrestricted	311,605		311,605	234,991
Temporarily Restricted (Note 6)		42,630	42,630	69,010
Total Net Assets	<u>311,605</u>	<u>42,630</u>	<u>354,235</u>	<u>304,001</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 345,896</u>	<u>\$ 42,630</u>	<u>\$ 388,526</u>	<u>\$429,259</u>

See accompanying notes.



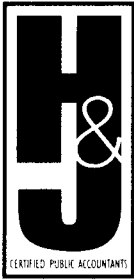
CHAGRIN RIVER WATERSHED PARTNERS, INC.

STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2008 AND 2007

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	
			2008	2007
PUBLIC SUPPORT & REVENUE				
Public Support				
U.S. Environmental Protection Agency	\$ 346,188	\$ -	\$ 346,188	\$170,650
Membership Support	126,380		126,380	120,389
CICEET	102,117		102,117	5,545
Ohio Department of Natural Resources	20,469		20,469	76,629
Lake Erie Protection Fund	10,500		10,500	48,000
Donations	1,100		1,100	150
Ohio Environmental Protection Agency				689
	<u>606,754</u>		<u>606,754</u>	<u>422,052</u>
Revenue				
Interest Income	4,272		4,272	9,362
External Services	827		827	2,089
Miscellaneous Income				1,647
	<u>5,099</u>		<u>5,099</u>	<u>13,098</u>
Net Assets Released from Restrictions	<u>26,380</u>	<u>(26,380)</u>		
TOTAL PUBLIC SUPPORT & REVENUE	<u>638,233</u>	<u>(26,380)</u>	<u>611,853</u>	<u>435,150</u>
EXPENSES				
Program Consulting Services	349,486		349,486	211,355
Salaries	149,609		149,609	199,681
Payroll Taxes	12,838		12,838	17,236
Occupancy	10,881		10,881	10,388
Employee Benefits	10,005		10,005	14,021
Travel & Conferences	6,588		6,588	4,386
Special Projects	5,103		5,103	810
Telephone	3,793		3,793	4,450
Accounting & Legal	3,597		3,597	3,788
Office Supplies & Expense	3,582		3,582	6,432
Depreciation	1,225		1,225	1,304
Payroll Processing	1,138		1,138	1,263
Postage & Shipping	961		961	1,390
Advertising	890		890	170
Printing & Reproduction	827		827	852
Insurance Expense	650		650	650
Dues & Subscriptions	446		446	933
	<u>561,619</u>		<u>561,619</u>	<u>479,109</u>
TOTAL EXPENSES	<u>561,619</u>		<u>561,619</u>	<u>479,109</u>
CHANGE IN NET ASSETS	76,614	(26,380)	50,234	(43,959)
NET ASSETS – BEGINNING OF YEAR	<u>234,991</u>	<u>69,010</u>	<u>304,001</u>	<u>347,960</u>
NET ASSETS – END OF YEAR	<u>\$ 311,605</u>	<u>\$ 42,630</u>	<u>\$ 354,235</u>	<u>\$304,001</u>

See accompanying notes.



CHAGRIN RIVER WATERSHED PARTNERS, INC.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 50,234	\$ (43,959)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	1,225	1,304
Decrease in Grant Receivable	63,329	10,006
Decrease(Increase) in Contract Reimbursements Receivable	69,692	(21,651)
Increase(Decrease) in Accounts Payable	(80,467)	99,716
Increase(Decrease) in Deferred Revenue	(10,500)	6,300
Decrease in Payroll Withholdings		(778)
Total Adjustments	<u>43,279</u>	<u>94,897</u>
Cash Provided by Operating Activities	93,513	50,938
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Certificate of Deposit	<u>(100,978)</u>	
NET CHANGE IN CASH	(7,465)	50,938
CASH AT BEGINNING OF YEAR	<u>199,505</u>	<u>148,567</u>
CASH AT END OF YEAR	<u>\$192,040</u>	<u>\$199,505</u>

See accompanying notes.



CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTES:

1. NATURE OF OPERATIONS AND MISSION STATEMENT

NATURE OF OPERATIONS

The Chagrin River Watershed Partners, Inc. (CRWP), a 501(c)(3) nonprofit organization, was incorporated in 1996 for the purpose of preserving and enhancing the Chagrin River and its Watershed in Northeast Ohio as a high quality natural resource. The CRWP represents a coalition of member cities, townships, villages, counties and park districts sharing information and working collectively and individually to solve local and watershed wide problems in a manner which ensures a sustainable future for the Chagrin River Watershed. CRWP's principal operating funds come from member local government units and park districts located in the Watershed. Member assessment for support is based on a combination of location (corridor or upland partners) and amount of assessed valuation of land within the Watershed or government function.

MISSION

CRWP will strive to preserve and enhance the scenic and environmental quality of the ecosystem of the Chagrin River and its Watershed in a manner that assures a sustainable future for people, plants and animals.

Chagrin River Watershed Partners, Inc. seeks to identify common ground to solve the flooding and erosion problems in the Chagrin River watershed, following a watershed approach. Consequently, CRWP facilitates the development of comprehensive integrated solutions and focuses technical, scientific, educational and financial resources to solve priority Partner and watershed problems. By taking a watershed approach, local governments cost-effectively define and solve cross-governmental jurisdictional boundary problems that cannot be resolved by local government units alone.

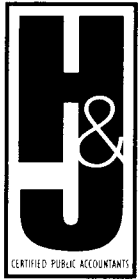
The Organization's website is www.crowp.org.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under those provisions, net assets and revenues, gains and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

- **Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations.



CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTES (CONTINUED):

- **Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- **Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets would permit the Organization to use all or part of the income earned on the assets.

BASIS OF ACCOUNTING

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

USE OF ESTIMATES

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

PROPERTY AND EQUIPMENT

These assets are stated at cost or fair value at date of acquisition. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets.

FINANCIAL INSTRUMENTS

The amounts recorded on the Statement of Financial Position for the financial instruments approximate the fair value of those items.

TAX STATUS

CRWP is an Ohio nonprofit corporation and qualifies as a charitable organization under Section 501(c)(3) of the Internal Revenue Code (IRC), and as a public charity under IRC Section 509(a)(3).

**CHAGRIN RIVER WATERSHED PARTNERS, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTES (CONTINUED):

CONTRIBUTIONS

Contributions are accounted in accordance with the requirements of the FASB in SFAS No. 116, Accounting for Contributions Received and Contributions Made. Contributions, including unconditional promise to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

CONTRIBUTED SERVICES

SFAS 116 states that for donated services to be recognized in the financial statements, the services must either (a) create or enhance non-financial asset or (b) be specialized skills, provided by entities or persons possessing those skills, that would be purchased if not donated.

A number of volunteers have donated significant amounts of their time assisting the Organization with management and internal functions and various committee assignments. These donated services have not been recognized in the accompanying statement of changes in net assets because the criteria for recognition of such volunteer efforts under SFAS 116 have not been satisfied.

CONCENTRATION OF RISK

Substantially all income is from entities located in Northeast Ohio.

COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation and sick days off depending on job classification and other factors. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees. The effect of this method instead of accruing these costs is minimal in 2008 and 2007.

MAJOR FUNDING

Major fundings are as disclosed in the Statement of Activities (Page 3).

CASH FLOWS

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts on deposit that can be withdrawn on demand or mature within three months. Short-term investments are considered cash equivalents.



CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTES (CONTINUED):

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense amounted to \$890 (2008) and \$170 (2007).

3. FUNCTIONAL EXPENSES

The allocation of functional expenses for the Organization for the years ended December 31, 2008 and 2007 is summarized as follows:

	<u>PROGRAM</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUND RAISING</u>	<u>2008 TOTAL</u>
Salaries & Related Expenses	\$163,834	\$ 7,663	\$ 955	\$172,452
Direct Program Expenses	361,177			361,177
Indirect Expenses	<u>25,673</u>	<u>1,897</u>	<u>420</u>	<u>27,990</u>
	<u>\$550,684</u>	<u>\$ 9,560</u>	<u>\$1,375</u>	<u>\$561,619</u>
	<u>PROGRAM</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUND RAISING</u>	<u>2007 TOTAL</u>
Salaries & Related Expenses	\$216,586	\$ 13,072	\$1,280	\$230,938
Direct Program Expenses	216,551			216,551
Indirect Expenses	<u>28,799</u>	<u>2,271</u>	<u>550</u>	<u>31,620</u>
	<u>\$461,936</u>	<u>\$ 15,343</u>	<u>\$1,830</u>	<u>\$479,109</u>

4. COMMITMENTS

CRWP has a lease agreement until June 30, 2011 at \$735 per month. Rent expense for the years ended December 31, 2008 and 2007 was \$8,595 and \$8,280, respectively.

Minimum payments due under this lease amount to the following:

2009	\$ 8,820
2010	8,820
2011	<u>4,410</u>
	<u>\$22,050</u>



CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTES (CONTINUED):

5. GRANTS AND PROJECTS

On November 5, 2004, the Organization was awarded a grant from the Ohio Department of Natural Resource Division of Soil and Water Conservation and Ohio Environmental Protection Agency for a Chagrin River Watershed Coordinator. The total grant amount is \$192,000 over six years beginning January 1, 2005. The Organization has received \$30,600 and \$34,000 at December 31, 2008 and 2007. A grant receivable of \$192,000 less the first two payments totaling \$77,100 and payable in four annual installments of \$30,400 has been discounted to its estimated present value. The portion of this discounted grant to be received in 2009 is recorded in Grants Receivable in Current Assets. This discounted amount is \$42,630. The portions to be received subsequent to 2009 have been recorded in Other Assets. The long-term discount receivable at December 31, 2008 and 2007 is \$12,980 and \$39,841, respectively.

On October 4, 2005, the Organization was awarded an expense reimbursement contract in the amount of \$61,520 from the Ohio Lake Erie Commission, Lake Erie Protection Fund. The funds are being awarded for the completion of the Implementing Best Local Land Use Practices project. As of December 31, 2008, the Organization has \$6,152 remaining under this grant.

On December 21, 2005, the Organization was awarded a \$200,000 expense reimbursement contract from the Ohio Lake Erie Commission. The funds are being awarded for the Implementing Balanced Growth in the Chagrin River Watershed project. As of December 31, 2008, the Organization has \$20,000 remaining under this grant.

On March 20, 2006, the Organization was awarded an expense reimbursement contract from the U.S. Environmental Protection Agency in the amount of \$745,600. The funds are being awarded for the completion of the Demonstrating Innovative Approaches to Distributed Storm Water Management project. As of December 31, 2008 and 2007, the Organization has received \$380,651 and \$100,000 under this contract. At December 31, 2008 and 2007, \$36,186 and \$70,650 was receivable under this contract.

On April 28, 2006, the Organization was awarded a grant reimbursement contract from the Western Reserve Land Conservancy in the amount of \$9,500. The funds are being awarded for the completion of the critical riparian and wetland habitat preservation in the Chagrin River Watershed project. As of December 31, 2008, the Organization has received the full amount under this contract.

On September 1, 2006, the Organization was awarded a grant reimbursement contract in the amount of \$14,969 from the Ohio Department of Natural Resources Office of Coastal Management. The funds are being awarded for the completion of the Nonpoint Pollution Best Practices Case Studies project. As of December 31, 2007, the full amount of the grant has been received.



CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTES (CONTINUED):

On September 1, 2006, the Organization was awarded a grant reimbursement contract in the amount of \$76,307 from the Ohio Department of Natural Resources Office of Coastal Management. The funds are being awarded for the completion of the Riparian Corridor Connectivity Analysis and Urban Sewersheds project. As of December 31, 2008, the Organization has received the full amount under this contract.

On December 7, 2006, the Organization was awarded a \$20,000 operations grant from the Gund Foundation to be utilized for operating expenses in 2007. As of December 31, 2007 the full amount of the grant has been received.

On September 1, 2007, the Organization was awarded a grant reimbursement contract in the amount of \$181,044 from the CICEET. The funds are being awarded for the completion of the Improved Land Use in the Lake Erie Basin through Better Planning project. As of December 31, 2008, the Organization has received \$94,890 and \$12,772 was receivable under this contract.

On September 25, 2007, the Organization was awarded a grant in the amount of \$15,000 from the Lake Erie Protection Fund (State of Ohio). The funds are being awarded for the completion of the Bioswale Effectiveness Monitoring, Cuyahoga County project. As of December 31, 2008 and 2007, the Organization has received \$10,500 and \$-0- was receivable under this agreement.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of remaining grant revenue designated for the purpose of supporting expenses of the Chagrin River Watershed Coordinator.

7. FIN 48 ACCOUNTING POLICY DEFERRAL

Management has elected to defer the application of FAS FIN 48, *Accounting for Uncertain Tax Positions*, in accordance with FSP FIN 48-3. The Organization will continue to follow FAS 5, *Accounting for Contingencies*, until it adopts FIN 48.

8. SUBSEQUENT EVENT

In January, 2009 the Organization secured a grant with the Ohio Lake Erie Commission in the amount of \$129,600.