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CHAGRIN RIVER WATERSHED PARTNERS, INC.

FINANCIAL STATEMENTS

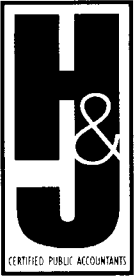
DECEMBER 31, 2009 AND 2008

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT.....	1
STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2009 AND 2008.....	2
STATEMENT OF ACTIVITIES Years ended DECEMBER 31, 2009 AND 2008	3
STATEMENT OF CASH FLOWS Years ended DECEMBER 31, 2009 AND 2008	4
NOTES TO THE FINANCIAL STATEMENTS.....	5 through 11



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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, 2009 and 2008, 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, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended.

Willoughby, Ohio
May 5, 2010

H•J
Certified Public Accountants



CHAGRIN RIVER WATERSHED PARTNERS, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2009 AND 2008

	UNRESTRICTED	TEMPORARILY RESTRICTED	2009	2008
ASSETS				
CURRENT ASSETS				
Cash & Cash Equivalents	\$180,290	\$ 25,450	\$205,740	\$192,040
Investments - CD's	154,884		154,884	100,978
Grants Receivable	41,033	32,878	73,911	29,956
Contract Reimbursements Receivable	20,510		20,510	48,958
Total Current Assets	396,717	58,328	455,045	371,932
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	6,891		6,891	5,666
Total Property & Equipment	924		924	2,149
OTHER ASSETS				
Grant Receivable - Long-Term				12,980
Deposits	1,465		1,465	1,465
Total Other Assets	1,465		1,465	14,445
TOTAL ASSETS	\$399,106	\$58,328	\$457,434	\$388,526
 LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 4,159	\$ -	\$ 4,159	\$ 34,291
Total Current Liabilities	4,159		4,159	34,291
NET ASSETS				
Unrestricted	394,947		394,947	311,605
Temporarily Restricted		58,328	58,328	42,630
Total Net Assets	394,947	58,328	453,275	354,235
TOTAL LIABILITIES AND NET ASSETS	\$399,106	\$58,328	\$457,434	\$388,526

See accompanying notes.



CHAGRIN RIVER WATERSHED PARTNERS, INC.

STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2009 AND 2008

			TOTAL	
	UNRESTRICTED	TEMPORARILY RESTRICTED	2009	2008
PUBLIC SUPPORT & REVENUE				
Public Support				
Membership Support	\$ 129,683		\$ 129,683	\$126,380
CICEET	75,092		75,092	102,117
U.S. Environmental Protection Agency	55,300		55,300	346,188
Lake Erie Protection Fund	30,552	15,000	45,552	10,500
NEORSD		30,000	30,000	
OWDA	13,494		13,494	
Ohio Department of Natural Resources	7,670		7,670	20,469
Ohio Environmental Protection Agency	2,965		2,965	
Donations				1,100
	314,756	45,000	359,756	606,754
Revenue				
Interest Income	4,394		4,394	4,272
Conference Registration Fees	1,620		1,620	
External Services	820		820	827
	6,834		6,834	5,099
Net Assets Released from Restrictions	29,302	(29,302)		
TOTAL PUBLIC SUPPORT & REVENUE	350,892	15,698	366,590	611,853
EXPENSES				
Salaries	163,378		163,378	149,609
Program Consulting Services	35,700		35,700	349,486
Payroll Taxes	18,518		18,518	12,838
Occupancy	10,736		10,736	10,881
Office Supplies & Expense	8,969		8,969	3,582
Employee Benefits	6,799		6,799	10,005
Accounting & Legal	4,038		4,038	3,597
Special Projects	3,682		3,682	5,103
Telephone	3,616		3,616	3,793
Printing & Reproduction	3,159		3,159	827
Travel & Conferences	2,800		2,800	6,588
Insurance Expense	1,739		1,739	650
Postage & Shipping	1,361		1,361	961
Depreciation	1,225		1,225	1,225
Payroll Processing	1,024		1,024	1,138
Dues & Subscriptions	500		500	446
Miscellaneous	306		306	
Advertising				890
	267,550		267,550	561,619
TOTAL EXPENSES	267,550	15,698	283,248	561,619
CHANGE IN NET ASSETS	83,342	15,698	99,040	50,234
NET ASSETS - BEGINNING OF YEAR	311,605	42,630	354,235	304,001
NET ASSETS - END OF YEAR	\$ 394,947	\$ 58,328	\$ 453,275	\$354,235

See accompanying notes.



CHAGRIN RIVER WATERSHED PARTNERS, INC.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 99,040	\$ 50,234
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	1,225	1,225
Decrease(Increase) in Grants Receivable	(30,975)	63,329
Decrease in Contract Reimbursements Receivable	28,448	69,692
Decrease in Accounts Payable	(30,132)	(80,467)
Decrease in Deferred Revenue		<u>(10,500)</u>
Total Adjustments	<u>(31,434)</u>	<u>43,279</u>
Cash Provided by Operating Activities	67,606	93,513
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Certificate of Deposit	<u>(53,906)</u>	<u>(100,978)</u>
NET CHANGE IN CASH	13,700	(7,465)
CASH AT BEGINNING OF YEAR	<u>192,040</u>	<u>199,505</u>
CASH AT END OF YEAR	<u>\$ 205,740</u>	<u>\$192,040</u>

See accompanying notes.



CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

NOTES:

1. NATURE OF OPERATIONS AND MISSION STATEMENT

NATURE OF OPERATIONS

The Chagrin River Watershed Partners, Inc. (CRWP) is a 501(c)(3) non-profit organization that provides technical assistance to its Members and develops cost effective, prevention-focused solutions to minimize new, and address current natural resource management problems as communities grow. The Chagrin River watershed is increasingly impacted by urban/suburban development that increases flooding, erosion and water quality problems. Faced with rising infrastructure costs as a result of these impacts, the cities, villages, townships, counties and park districts of the watershed formed CRWP in 1996. CRWP is now an established organization that has grown from 16 Members in 1996 to 36 Members in 2009 including municipalities, townships, counties and park districts representing 94% of the watershed. CRWP's Member communities and park districts support the Organization with an annual dues membership. Through this annual support, CRWP Members reaffirm their commitment to collaboration and participation.

MISSION

Chagrin River Watershed Partners, Inc. 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.

CRWP responds directly to the needs of Member communities, elected officials, engineers, planners, law directors and other professional advisors by helping them update comprehensive plans, zoning regulations and other programs guiding land use. CRWP has assisted communities by introducing innovative practices that maintain natural resource functions and prevent or minimize flooding, erosion and water quality problems. These practices include CRWP's recommended watershed management tools for planning, riparian and wetland setbacks, conservation development, improved erosion and sediment control, comprehensive stormwater management, open space acquisition, stream restoration and stormwater retrofits.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.



CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

NOTES (CONTINUED):

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.

RECOGNITION OF CONTRIBUTION REVENUE

Contributions received are recorded as unrestricted, temporarily restricted and permanently restricted support depending on the existence and/or nature of any grantor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of time or purpose restrictions. Permanently restricted net assets represent endowment fund which are subject to grantor restrictions that the contributed principal be invested in perpetuity and only the income be utilized.

The Organization considers all contributions to be unrestricted unless specifically restricted by the donor.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on those amounts are computed using the risk-free interest rates applicable for the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions of cash or other assets restricted to the acquisition of long-lived assets are recorded as temporarily restricted contributions. If there are no donor restrictions on the long-lived asset's use, the donor restrictions are considered met once the long-lived assets are acquired and the temporarily restricted net assets are reclassified to the unrestricted net asset class.

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.

**CHAGRIN RIVER WATERSHED PARTNERS, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

NOTES (CONTINUED):

ESTIMATED FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments include cash, investments, accounts and pledges receivable, and accounts payable. Cash, accounts receivable and accounts payable are deemed to be stated at their fair values. Investments are reported at fair value. Carrying values of pledges receivable approximate fair values based upon the timing of future expected cash inflows.

INCOME 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). The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

ACCOUNTS AND GRANTS OR PLEDGES RECEIVABLE

Accounts and grants or pledges receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance amount is \$-0- at December 31, 2009 and 2008.

DONATED MATERIALS AND SERVICES

Donated property, marketable securities and other non-cash donations are recorded as contributions at their fair market value at the date of donation.

Board members have donated time in furthering the organization's programs and objectives. These services are in the areas of: planning, legal, and budgeting. Other donated services received determined by the terms and delivery of certain grants, especially in the form of matching requirements. No amounts have been included in the financial statements for donated services described above since they did not meet the criteria for recognition under FASB ASC 958-605-25.

CONCENTRATION OF RISK

Substantially all income is from governmental entities.



CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

NOTES (CONTINUED):

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 2009 and 2008.

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.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense amounted to \$-0- (2009) and \$890 (2008).

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for potential recognition and/or disclosure through May 5, 2010, the date the financial statements were issued.

3. FUNCTIONAL EXPENSES

The allocation of functional expenses for the Organization for the years ended December 31, 2009 and 2008 is summarized as follows:

	<u>PROGRAM</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUND RAISING</u>	<u>2009 TOTAL</u>
Salaries & Related Expenses	\$179,261	\$ 9,434	\$ -	\$188,695
Direct Program Expenses	42,488			42,488
Indirect Expenses	34,562	1,805		36,367
	<u>\$256,311</u>	<u>\$ 11,239</u>	<u>\$ -</u>	<u>\$267,550</u>
	<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	25,673	1,897	420	27,990
	<u>\$550,684</u>	<u>\$ 9,560</u>	<u>\$1,375</u>	<u>\$561,619</u>



CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

NOTES (CONTINUED):

4. COMMITMENTS

CRWP has a lease agreement until June 30, 2011 at \$735 per month. Rent expense for the years ended December 31, 2009 and 2008 was \$8,820 and \$8,595, respectively.

Minimum payments due under this lease amount to the following:

2010	\$ 8,820
2011	<u>4,410</u>
	<u>\$13,230</u>

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 \$27,100 and \$30,600 at December 31, 2009 and 2008. 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 final payment, due in 2010 and amounting to \$23,200, is recorded in Grants Receivable in Current Assets. The long-term discount receivable at December 31, 2009 and 2008 is \$-0- and \$12,980, 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, 2009, the full amount of the grant has been received.

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, 2009, the full amount of the grant has been received.

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. At December 31, 2009 and 2008, \$13,146 and \$36,186 was receivable under this contract, respectively.

**CHAGRIN RIVER WATERSHED PARTNERS, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

NOTES (CONTINUED):

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 \$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 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. At December 31, 2009 and 2008, \$22,644 and \$94,890 was receivable under this contract, respectively. Once the 2009 receivable in the amount of \$22,644 is received, the Organization will have received the full amount 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, 2009, the Organization has received the full amount under this contract.

On January 1, 2009, the Organization was awarded a grant reimbursement contract in the amount of \$5,000 from the village of Chagrin Falls, Ohio. The funds were awarded to administer an Ohio EPA 319 grant. At December 31, 2009, \$730 was receivable under this contract.

On January 1, 2009, the Organization was awarded a grant reimbursement contract in the amount of \$129,600 from the Ohio Watershed Development Authority. The funds were awarded for the completion of a watershed research and mitigation. At December 31, 2009, \$730 was receivable under this contract. At December 31, 2009, \$3,438 was receivable under this contract.

On March 23, 2009, the Organization was awarded a grant reimbursement contract in the amount of \$10,000 from the village of Bainbridge, Ohio. The funds were awarded to administer an Ohio EPA 319 grant. At December 31, 2009, \$695 was receivable under this contract.

On July 1, 2009, the Organization was awarded a grant in the amount of \$14,900 from the Ohio Lake Erie Commission. The funds were awarded to develop a storm management information webpage. At December 31, 2009, \$8,349 was receivable under this grant.

**CHAGRIN RIVER WATERSHED PARTNERS, INC.**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

NOTES (CONTINUED):

On September 3, 2009, the Organization was awarded a grant in the amount of \$30,000 from the Northeast Ohio Regional Sewer District. The funds were awarded under the Watershed Program Grant to support CRWP as part of the NEORSD's regional Stormwater Management Program. At December 31, 2009, \$15,000 was receivable under this grant.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2009 and 2008 consist of remaining grants received designated for the purpose of supporting expenses of the Chagrin River Watershed Coordinator (\$23,200 and \$42,630); NEORSD project (\$22,683 and \$-0-); and Webpage Resource Development (\$12,445 and \$-0-), respectively.

7. ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The Organization is organized as a nonprofit organization exempt from income tax under 501(c)(3) of the Internal Revenue Code. Income taxes on unrelated business income, if any, are provided at the applicable rates on income for financial reporting purposes.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB ASC 740-10-55 "Income Taxes," an interpretation that clarifies the accounting and recognition of income tax positions taken or expected to be taken in the Organization's Form 990, **Return of Organization Exempt from Income Tax**. The Organization adopted the standard in 2009. The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2006 through 2009. In evaluating the Organization's activities, the Organization believes its position of tax-exempt status is current based on current facts and circumstances. They further have assessed that there are no activities unrelated to the purpose of the organization and therefore no tax is to be recognized.

It is the policy of the Organization to include in operating expenses penalties and interest assessed by income taxing authorities. There are no penalties or interest from taxing authorities included in operating expenses for the year ended December 31, 2009 or 2008.