



**AUDITED
FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

CHAGRIN RIVER WATERSHED PARTNERS, INC.

INDEX

DECEMBER 31, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	1
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF FUNCTIONAL EXPENSES.....	4
STATEMENTS OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	6
 <u>REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	13
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	14

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Chagrin River Watershed Partners, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Chagrin River Watershed Partners, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Chagrin River Watershed Partners, Inc. 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.

Report on Summarized Comparative Information

We have previously audited the Chagrin River Watershed Partners, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2020, on our consideration of Chagrin River Watershed Partners, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chagrin River Watershed Partners, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chagrin River Watershed Partners, Inc.'s internal control over financial reporting and compliance.

Concord, Ohio
May 14, 2020


Certified Public Accountants



CHAGRIN RIVER WATERSHED PARTNERS, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2019	2018
ASSETS				
CURRENT ASSETS				
Cash & Cash Equivalents	\$ 152,795	\$ 169,046	\$ 321,841	\$ 300,532
Receivables	132,273	33,923	166,196	223,108
Total Current Assets	<u>285,068</u>	<u>202,969</u>	<u>488,037</u>	<u>523,640</u>
OTHER ASSETS				
Long-Term Receivables	-	40,000	40,000	-
Investments	200,000	-	200,000	280,000
Deposits	2,750	-	2,750	2,750
Total Other Assets	<u>202,750</u>	<u>40,000</u>	<u>242,750</u>	<u>282,750</u>
TOTAL ASSETS	<u><u>\$ 487,818</u></u>	<u><u>\$ 242,969</u></u>	<u><u>\$ 730,787</u></u>	<u><u>\$ 806,390</u></u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 110,677	\$ -	\$ 110,677	\$ 47,778
Deferred Revenue	16,208	-	16,208	-
Total Current Liabilities	<u>126,885</u>	<u>-</u>	<u>126,885</u>	<u>47,778</u>
NET ASSETS				
Without Donor Restrictions				
Undesignated	160,933	-	160,933	141,695
Board-Designated Stabilization Fund	200,000	-	200,000	280,000
With Donor Restrictions	-	242,969	242,969	336,917
Total Net Assets	<u>360,933</u>	<u>242,969</u>	<u>603,902</u>	<u>758,612</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 487,818</u></u>	<u><u>\$ 242,969</u></u>	<u><u>\$ 730,787</u></u>	<u><u>\$ 806,390</u></u>

CHAGRIN RIVER WATERSHED PARTNERS, INC.

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	
			2019	2018
PUBLIC SUPPORT & REVENUE				
PUBLIC SUPPORT				
Governmental	\$ 395,327	\$ 112,751	\$ 508,078	\$ 454,940
Foundations	73,442	85,500	158,942	424,574
Contributions - Membership Support	114,000	5,100	119,100	116,356
Contributions - Other	20,759	-	20,759	12,528
Donated Services	801	-	801	9,632
Net Assets Released from Restrictions	297,299	(297,299)	-	-
	<u>901,628</u>	<u>(93,948)</u>	<u>807,680</u>	<u>1,018,030</u>
REVENUE				
Program Service Fees	19,349	-	19,349	-
Investment Return	697	-	697	545
Other Income	-	-	-	100
	<u>20,046</u>	<u>-</u>	<u>20,046</u>	<u>645</u>
TOTAL PUBLIC SUPPORT & REVENUE	921,674	(93,948)	827,726	1,018,675
EXPENSES				
Program Services	860,109	-	860,109	658,352
Management & General	120,059	-	120,059	68,543
Fundraising	2,268	-	2,268	5,036
	<u>982,436</u>	<u>-</u>	<u>982,436</u>	<u>731,931</u>
TOTAL EXPENSES	982,436	-	982,436	731,931
CHANGE IN NET ASSETS	(60,762)	(93,948)	(154,710)	286,744
NET ASSETS - BEGINNING OF YEAR	<u>421,695</u>	<u>336,917</u>	<u>758,612</u>	<u>471,868</u>
NET ASSETS - END OF YEAR	<u>\$ 360,933</u>	<u>\$ 242,969</u>	<u>\$ 603,902</u>	<u>\$ 758,612</u>

CHAGRIN RIVER WATERSHED PARTNERS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

EXPENSES	PROGRAM	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL	
				2019	2018
Salaries	\$ 352,081	\$ 63,810	\$ 1,714	\$ 417,605	\$ 360,285
Program Consulting Services	379,247	-	-	379,247	187,223
Employee Benefits	26,431	10,840	291	37,562	34,636
Occupancy	29,689	6,080	-	35,769	29,985
Supplies	18,473	15,742	-	34,215	32,243
Payroll Taxes	21,662	8,884	238	30,784	29,437
Travel, Conferences & Meetings	14,817	8	25	14,850	13,935
Professional Services	2,067	9,076	-	11,143	26,442
Telecommunications	6,618	1,356	-	7,974	6,304
Insurance	2,572	1,788	-	4,360	3,133
Printing & Reproduction	3,047	150	-	3,197	2,437
Utilities	2,458	504	-	2,962	2,462
Miscellaneous	216	919	-	1,135	1,933
Dues and Subscriptions	175	654	-	829	657
Postage & Shipping	556	248	-	804	819
TOTAL EXPENSES	\$ 860,109	\$ 120,059	\$ 2,268	\$ 982,436	\$ 731,931

CHAGRIN RIVER WATERSHED PARTNERS, INC.

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (154,710)	\$ 286,744
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Changes in:		
Receivables	96,912	(156,214)
Accounts Payable	62,899	37,255
Accrued Compensation-Related	-	(25,346)
Deferred Revenue	<u>16,208</u>	<u>(31,522)</u>
Total Adjustments	<u>176,019</u>	<u>(175,827)</u>
Cash Provided by Operating Activities	21,309	110,917
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in Deposits	<u>-</u>	<u>(1,320)</u>
Cash Used by Investing Activities	<u>-</u>	<u>(1,320)</u>
NET CHANGE IN CASH & CASH EQUIVALENTS	21,309	109,597
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>300,532</u>	<u>190,935</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 321,841</u>	<u>\$ 300,532</u>

CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

1. NATURE OF OPERATIONS AND MISSION STATEMENT

The Chagrin River Watershed Partners, Inc. (CRWP) is a 501(c)(3) nonprofit organization serving municipalities and park systems impacted by the Chagrin River. CRWP helps communities to better manage the problems of erosion and flooding through sustainable plans that benefit both the environment and community development.

CRWP 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.

A high quality natural resource, the Chagrin River is increasingly impacted by urban and suburban development that increases flooding, erosion and water quality problems. The CRWP was formed in 1996 as communities were faced with rising infrastructure costs as a result of these impacts. CRWP started with 16 member cities, villages, townships, counties and park districts and now serves 34 members, representing 91% of the Chagrin River watershed.

The mission of Chagrin River Watershed Partners, Inc. is to 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**BASIS OF PRESENTATION**

The accompanying financial statements of CRWP have been prepared on the accrual basis and include the assets, liabilities and financial activities of all program services of CRWP. In accordance with U.S. generally accepted accounting principles, the financial statements report the changes in and totals of each net asset class based on the existence of donor restrictions. Net assets are classified as without donor restrictions or with donor restrictions as described below:

Net assets without donor restrictions: Net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of CRWP. CRWP's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CRWP 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.

MEASURE OF OPERATIONS

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to CRWP's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

SUMMARIZED FINANCIAL INFORMATION

The financial statements and notes to financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Certain amounts in the prior-year summarized comparative information have been reclassified to be consistent with the presentation in the current-year financial statements. These classifications had no impact on changes in net assets as previously presented.

CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

RECLASSIFICATIONS

Certain amounts for 2018 have been reclassified to conform to the 2019 presentation.

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.

CASH AND CASH EQUIVALENTS/CONCENTRATION OF CREDIT RISK

CRWP's cash and cash equivalents, which are deposited in financial institutions, may at times exceed federally insured limits. CRWP has not experienced losses in such accounts and believes it is not exposed to significant credit risk on its cash and cash equivalents. Cash equivalents are highly liquid investments with an original maturity of three months or less at the date of purchase. Because of the short maturity of these financial instruments, the carrying value approximates the fair value.

At times during the year, cash balances may exceed the related amount of federal depository insurance. CRWP has cash balances in its banks in excess of amounts federally insured. There were no uninsured balances at December 31, 2019. CRWP maintains its cash with high quality financial institutions which CRWP believes limit these risks.

RECEIVABLES

Receivables 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, 2019 and 2018.

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. CRWP's policy is to capitalize equipment and fixtures with a cost in excess of \$5,000 per unit and real property and improvements with a cost in excess of \$10,000.

INVESTMENTS

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities. Investment return is presented net of investment fees.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). CRWP groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

CONTRIBUTIONS

Unconditional donor promises to give are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by CRWP.

The gifts are reported as either net assets without donor restriction or net assets with donor restriction if they are received with donor stipulations that sufficiently limit the use of the donated assets.

When a donor restriction expires, through the passage of time or when the purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and are reported on the statement of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

CONTRACTS AND GRANTS

CRWP receives grants and contracts from federal, state, and local agencies, as well as from private organizations, to be used for specific programs or land purchases. Unconditional grant awards are recorded as contribution revenue in the period which they are awarded. Grants awards having the existence of a condition, but lacking in both the existence of a barrier and right of return to the resource provider, are classified as restricted contribution revenue until conditions of the award are met. Conditional grant awards, having both the existence of a barrier and right of return to the resource provider, are classified as refundable advances when received as a cash advance and are recognized as revenue when the awards are expended for the purpose of the grant or other conditions are satisfied.

REVENUE AND REVENUE RECOGNITION

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

A portion of CRWP's revenue is sometimes derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when the CRWP 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 statement of financial position.

CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

CONTRIBUTED SERVICES AND MATERIAL

Contributed goods and services are reflected as both contribution revenue and expenses if they meet the criteria defined in accordance with GAAP, "Accounting for Contributions," in the accompanying statement of activities at their estimated fair value at date of receipt. The contributions of services are recognized if (a) the services received create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those assets and would typically need to be purchased if not provided.

In 2019 and 2018, donated legal, video and other services and material amounted to \$801 and \$9,632, respectively.

In addition, CRWP receives services from volunteers who give significant amounts of their time to CRWP's programs, fund raising campaigns, and management. No amounts have been reflected for these types of donated services as they do not meet the criteria for recognition.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses reflects the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation amount the programs and supporting services benefited. Management believes their allocations are done on a reasonable and consistent basis. Most personnel costs, office expenses, professional services, and other expenses are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done on the basis of estimates of time and effort.

ADVERTISING

Advertising costs are expensed as incurred. There was no advertising expense in 2019 and 2018.

INCOME TAXES

CRWP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, net income from certain activities (advertising, certain inventory sales and certain other items) not directly related to CRWP's tax-exempt purpose is subject to taxation as unrelated business income. Taxes related to these activities were not significant for the years ended December 31, 2019 and 2018.

ACCOUNTING PRONOUNCEMENTS ADOPTED IN 2019

During the year ended December 31, 2019, CRWP adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). The amendments in this Update create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments supersede the cost guidance in Subtopic 605-35, *Revenue Recognition - Construction-Type and Production-Type Contracts*, and create new Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. CRWP's accounting policies have been updated in the financial statements to reflect conformity with ASU 2014-09. The adoption of ASU 2014-09 has had no material effect on the change in net assets or net asset balances, by classification, as previously reported.

CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

During the year ended December 31, 2019, CRWP adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2018-08 – *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). This update clarifies and improves the scope and accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluation whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. CRWP accounting policies have been updated in the financial statements to reflect conformity with ASU 2018-08. The adoption of ASU 2018-08 has had no material effect on the change in net assets or net asset balances, by classification, as previously reported.

In 2019, CRWP adopted the provisions of FASB ASU 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. CRWP has applied the provisions of ASU 2016-18 to retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. CRWP is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared a COVID-19 virus outbreak. The pandemic has significantly impacted the economic conditions in the U.S., accelerating during March, as federal, state and local governments react to the public health crisis, creating significant uncertainties in the U.S economy. It is possible that the unexpected financial burden to CRWP's individual, foundation and governmental funders may reduce the ability of these entities to support the CRWP at historical levels.

As the projected length and impact of the virus outbreak is unknown at the date of this report, we are unable to determine if future funding will be reduced therefore are cannot estimate the effect on these financial statements.

In preparing these financial statements, CRWP has evaluated events and transactions for potential recognition or disclosure through May 14, 2020, the date the financial statements were available to be issued.

3. BOARD-DESIGNATED NET ASSETS

CRWP maintains a "Budget Stabilization Fund" to create asset balances to allow for shortfalls from economic fluctuations, single or multi-year project opportunities, or capital expenditures. All withdrawals from the account require Board approval. Interest and earnings from the cash reserve accrue to general operations. The fund is not considered to be a quasi-endowment fund, but a liquidity reserve.

At December 31, 2019 and 2018, the balance in the board designated fund was \$200,000 and \$280,000, respectively.

CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

4. FAIR VALUE MEASUREMENT

The fair value of investment assets, measured on a recurring basis at December 31 are as follows:

	Fair Value Measurements Using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
At December 31, 2019:				
Cash Equivalents	\$ 46,199	\$ -	\$ -	\$ 46,199
Certificates of Deposit	150,134	-	-	150,134
Money Market Funds	3,667	-	-	3,667
	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>

	Fair Value Measurements Using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
At December 31, 2018:				
Cash Equivalents	\$ 276,400	\$ -	\$ -	\$ 276,400
Money Market Funds	3,600	-	-	3,600
	<u>\$ 280,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,000</u>

5. OFFICE LEASE

CRWP has an office lease agreement at \$2,700 per month expiring on April 30, 2021, with three one-year renewal options. Rent expense amounted to approximately \$32,000 (2019) and \$30,000 (2018). Minimum payments due under this lease amount to approximately \$32,000 in 2020 and \$11,000 in 2021.

6. RETIREMENT PLAN

CRWP has a SIMPLE IRA defined contribution retirement plan. CRWP's contribution to the plan was approximately \$12,500 (2019) and \$11,500 (2018).

7. AVAILABILITY AND LIQUIDITY

The following represents CRWP's financial assets at December 31:

	2019	2018
Financial Assets at Year-End:		
Cash & Cash Equivalents	\$ 321,841	\$ 300,532
Receivables	206,196	223,108
Investments	200,000	280,000
	<u>728,037</u>	<u>803,640</u>
Total Financial Assets	728,037	803,640
Less Amounts not Available to be Used Within One Year:		
Net Assets with Donor Restrictions - Cash	(169,046)	(221,417)
Net Assets with Donor Restrictions - Receivables	(73,923)	(115,500)
Designated by the Board for Operating Reserve	<u>(200,000)</u>	<u>(280,000)</u>
	<u>(442,969)</u>	<u>(616,917)</u>
Financial Assets Available to meet General Expenditures Over the Next Twelve Months	<u>\$ 285,068</u>	<u>\$ 186,723</u>

CHAGRIN RIVER WATERSHED PARTNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

CRWP is supported in part by restricted grants. Because a grantor's restriction requires resources to be used in a particular manner or in a future period, CRWP must maintain sufficient resources to meet those responsibilities to its donors. This, financial assets may not be available for general expenditure within one year. As part of CRWP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, CRWP invests its cash in excess of daily requirements in interest-bearing savings and money market funds. Additionally, there is a fund established by the governing board that may be drawn upon the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The balance in this fund was \$200,000 as of December 31, 2019.

8. NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31:

		2019			
FUNDER	PURPOSE	BEGINNING NET ASSETS	CONTRIBUTIONS	NET ASSETS RELEASED FROM RESTRICTION	ENDING NET ASSETS
Beachwood	2020 Membership Dues	\$ -	\$ 5,100	\$ -	\$ 5,100
The Cleveland Foundation	Eastlake Erie Road Park	29,109	500	-	29,609
Lubrizon	Eastlake Erie Road Park	-	20,000	-	20,000
Great Lakes Commission	Sediment and Nutrient Reduction Program	-	112,751	(17,547)	95,204
The Cleveland Foundation	Lakefront Trail	-	60,000	-	60,000
Wildlife Conservation Society	Forestry Management	124,370	-	(124,370)	-
The George Gund Foundation	Central Lake Erie Basin Collaborative	91,089	-	(66,033)	25,056
Bingham Foundation	Stormwater Infrastructure	58,370	-	(58,370)	-
The Cleveland Foundation	Master Rain Garden Program	28,000	-	(28,000)	-
Dominion Foundation	Master Rain Garden Program	-	5,500	-	5,500
Cleveland Metroparks	2019 Membership Dues	3,479	-	(3,479)	-
Dominion Foundation	Eastlake Erie Road Park	2,500	-	-	2,500
		<u>\$ 336,917</u>	<u>\$ 203,851</u>	<u>\$ (297,799)</u>	<u>\$ 242,969</u>

		2018			
FUNDER	PURPOSE	BEGINNING NET ASSETS	CONTRIBUTIONS	NET ASSETS RELEASED FROM RESTRICTION	ENDING NET ASSETS
The Cleveland Foundation	Eastlake Erie Road Park	\$ 44,771	\$ -	\$ (15,662)	\$ 29,109
Wildlife Conservation Society	Forestry Management	5,150	176,922	(57,702)	124,370
The George Gund Foundation	Watershed Organization Collaboration	31,720	-	(31,720)	-
The George Gund Foundation	Central Lake Erie Basin Collaborative	-	150,000	(58,911)	91,089
Bingham Foundation	Stormwater Infrastructure	-	60,000	(1,630)	58,370
The Cleveland Foundation	Rain Garden Stormwater Pilot Program	-	28,000	-	28,000
Cleveland Metroparks	2019 Membership Dues	-	3,479	-	3,479
Dominion Foundation	Eastlake Erie Road Park	-	2,500	-	2,500
		<u>\$ 81,641</u>	<u>\$ 420,901</u>	<u>\$ (165,625)</u>	<u>\$ 336,917</u>

For the year ended December 31, 2019, CRWP realized a total decrease in net assets of \$154,709. The total decrease is comprised of 1) a decrease in net assets with donor restrictions of \$93,948 (reflected in the above table) resulting from the application of generally accepted principles to grants pledged or received with donor-imposed restrictions, and 2) a decrease of \$60,761 in net assets without donor restrictions.

For the year ended December 31, 2018, CRWP realized a total increase in net assets of \$286,744. The total increase is comprised of 1) an increase in net assets with donor restrictions of \$255,276 (reflected in the above table) resulting from the application of generally accepted principles to grants pledged or received with donor-imposed restrictions, and 2) an increase of \$31,468 in net assets without donor restrictions.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Chagrin River Watershed Partners, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Chagrin River Watershed Partners, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chagrin River Watershed Partners, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chagrin River Watershed Partners, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Chagrin River Watershed Partners, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chagrin River Watershed Partners, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Concord, Ohio
May 14, 2020



CHAGRIN RIVER WATERSHED PARTNERS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2019

CURRENT YEAR FINDINGS

There were no current period findings or questioned costs.