

**STROUD WATER RESEARCH CENTER, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS,  
SINGLE AUDIT, AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2020 AND 2019**

**STROUD WATER RESEARCH CENTER, INC.**  
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**DECEMBER 31, 2020 AND 2018**

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*Independent Auditors' Report*

To the Board of Directors  
Stroud Water Research Center, Inc.

***Report on the Financial Statements***

We have audited the accompanying financial statements of Stroud Water Research Center, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses for the years 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.

***Auditors' Responsibility***

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 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 auditors' 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 auditors consider 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.

To the Board of Directors  
Stroud Water Research Center, Inc.

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 Stroud Water Research Center, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters - Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2021, on our consideration of Stroud Water Research Center, 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 Stroud Water Research Center, 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 Stroud Water Research Center, Inc.'s internal control over financial reporting and compliance.

*Belfint, Lyons & Shuman, P.A.*

September 10, 2021  
Wilmington, Delaware

**STROUD WATER RESEARCH CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**

**ASSETS**

	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 489,807	\$ 406,321
Accounts and Grants Receivable, Net	1,049,233	1,574,943
Pledges Receivable, Net	666,736	821,567
Prepaid Expenses	47,796	42,579
<b>TOTAL CURRENT ASSETS</b>	<b>2,253,572</b>	<b>2,845,410</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	2,357,839	2,357,839
Buildings and Improvements	12,709,106	12,702,466
Equipment	3,154,730	3,120,573
Vehicles	380,508	325,242
	18,602,183	18,506,120
Less: Accumulated Depreciation	7,910,054	7,393,620
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>10,692,129</b>	<b>11,112,500</b>
<b>PLEDGES RECEIVABLE, NET</b>	624,359	1,193,696
<b>INVESTMENTS</b>	33,404,124	28,843,672
<b>BENEFICIAL INTEREST IN PERPETUAL TRUST</b>	10,613,320	10,447,650
<b>TOTAL ASSETS</b>	<b>\$ 57,587,504</b>	<b>\$ 54,442,928</b>

The accompanying notes are an integral part of these financial statements.

**STROUD WATER RESEARCH CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION - CONTINUED**  
**DECEMBER 31, 2020 AND 2019**

**LIABILITIES AND NET ASSETS**

	<b>2020</b>	<b>2019</b>
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 423,615	\$ 662,680
Taxes Payable - Payroll	8,175	7,335
Current Maturities of Bonds Payable	260,801	260,412
<b>TOTAL CURRENT LIABILITIES</b>	692,591	930,427
<b>BONDS PAYABLE - NET OF CURRENT MATURTIES</b>	4,461,785	4,722,586
<b>PAYCHECK PROTECTION PROGRAM LOAN - CONDITIONAL GRANT</b>	859,276	-
<b>PENSION BENEFIT OBLIGATION</b>	5,439,620	3,981,420
<b>TOTAL LIABILITIES</b>	11,453,272	9,634,433
<b>NET ASSETS</b>		
Without Donor Restrictions		
Board Designated	22,196,975	19,455,036
Undesignated	(523,134)	2,780,068
Total Net Assets Without Donor Restrictions	21,673,841	22,235,104
Total Net Assets With Donor Restrictions	24,460,391	22,573,391
<b>TOTAL NET ASSETS</b>	46,134,232	44,808,495
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 57,587,504	\$ 54,442,928

The accompanying notes are an integral part of these financial statements.

**STROUD WATER RESEARCH CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING REVENUE</b>			
Research Programs	\$ 1,479,767	\$ 71,502	\$ 1,551,269
Education/Public Programs	380,533	51,900	432,433
Watershed Restoration Programs	1,426,558	382,369	1,808,927
Annual Fund	472,252	-	472,252
Contributions	579,977	453,853	1,033,830
Contribution from Beneficial Interest in Perpetual Trust	366,364	-	366,364
Other Income	145,106	-	145,106
Special Events	283,176	-	283,176
	<u>5,133,733</u>	<u>959,624</u>	<u>6,093,357</u>
Net Assets Released from Restriction	420,491	(420,491)	-
<b>TOTAL OPERATING REVENUE</b>	<u>5,554,224</u>	<u>539,133</u>	<u>6,093,357</u>
<b>OPERATING EXPENSES</b>			
Program Services			
Research	2,428,143	-	2,428,143
Education	430,897	-	430,897
Watershed Restoration	1,514,161	-	1,514,161
Total Program Services	<u>4,373,201</u>	<u>-</u>	<u>4,373,201</u>
Supporting Services			
Finance and Administrative	676,415	-	676,415
Information Services	431,686	-	431,686
Facilities	916,006	-	916,006
Communications and Marketing	48,835	-	48,835
Other Expenses	204,269	-	204,269
Total Supporting Services	<u>2,277,211</u>	<u>-</u>	<u>2,277,211</u>
Development and Outreach	456,613	-	456,613
<b>TOTAL OPERATING EXPENSES</b>	<u>7,107,025</u>	<u>-</u>	<u>7,107,025</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<u>(1,552,801)</u>	<u>539,133</u>	<u>(1,013,668)</u>
<b>OTHER CHANGES</b>			
Pension Changes Including Net Periodic Pension Cost	(1,458,200)	-	(1,458,200)
Investment Income	213,995	103,270	317,265
Net Realized and Unrealized Gains (Losses) on			
Beneficial Interest in Perpetual Trust	-	165,670	165,670
Investments	2,235,743	1,078,927	3,314,670
<b>TOTAL OTHER CHANGES</b>	<u>991,538</u>	<u>1,347,867</u>	<u>2,339,405</u>
<b>CHANGE IN NET ASSETS</b>	<u>(561,263)</u>	<u>1,887,000</u>	<u>1,325,737</u>
<b>NET ASSETS - Beginning of Year</b>	<u>22,235,104</u>	<u>22,573,391</u>	<u>44,808,495</u>
<b>NET ASSETS - End of Year</b>	<u>\$ 21,673,841</u>	<u>\$ 24,460,391</u>	<u>\$ 46,134,232</u>

The accompanying notes are an integral part of these financial statements.

**STROUD WATER RESEARCH CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING REVENUE</b>			
Research Programs	\$ 1,865,770	\$ -	\$ 1,865,770
Education/Public Programs	597,176	-	597,176
Watershed Restoration Programs	1,952,471	98,318	2,050,789
Annual Fund	437,100	-	437,100
Contributions	212,350	-	212,350
Contribution from Beneficial Interest in Perpetual Trust	399,807	-	399,807
Other Income	123,796	-	123,796
Special Events	389,173	-	389,173
	<u>5,977,643</u>	<u>98,318</u>	<u>6,075,961</u>
Net Assets Released from Restriction	570,468	(570,468)	-
<b>TOTAL OPERATING REVENUE</b>	<u>6,548,111</u>	<u>(472,150)</u>	<u>6,075,961</u>
<b>OPERATING EXPENSES</b>			
Program Services			
Research	2,781,204	-	2,781,204
Education	546,327	-	546,327
Watershed Restoration	1,728,078	-	1,728,078
Total Program Services	<u>5,055,609</u>	<u>-</u>	<u>5,055,609</u>
Supporting Services			
Finance and Administrative	663,105	-	663,105
Information Services	439,528	-	439,528
Facilities	899,878	-	899,878
Communications and Marketing	46,317	-	46,317
Other Expenses	154,437	-	154,437
Total Supporting Services	<u>2,203,265</u>	<u>-</u>	<u>2,203,265</u>
Development and Outreach	455,262	-	455,262
<b>TOTAL OPERATING EXPENSES</b>	<u>7,714,136</u>	<u>-</u>	<u>7,714,136</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<u>(1,166,025)</u>	<u>(472,150)</u>	<u>(1,638,175)</u>
<b>OTHER CHANGES</b>			
Pension Changes Including Net Periodic Pension Cost	(1,066,011)	-	(1,066,011)
Investment Income	450,024	208,419	658,443
Net Realized and Unrealized Gains (Losses) on Beneficial Interest in Perpetual Trust Investments	-	961,231	961,231
	<u>2,365,461</u>	<u>1,095,509</u>	<u>3,460,970</u>
<b>TOTAL OTHER CHANGES</b>	<u>1,749,474</u>	<u>2,265,159</u>	<u>4,014,633</u>
<b>CHANGE IN NET ASSETS</b>	583,449	1,793,009	2,376,458
<b>NET ASSETS - Beginning of Year</b>	<u>21,651,655</u>	<u>20,780,382</u>	<u>42,432,037</u>
<b>NET ASSETS - End of Year</b>	<u>\$ 22,235,104</u>	<u>\$ 22,573,391</u>	<u>\$ 44,808,495</u>

The accompanying notes are an integral part of these financial statements.



**STROUD WATER RESEARCH CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,325,737	\$ 2,376,458
Adjustments to Reconcile Change in Net Assets to Net Cash Flow Used by Operating Activities		
Depreciation	516,435	478,431
Amortization of Debt Issuance Costs	1,927	1,838
Net Realized and Unrealized Gains	(3,480,340)	(4,422,201)
Contributed Investments	(833,793)	(608,987)
(Increase) Decrease in		
Accounts and Grants Receivable	525,710	(148,392)
Pledges Receivable	(281,838)	(447,674)
Prepaid Expenses	(5,217)	9,023
Increase (Decrease) in		
Accounts Payable and Accrued Expenses	(239,065)	5,746
Taxes Payable - Payroll	840	675
Pension Benefit Obligation	1,458,200	1,066,011
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(1,011,404)</u>	<u>(1,689,072)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(96,064)	(243,074)
Purchase of Investment Securities	(4,700,161)	(3,164,298)
Proceeds on Sale of Investment Securities	4,288,172	3,407,327
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(508,053)</u>	<u>(45)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Pledge Payments Received	1,006,006	1,256,899
Proceeds from Paycheck Protection Program Loan - Conditional Grant	859,276	-
Repayment of Bond Payable	(262,339)	(257,107)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u>1,602,943</u>	<u>999,792</u>
<b>NET CHANGE IN CASH</b>	83,486	(689,325)
<b>CASH - Beginning of Year</b>	<u>406,321</u>	<u>1,095,646</u>
<b>CASH - End of Year</b>	<u>\$ 489,807</u>	<u>\$ 406,321</u>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Cash Paid for Interest	<u>\$ 210,926</u>	<u>\$ 221,125</u>
Noncash Investing and Financing Activities		
Contributed Investments	<u>\$ 833,793</u>	<u>\$ 608,987</u>

The accompanying notes are an integral part of these financial statements.

**STROUD WATER RESEARCH CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>2020</b>			
	<b>Program Services</b>	<b>Supporting Services</b>	<b>Development and Outreach</b>	<b>Total</b>
Salaries and Wages	\$ 2,351,229	\$ 987,139	\$ 337,798	\$ 3,676,166
Fringe Benefits	733,570	308,887	106,406	1,148,863
Professional Fees	4,415	38,000	-	42,415
Advertising and Promotion	945	655	-	1,600
Office and Lab Expenses	144,702	56,711	1,511	202,924
Travel	42,652	1,267	703	44,622
Conferences, Conventions, and Meeting	3,768	75	195	4,038
Interest	-	212,853	-	212,853
Depreciation	155,103	361,332	-	516,435
Insurance	-	107,480	-	107,480
Subawards	340,401	-	-	340,401
Outside Services	57,030	49,350	1,920	108,300
Participant Support	73,460	-	-	73,460
Laboratory Equipment	253,000	471	-	253,471
Other Expenses	212,926	152,991	8,080	373,997
Net Periodic Defined Benefit Pension Cost	161,534	68,017	23,431	252,982
	<u>4,534,735</u>	<u>2,345,228</u>	<u>480,044</u>	<u>7,360,007</u>
Less: Net Periodic Pension Cost Presented as Nonoperating on Statements of Activities	<u>(161,534)</u>	<u>(68,017)</u>	<u>(23,431)</u>	<u>(252,982)</u>
Total Operating Expenses	<u><u>\$ 4,373,201</u></u>	<u><u>\$ 2,277,211</u></u>	<u><u>\$ 456,613</u></u>	<u><u>\$ 7,107,025</u></u>

The accompanying notes are an integral part of these financial statements.

**STROUD WATER RESEARCH CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019			
	<u>Program Services</u>	<u>Supporting Services</u>	<u>Development and Outreach</u>	<u>Total</u>
Salaries and Wages	\$ 2,345,249	\$ 888,325	\$ 332,925	\$ 3,566,499
Fringe Benefits	711,390	275,458	104,871	1,091,719
Professional Fees	14,120	38,000	-	52,120
Advertising and Promotion	500	-	-	500
Office and Lab Expenses	242,600	75,386	4,985	322,971
Travel	133,270	1,416	2,816	137,502
Conferences, Conventions, and Meeting	28,709	457	349	29,515
Interest	-	222,963	-	222,963
Depreciation	124,532	353,899	-	478,431
Insurance	-	97,044	-	97,044
Subawards	315,613	-	-	315,613
Outside Services	84,855	42,083	821	127,759
Participant Support	288,296	-	-	288,296
Laboratory Equipment	559,934	5,969	-	565,903
Other Expenses	206,541	202,265	8,495	417,301
Net Periodic Defined Benefit Pension Cost	92,141	35,677	13,583	141,401
	<u>5,147,750</u>	<u>2,238,942</u>	<u>468,845</u>	<u>7,855,537</u>
Less: Net Periodic Pension Cost Presented as Nonoperating on Statements of Activities	<u>(92,141)</u>	<u>(35,677)</u>	<u>(13,583)</u>	<u>(141,401)</u>
Total Operating Expenses	<u>\$ 5,055,609</u>	<u>\$ 2,203,265</u>	<u>\$ 455,262</u>	<u>\$ 7,714,136</u>

The accompanying notes are an integral part of these financial statements.

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Activities* - Stroud Water Research Center, Inc. (Corporation) operates as a nonprofit corporation established under Delaware law. The Corporation's purpose is to advance knowledge of stream and river ecosystems through interdisciplinary research; to develop and communicate new ecological ideas; to provide solutions for water resource problems worldwide; and to promote public understanding of freshwater ecology through education programs, watershed restoration, conservation leadership, and professional service.

*Basis of Accounting* - The financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles.

*Measure of Operations* - The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Corporation's on-going services. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

*Use of Estimates in the Preparation of Financial Statements* - The preparation of financial statements in conformity with U.S. 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.

*Revenue Recognition* - In accordance with Topic 606, the Corporation recognizes revenue resulting from exchange transactions when it satisfies its performance obligations by transferring control over a product or service to a customer. The following is a description of principal exchange transactions from which the Chapter generates revenue:

*Special Events* - The Corporation recognizes special events revenue equal to the cost of direct benefits provided to the donor and contribution revenue for the difference. Special event revenue equal to the cost of direct benefits provided to the donor is recognized at the point in time the benefit is delivered, generally when the event occurs. Contribution revenue resulting from special events is recognized immediately. For the years ended December 31, 2020 and 2019, the Corporation recognized ticket sales of \$44,643 and \$59,157, respectively, in accordance with the provisions of ASC 606.

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Revenue Recognition - Continued***

The following is a description of principal activities from which the Corporation generates revenue which fall outside the scope of Topic 606:

Contributions - The Corporation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or 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 substantially met.

Government Grants - A portion of the Corporation's revenue is derived from cost-reimbursable federal and state contracts or grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Corporation 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 statements of financial position. The Corporation received cost-reimbursable grants of \$6,370,863 that have not been recognized at December 31, 2020, because qualifying expenditures have not yet been incurred.

At times, the Corporation may receive contracts and grants that are a combination of exchange and nonexchange transactions. The Corporation recognizes the exchange portion of these contracts and grants in the period the products are transferred and/or when the services are provided.

**Net Assets** - Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions although their use may be limited by other factors such as by contract or board designation.

Net Assets With Donor Restrictions - Net assets subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Net Assets - Continued*

Contributions that are restricted by the donor are reported as net assets without donor restrictions if the restrictions expire in the reporting period in which the contribution is recognized.

*Endowment Investment and Spending Policies* - FASB ASC 958-10 - *Not-for-Profit Entities-Disclosure*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). The accounting standard also requires disclosures about an organization's endowment funds, both donor restricted endowment funds and board designated endowment funds, whether or not the organization is subject to UPMIFA.

The State of Delaware has enacted UPMIFA. The Corporation has determined that a portion of its net assets meet the definition of an endowment under UPMIFA.

The Corporation’s endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Corporation has interpreted the Delaware Uniform Prudent Management of Institutional Funds Act (“SPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) changes in the fair value of the beneficial interest in perpetual trust. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Corporation, and (7) the Corporation’s investment policies.

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Endowment Investment and Spending Policies - Continued*

The Corporation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The Corporation's objective is for its spending and investment policies to work together to achieve this objective. The investment guidelines are based upon an investment horizon of greater than ten years. In establishing the risk tolerances for this strategy, the Corporation's ability to withstand short- and intermediate-term variability were considered. The current long-term objective is to return an average of 8%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Corporation's various endowed funds to fund Corporation operations and capital acquisitions. The current spending policy is to distribute an amount equal to 5% of a thirteen-quarter weighted average of the value of endowment assets. In addition to this distribution, the Corporation's finance committee has the authority to distribute additional funds as they are deemed necessary. The spending policy called for a budgeted distribution of \$1,725,671 in 2020. Actual distributions from the endowment based on operating funds needed were \$435,790 and \$1,597,200 for the years ended December 31, 2020 and 2019, respectively.

*Investments* - Investments are comprised of common stock, mutual funds, alternative investment and cash management funds. Investments are stated at fair value.

*Property and Equipment* - Property and equipment are stated at cost. Cost is the purchase price at date of acquisition, if purchased, or the fair value at date of donation, if acquired by gift.

Contributions of cash and other assets to be used to acquire land, buildings, and equipment are reported as increases in net assets with donor restrictions. The net assets are considered to be released at the time the assets are placed in service.

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Property and Equipment - Continued*

Depreciation is computed over the estimated useful lives of property and equipment using the straight-line method. The annual depreciation rates are based on the following ranges of useful lives:

Buildings	20-50 Years
Building Improvements	5-20 Years
Equipment	3-10 Years
Vehicles	5 Years

Renewals and improvements are capitalized. Normal maintenance and repairs are expensed as incurred and major renewals and improvements are capitalized.

*Deferred Fees and Amortization* - Debt issuance costs of \$58,670, net of accumulated amortization of \$15,742 and \$13,815, respectively, as of December 31, 2020 and 2019, are reported as a direct deduction from the face amount of the bonds payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the effective interest method, over the terms of the respective notes payable.

Interest expense related to the debt issuance costs for the years ended December 31, 2020 and 2019, was \$1,927 and \$1,838, respectively.

*Beneficial Interest in Perpetual Trust* - Under the terms of the perpetual trust held and administered by a third party, the Corporation is the beneficiary of income earned on those trust's assets in perpetuity. The Corporation recognized the fair value of the trust's assets as contribution revenue with donor restrictions and an asset (beneficial interest in perpetual trust) when it was notified of the trust's existence.

Changes in the fair value of the trust's assets are recognized as donor restricted unrealized gains or losses in the period the change occurs.

The Corporation records income, in the period it is received from the trust, as contribution revenue without donor restrictions.

*Functional Allocation of Expenses* - The cost of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification of detail of expenses by function. The Corporation functionally reports most expenses based on the program or supportive service benefited. Certain costs have been allocated among the programs and supporting



**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Functional Allocation of Expenses - Continued* - services benefited. Salary and Wages and Fringe Benefits are allocated on the basis of time records. Depreciation expense is allocated based on the program or supporting service that acquired the related fixed asset. Occupancy expense, including building depreciation expense, is reported as supporting services expense.

*Income Taxes* - The Corporation is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code but can be subject to tax on unrelated trade or business income.

The Corporation complies with FASB ASC 740 - *Accounting for Uncertainty in Income Taxes*. For the years ended December 31, 2020 and 2019, the Corporation has determined it did not have a material tax liability for uncertain tax positions.

The Corporation's policy for penalties and interest assessed by income taxing authorities is to include them in other expenses. For the years ended December 31, 2020 and 2019, the Corporation did not incur any interest and penalties from taxing authorities.

The federal income tax returns of the Corporation for 2017, 2018 and 2019, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

*Advertising* - Advertising costs are charged to operations when incurred. Total advertising expenses for the years ended December 31, 2020 and 2019, were \$1,600 and \$500, respectively.

*Subsequent Events* - The Corporation's policy is to evaluate events and transactions subsequent to its year end for potential recognition in the financial statements or disclosure in the notes to the financial statements. Management has evaluated events and transactions through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 2: LIQUIDITY AND AVAILABILITY**

The following represents the Corporation's financial assets at December 31, 2020 and 2019:

	2020	2019
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 489,807	\$ 406,321
Account and Grants Receivable	1,049,233	1,574,943
Pledges Receivable	1,291,095	2,015,263
Investments	33,404,124	28,843,672
Beneficial Interest in Perpetual Trust	10,613,320	10,447,650
 Total Financial Assets	 46,847,579	 43,287,849
Less: Amounts Not Available to be Used Within One Year		
Total Net Assets with Donor Restrictions	24,460,391	22,573,391
Less: Net Assets With Purpose Restrictions to be Met in Less Than One Year	(2,752,429)	(1,954,047)
Pledges Receivable Without Donor Restrictions Due in Greater Than One Year	104,680	249,410
Quasi Endowment Established by the Board	22,196,975	19,455,036
 Total Amounts Not Available to be Used Within One Year	 44,009,617	 40,323,790
 Total Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	 \$ 2,837,962	 \$ 2,964,059

As part of the Corporation'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 to the above, the Corporation has the ability to distribute an amount equal to 5% of a thirteen-quarter weighted average of the value of endowment assets. In addition to this distribution, the Corporation's finance committee has the authority to distribute additional funds as they are deemed necessary. These distributions come out of the quasi endowment noted above.

**NOTE 3: FINANCIAL INSTRUMENTS**

**Concentrations of Credit Risk** - Financial instruments that potentially subject the Corporation to significant concentrations of credit risk are principally cash, receivables and investments.

Cash is maintained in bank deposit accounts with financial institutions that at times exceeds federally insured limits. The Corporation has not experienced any losses in such accounts and does not believe it is exposed to any significant risk. Uninsured balances were \$321,163 and \$174,300 as of December 31, 2020 and 2019, respectively.

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 3: FINANCIAL INSTRUMENTS - CONTINUED**

*Concentrations of Credit Risk - Continued*

Receivables, which represent unsecured support and revenue, are periodically reviewed by management for collectibility. An allowance for doubtful accounts is established if required.

Investments are unsecured and are managed by professional advisors subject to the Corporation's investment policy. The degree and concentration of credit risk vary by type of investment.

*Fair Value Measurement of Financial Instruments* - The Corporation complies with FASB ASC 820 - *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The definitions, framework and disclosures required by FASB ASC 820 apply to other accounting pronouncements that require or permit fair value measurement.

FASB ASC 820 establishes a three-level hierarchy that prioritizes the factors (inputs) used to calculate the fair value of assets and liabilities:

Level 1 - Inputs are unadjusted quoted prices, such as a New York Stock Exchange closing price, in active markets for identical assets. Level 1 is the highest priority in the hierarchy.

Level 2 - Inputs may include quoted prices for similar assets and liabilities in active markets, as well as other significant inputs that are observable at commonly quoted intervals, such as interest rates, foreign exchange rates, and yield curves.

Level 3 - Inputs are unobservable. Typically, assumptions determine the inputs since there is little, if any, related market activity. Level 3 is the lowest priority in the hierarchy.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments - The carrying amount approximates the fair value of investments. The fair value of Level 1 securities is determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of Level 2 securities is determined by using a market approach and reflects the fair value of an investment's underlying securities divided by the number of shares that are outstanding within the fund.

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 3: FINANCIAL INSTRUMENTS - CONTINUED**

*Fair Value Measurement of Financial Instruments - Continued*

Investments - Limited Partnerships - Investments in limited partnerships and LLCs that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Beneficial Interest in Perpetual Trust - The carrying amount approximates the fair value which is determined by reference to quoted market prices and other relevant information generated by market transactions.

Fair values of assets measured on a recurring basis at December 31, 2020, are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Management Funds	\$ 293,347	\$ 293,347	\$ -	\$ -
Mutual Funds				
Domestic Blended Equities	1,966,784	1,966,784	-	-
Domestic Small/Mid Cap Equities	6,824,571	6,824,571	-	-
Domestic Large Cap Equities	2,218,100	2,218,100	-	-
Fixed Income	6,568,955	6,568,955	-	-
Real Estate	26,694	26,694	-	-
International Equities				
Developed	3,425,414	3,425,414	-	-
Emerging Markets	1,939,684	1,939,684	-	-
Total Investments, Measured at Fair Value	23,263,549	23,263,549	-	-
Investment Measured at Net Asset Value				
Investment in Limited Partnership	10,140,575	N/A	N/A	N/A
Total Investments	\$ 33,404,124	\$ 23,263,549	\$ -	\$ -
Beneficial Interest in Perpetual Trust	\$ 10,613,320	\$ -	\$ 10,613,320	\$ -

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 3: FINANCIAL INSTRUMENTS - CONTINUED**

*Fair Value Measurement of Financial Instruments - Continued*

Fair values of assets measured on a recurring basis at December 31, 2019, are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Management Funds	\$ 290,038	\$ 290,038	\$ -	\$ -
Mutual Funds				
Domestic Blended Equities	1,897,165	1,897,165	-	-
Domestic Small/Mid Cap Equities	5,808,328	5,808,328	-	-
Domestic Large Cap Equities	1,717,011	1,717,011		
Fixed Income	5,859,535	5,859,535	-	-
International Equities				
Developed	2,731,392	2,731,392	-	-
Emerging Markets	1,465,887	1,465,887	-	-
Total Investments Measured at Fair Value	19,769,356	19,769,356	-	-
Investment Measured at Net Asset Value				
Investment in Limited Partnership	9,074,316	N/A	N/A	N/A
Total Investments	\$ 28,843,672	\$ 19,769,356	\$ -	\$ -
Beneficial Interest in Perpetual Trust	\$ 10,447,650	\$ -	\$ 10,447,650	\$ -

**NOTE 4: PLEDGES RECEIVABLE**

Pledges receivable consisted of the following at December 31:

	2020	2019
Receivable in Less Than One Year	\$ 666,736	\$ 821,567
Receivable in One to Five Years	682,386	1,540,861
Receivable in Greater Than Five Years	7,300	-
Total Pledges	1,356,422	2,362,428
Less: Discounts to Net Present Value	65,327	347,165
Less: Allowance for Uncollectible		
Pledges Receivable	-	-
	\$ 1,291,095	\$ 2,015,263

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 5: INVESTMENTS**

Investments are stated at fair value and are summarized as follows at December 31:

	2020		
	Cost	Fair Value	Unrealized Appreciation
Cash Management Fund	\$ 293,347	\$ 293,347	\$ -
Mutual Funds	18,570,280	22,970,202	4,399,922
Investment in Limited Partnerships	6,774,179	10,140,575	3,366,396
<b>Total Investments</b>	<b>\$ 25,637,806</b>	<b>\$ 33,404,124</b>	<b>\$ 7,766,318</b>

  

	2019		
	Cost	Fair Value	Unrealized Appreciation
Cash Management Fund	\$ 290,038	\$ 290,038	\$ -
Mutual Funds	17,133,600	19,479,318	2,345,718
Investment in Limited Partnerships	6,754,566	9,074,316	2,319,750
<b>Total Investments</b>	<b>\$ 24,178,204</b>	<b>\$ 28,843,672</b>	<b>\$ 4,665,468</b>

Investment income consisted of the following for the years ended December 31:

	2020	2019
Interest and Dividends	\$ 336,754	\$ 599,836
Partnership Income	54,436	126,145
Fees and Other Expenses	(73,925)	(67,538)
	<b>\$ 317,265</b>	<b>\$ 658,443</b>

**NOTE 6: BONDS PAYABLE**

In 2008, the Corporation entered into an agreement to construct a new building to accommodate the needs of their education, communications, development and business departments which was completed in 2012. A portion of the funding for the project was obtained from tax-exempt bond financing in the amount of \$6,500,000 which was approved by the Central and Western Chester County Industrial Development Authority and was advanced by Brown Brothers Harriman & Co (“BBH”).

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 6: BONDS PAYABLE - CONTINUED**

Bonds payable totaled \$4,772,586 and \$4,982,998 as of December 31, 2020 and 2019, respectively. The first \$3,250,000 of the bond issue bears interest at 4.70% until December 23, 2035. The second \$3,250,000 of the bond issue bears interest at 3.65% until December 23, 2035. Payments of interest and principal are due in accordance with the schedule outlined in the bond issue through December 2035.

Components of bonds payable are as follows for the year ended December 31, 2020:

	<u>Bonds Payable</u>	<u>Unamortized Loan Costs</u>	<u>Net</u>
Current Portion	\$ 262,820	\$ 2,019	\$ 260,801
Long-Term Portion	<u>4,502,694</u>	<u>40,909</u>	<u>4,461,785</u>
Total	<u>\$ 4,765,514</u>	<u>\$ 42,928</u>	<u>\$ 4,722,586</u>

Components of bonds payable are as follows for the year ended December 31, 2019:

	<u>Bonds Payable</u>	<u>Unamortized Loan Costs</u>	<u>Net</u>
Current Portion	\$ 262,339	\$ 1,927	\$ 260,412
Long-Term Portion	<u>4,765,514</u>	<u>42,928</u>	<u>4,722,586</u>
Total	<u>\$ 5,027,853</u>	<u>\$ 44,855</u>	<u>\$ 4,982,998</u>

Components of interest expense on the bonds payable for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Interest Expense	\$ 210,926	\$ 221,125
Amortization of Loan Cost	<u>1,927</u>	<u>1,838</u>
Total	<u>\$ 212,853</u>	<u>\$ 222,963</u>

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 6: BONDS PAYABLE - CONTINUED**

Scheduled principal payments on the bond payable for each of the next five years and thereafter, in the aggregate, are as follows:

2021	\$	262,820
2022		273,565
2023		279,585
2024		285,892
2025		292,501
Thereafter		3,371,151
	\$	4,765,514

**Covenants** - The Corporation must maintain the following financial covenants for the bond payable to its bank as follows:

The Corporation’s investments without donor restrictions shall not be less than \$8,000,000.

The Corporation shall not incur an operating deficit for any fiscal year, as defined in the bond agreement, in an amount greater than \$200,000.

The Corporation met the covenants described above as of December 31, 2020 and 2019.

**NOTE 7: PAYCHECK PROTECTION PROGRAM LOAN - CONDITIONAL GRANT**

On April 16, 2020, the Corporation received proceeds in the amount of \$859,276 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides loans to qualifying organizations for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest may be eligible for forgiveness as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

On July 16, 2021, the Corporation received PPP loan forgiveness of \$833,254. The remaining balance of \$26,022 bears at 1% per year and matures on April 24, 2025. Monthly payments of principal and interest in the amount of \$445 commence on August 16, 2021.



**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at December 31:

	2020	2019
Subject to Expenditure of a Specified Purpose		
Research Programs	\$ 478,184	\$ 593,530
Education/Public Programs	178,098	47,764
Watershed Restoration Programs	861,577	391,841
Other Programs	89,468	106,645
	1,607,327	1,139,780
Endowment Assets		
Subject to Appropriation and Expenditure in Accordance with Spending Policy		
New Building	565,281	479,022
Executive Director	2,361,379	1,673,507
Assistant Director	309,343	258,870
Research Programs	986,805	702,910
Restoration Programs	3,474,443	2,867,291
Education Programs	521,291	418,429
Original Gifts to Endowment Funds	2,988,607	2,988,607
Beneficial Interest in Perpetual Trusts	10,613,320	10,447,650
	21,820,469	19,836,286
Donor-Restricted Pledges for the Future of Fresh Water Initiative		
New Building	8,498	16,252
Executive Director	593,095	778,668
Assistant Director	8,498	16,252
Research Programs	58,265	217,303
Restoration Programs	326,395	499,871
Education Programs	37,844	68,979
	1,032,595	1,597,325
Total Net Assets with Donor Restrictions	\$ 24,460,391	\$ 22,573,391

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 9: NET ASSETS RELEASED FROM RESTRICTION**

Net assets released from donor restrictions by incurring expenses satisfying restricted purposes or by occurrence of other events specified by donors are as follows for the years ended December 31:

	2020	2019
Research Programs	\$ 202,759	\$ 98,955
Education/Public Programs	33	42,500
Watershed Restoration	146,513	237,309
Other Programs	32,627	9,080
Executive Director	22,204	118,931
Assistant Director	5,738	22,132
New Building	10,617	41,561
	\$ 420,491	\$ 570,468

**NOTE 10: REVENUE CONCENTRATIONS**

During the years ended December 31, 2020 and 2019, approximately 67% and 83%, respectively, of program revenue was from grants and contracts with four organizations.

As of December 31, 2020 and 2019, approximately 84% and 80%, respectively, of total outstanding pledges receivable were from 4 donors.

**NOTE 11: PENSION PLAN**

The Corporation complies with FASB ASC 715, *Compensation-Retirement Benefits*, for recognition and disclosure of its pension plan activity.

The Corporation has a defined benefit pension plan which covers all full-time employees that have attained 21 years of age with a minimum of one year of service. Annual pension benefits beginning at normal retirement age are equal to 1.25% of final average compensation for each year of service.

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 11: PENSION PLAN - CONTINUED**

The following tables set forth further information about the Corporation's defined benefit pension plan for the years ended December 31:

***Pension Plan Obligations and Funded Status:***

	<u>2020</u>	<u>2019</u>
Projected Benefit Obligation	\$ 14,395,054	\$ 12,197,304
Fair Value of Plan Assets	8,955,434	8,215,884
Funded Status	<u>\$ (5,439,620)</u>	<u>\$ (3,981,420)</u>
Accumulated Benefit Obligation	\$ 12,383,169	\$ 10,632,260
Employer Contributions	360,000	365,000
Participant Contributions	-	-
Benefits Paid	(364,900)	(350,344)

***Amounts Recognized in the Statement of Financial Position:***

	<u>2020</u>	<u>2019</u>
Pension Benefit Obligation	<u>\$ 5,439,620</u>	<u>\$ 3,981,420</u>

***Amounts Recognized in the Statement of Activities:***

	<u>2020</u>	<u>2019</u>
Components of Net Periodic Benefit Cost		
Service Cost	\$ 554,943	\$ 392,975
Interest Cost	393,931	415,702
Amortization of Net Loss	149,417	116,539
Expected Return on Plan Assets	<u>(485,309)</u>	<u>(418,815)</u>
Net Periodic Benefit Cost	<u>612,982</u>	<u>506,401</u>
Changes in Plan Assets and Benefit Obligations Recognized in Other Changes in Net Assets Without Donor Restrictions		
Net Loss	1,354,635	1,041,149
Amortization of Actuarial (Gain) or Loss	<u>(149,417)</u>	<u>(116,539)</u>
Total Recognized in Other Changes in Net Assets Without Donor Restrictions	<u>1,205,218</u>	<u>924,610</u>
Total Recognized in Net Periodic Benefit Costs and Other Changes in Net Assets Without Donor Restrictions	<u>\$ 1,818,200</u>	<u>\$ 1,431,011</u>

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 11: PENSION PLAN - CONTINUED**

The mortality assumption projection scale was revised from MP-2019 to MP-2020 to reflect the latest mortality projection. These assumption changes increased the projected benefit obligation as of December 31, 2020 by \$1,528,138.

The estimated net gain and prior service cost for the defined benefit pension plan that will be amortized from other changes in net assets without donor restrictions into the net periodic benefit during the year ending December 31, 2021 is \$204,164.

The following assumptions were used in accounting for the pension plan:

Weighted average assumptions used to determine the pension benefit obligation at December 31:

	<u>2020</u>	<u>2019</u>
Discount Rate	2.55%	3.30%
Rate of Compensation Increase	3.00%	3.00%
Expected Return on Plan Assets	6.10%	6.10%

Weighted average assumptions used to determine the net periodic benefit cost during the year ended December 31:

	<u>2020</u>	<u>2019</u>
Discount Rate	3.30%	4.25%
Rate of Compensation Increase	3.00%	3.00%
Expected Return on Plan Assets	6.10%	6.10%

The expected rate of return on pension plan assets is determined by those assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

The Plan's overall investment strategy is to achieve a mix of approximately 60% of investments for long-term growth and 40% for near-term benefit payments with a wide global diversification of asset types. The target allocations for plan assets are 60% equities and 40% fixed income. Equity securities include investments in large-cap, mid-cap, and small-cap companies with broad global diversification and include diversified real estate. Fixed income securities include corporate bonds of companies from diversified industries, global bonds, and U.S. Treasuries.

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 11: PENSION PLAN - CONTINUED**

The fair values of the Plan's assets as of December 31, 2020, by asset class, are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Management Fund	\$ 142,484	\$ 142,484	\$ -	\$ -
Domestic Equities	2,912,196	2,912,196	-	-
Fixed Income	3,410,244	3,410,244	-	-
Real Estate Investment Trust	790,037	790,037	-	-
International Equities				
Developed	1,040,391	1,040,391	-	-
Emerging Markets	660,082	660,082	-	-
	<u>\$ 8,955,434</u>	<u>\$ 8,955,434</u>	<u>\$ -</u>	<u>\$ -</u>

The fair values of the Plan's assets as of December 31, 2019, by asset class, are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Management Fund	\$ 603,337	\$ 603,337	\$ -	\$ -
Domestic Equities	2,479,875	2,479,875	-	-
Fixed Income	2,868,337	2,868,337	-	-
Real Estate Investment Trust	816,294	816,294	-	-
International Equities				
Developed	862,962	862,962	-	-
Emerging Markets	585,079	585,079	-	-
	<u>\$ 8,215,884</u>	<u>\$ 8,215,884</u>	<u>\$ -</u>	<u>\$ -</u>

The Corporation expects to contribute approximately \$360,000 to the pension plan in the year ending December 31, 2021. No plan assets are expected to be returned to the Corporation during the year ending December 31, 2021.

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 11: PENSION PLAN - CONTINUED**

Future benefit payments, which reflect expected service as appropriate, are expected to be paid as follows during the years ending December 31:

2021	\$	610,595
2022		496,994
2023		499,103
2024		507,441
2025		498,305
2026 - 2030		3,065,328

**NOTE 12: COMMITMENTS - COPIER LEASES**

The Corporation leases copiers under various operating leases. Future minimum rental payments under these operating leases by year and in the aggregate for each of the next four years ending December 31 are as follows:

2021	\$	15,072
2022		14,292
2023		13,200
2024		3,300
		<hr style="border-top: 1px solid black;"/>
	\$	<u><u>45,864</u></u>

Rent expense related to these leases was \$15,666 and \$14,212 in December 31, 2020 and 2019, respectively.

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 13: ENDOWMENT ASSETS**

Endowment assets consisted of the following as of December 31:

	Without Donor Restrictions (Board Designated)	With Donor Restrictions	Total
<u>As of December 31, 2020</u>			
Investments	\$ 22,196,975	\$ 11,207,149	\$ 33,404,124
Beneficial Interest in Perpetual Trust	<u>-</u>	<u>10,613,320</u>	<u>10,613,320</u>
	<u>\$ 22,196,975</u>	<u>\$ 21,820,469</u>	<u>\$ 44,017,444</u>
<u>As of December 31, 2019</u>			
Investments	\$ 19,455,036	\$ 9,388,636	\$ 28,843,672
Beneficial Interest in Perpetual Trust	<u>-</u>	<u>10,447,650</u>	<u>10,447,650</u>
	<u>\$ 19,455,036</u>	<u>\$ 19,836,286</u>	<u>\$ 39,291,322</u>

Changes in endowment net assets for the year ended December 31, 2020, were as follows:

	Without Donor Restrictions (Board Designated)	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2020	<u>\$ 19,455,036</u>	<u>\$ 19,836,286</u>	<u>\$ 39,291,322</u>
Investment Return			
Investment Income Net of Fees	213,995	103,270	317,265
Net Gains on Investments	<u>2,235,743</u>	<u>1,244,597</u>	<u>3,480,340</u>
Total Investment Return	<u>2,449,738</u>	<u>1,347,867</u>	<u>3,797,605</u>
Contributions Transferred into Endowment	<u>586,141</u>	<u>778,166</u>	<u>1,364,307</u>
Appropriation of Assets for Expenditure	<u>(293,940)</u>	<u>(141,850)</u>	<u>(435,790)</u>
Endowment Net Assets, December 31, 2020	<u>\$ 22,196,975</u>	<u>\$ 21,820,469</u>	<u>\$ 44,017,444</u>

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 13: ENDOWMENT ASSETS - CONTINUED**

Changes in endowment net assets for the year ended December 31, 2019 were as follows:

	Without Donor Restrictions (Board Designated)	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2019	\$ 17,098,133	\$ 17,405,030	\$ 34,503,163
Investment Return			
Investment Income Net of Fees	450,024	208,419	658,443
Net Losses on Investments	<u>2,365,461</u>	<u>2,056,740</u>	<u>4,422,201</u>
Total Investment Return	<u>2,815,485</u>	<u>2,265,159</u>	<u>5,080,644</u>
Contributions and Transfers into Endowment	<u>633,053</u>	<u>671,662</u>	<u>1,304,715</u>
Appropriation of Assets for Expenditure	<u>(1,091,635)</u>	<u>(505,565)</u>	<u>(1,597,200)</u>
Endowment Net Assets, December 31, 2019	<u>\$ 19,455,036</u>	<u>\$ 19,836,286</u>	<u>\$ 39,291,322</u>



**SUPPLEMENTARY INFORMATION**

**STROUD WATER RESEARCH CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-thru Entity Identification Number</b>	<b>Federal Expenditures</b>	<b>Amounts Passed Through to Subrecipients</b>
<b>Research and Development Cluster:</b>				
National Science Foundation				
Direct Programs				
Geosciences	47.050	-	\$ 41,578	\$ -
Biological Sciences	47.074	-	127,865	-
Education and Human Resources	47.076	-	127,024	-
Pass-through Programs				
University of Montana				
Biological Sciences	47.074	PG19-66236-01	10,379	-
Carnegie Mellon University				
Education and Human Resources	47.076	122371-358367	5,032	-
U.S. Department of Agriculture				
Pass-through Programs				
University of Delaware				
Agriculture and Food Research Initiative (AFRI)	10.310	-	83,332	-
National Resources Conservation Service				
i2CF2, LLC				
Environmental Quality Incentives Program	10.912	-	7,632	-
United States Department of Commerce (DOC)				
Direct Programs				
National Oceanic and Atmospheric Administration				
Chesapeake Bay Studies	11.457	-	72,340	13,532
U.S. Department of the Interior National Park Service				
Direct Programs				
Cooperative Research and Training Programs				
Resources of the National Park Service	15.945	-	2,299	-
Pass-through Programs				
National Park Service				
Caesar Rodney School District				
Adaptive Science	15.670	-	391	-
Sultana Education Foundation				
Chesapeake Bay Gateways Network	15.930	P17AC00733	309	-
White Clay Watershed Association				
National Park Service Conservation, Protection, Outreach, and Education	15.954	S14141	10,180	-

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**STROUD WATER RESEARCH CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-thru Entity Identification Number</b>	<b>Federal Expenditures</b>	<b>Amounts Passed Through to Subrecipients</b>
U.S. Environmental Protection Agency				
Pass-through Programs				
Chesapeake Bay Trust				
Chesapeake Bay Program	66.466	-	\$ 42,425	\$ -
National Fish and Wildlife Foundation				
Chesapeake Bay Program	66.466*	-	180,945	19,364
Soil Health Conservation, Engagement, and Technical Assistance (MD, PA, VA)	99-UNKNOWN	-	<u>126,729</u>	<u>8,364</u>
			<u>\$ 838,460</u>	<u>\$ 41,260</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**STROUD WATER RESEARCH CENTER, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2020**

**NOTE A: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal award activity of Stroud Water Research Center, Inc. under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Stroud Water Research Center, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Stroud Water Research Center, Inc.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE C: INDIRECT COST RATE**

Stroud Water Research Center, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE D: NATIONAL FISH AND WILDLIFE FOUNDATION (NFWF): DELIVERING THE NATIONAL FISH AND WILDLIFE FOUNDATION REGIONAL CONSERVATION PARTNERSHIP PROGRAM IN LANCASTER COUNTY (PA)**

During the year ended December 31, 2020, funds totaling \$180,945 were received from the National Fish and Wildlife Foundation. While the grant agreements indicate that the source of the funds includes federal (CFDA #66.466/10.502/10.683 and CFDA # 66.466/10.902), the National Fish and Wildlife Foundation has not provided the Corporation with the amount reimbursed by funding source. Because the amount by CFDA number cannot be separately identified, the full amount is included in the accompanying schedule of expenditures of federal awards under U.S. Environmental Protection Agency.



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***Independent Auditors' 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  
Stroud Water Research Center, 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 Stroud Water Research Center, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, 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 September 10, 2021.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Stroud Water Research Center, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Stroud Water Research Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Stroud Water Research Center, 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.

To the Board of Directors  
Stroud Water Research Center, Inc.

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 Stroud Water Research Center, 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 financial statement. 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Belfint, Lyons & Shuman, P.A.*

September 10, 2021  
Wilmington, Delaware



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***Independent Auditors' Report on Compliance for Each Major  
Program and on Internal Control Over Compliance  
Required by the Uniform Guidance***

To the Board of Directors  
Stroud Water Research Center, Inc.

***Report on Compliance for Each Major Federal Program***

We have audited Stroud Water Research Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Stroud Water Research Center, Inc.'s major federal programs for the year ended December 31, 2020. Stroud Water Research Center, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Stroud Water Research Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Stroud Water Research Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Directors  
Stroud Water Research Center, Inc.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Stroud Water Research Center, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Stroud Water Research Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

### ***Report on Internal Control over Compliance***

Management of Stroud Water Research Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Stroud Water Research Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Stroud Water Research Center, Inc.'s internal control over compliance.

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

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



To the Board of Directors  
Stroud Water Research Center, Inc.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Belfint, Lyons & Shuman, P.A.*

September 10, 2021  
Wilmington, Delaware

**STROUD WATER RESEARCH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2020**

**I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of Auditors' Report Issued:	Unmodified		
Internal Control Over Financial Reporting:			
• Material Weaknesses Identified?	_____ Yes	_____ <u>x</u> _____ No	
• Significant Deficiencies Identified that are Not Considered to be Material Weaknesses?	_____ Yes	_____ <u>x</u> _____ None Reported	
Noncompliance Material to Financial Statements Noted?	_____ Yes	_____ <u>x</u> _____ No	

**Federal Awards**

Internal Control Over Major Programs:			
• Material Weaknesses Identified?	_____ Yes	_____ <u>x</u> _____ No	
• Significant Deficiencies Identified that are Not Considered to be Material Weaknesses?	_____ Yes	_____ <u>x</u> _____ None Reported	
Type of Auditors' Report Issued on Compliance for Major Programs:	Unmodified		
Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR section 200.516(a)?	_____ Yes	_____ <u>x</u> _____ No	

**Identification of Major Programs**

CFDA Number(s) - Name of Federal Program or Cluster

Research and Development Cluster  
10.310, 10.912, 11.457, 15.670, 15.930, 15.945, 15.954, 47.050, 47.074,  
47.076, 66.466

Dollar Threshold Used to Distinguish between Type A and Type B Programs:	\$	750,000
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Auditee Qualified as Low-Risk Auditee?	_____ Yes	_____ <u>x</u> _____ No
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**STROUD WATER RESEARCH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**DECEMBER 31, 2020**

**II. Financial Statement Findings**

None

**III. Federal Award Findings**

None

**STROUD WATER RESEARCH CENTER, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**DECEMBER 31, 2020**

**Financial Statement Findings**

**Reference Number:** 2019-001

**Type of Finding:** Internal Controls Over Financial Reporting  
Significant Deficiency - Pledges Receivable/Contributions

**Condition:** During the year ended December 31, 2018, a \$400,000 pledge receivable payment was received and recorded as revenue.

**Recommendation:** We recommend the Corporation develop an internal control reconciliation process to reduce the risk that payments on previously recognized pledges are identified and communicated to those performing accounting functions.

**Current Status:** No similar findings in the current year.

**Federal Award Findings**

None