

Center for Watershed Protection

Board Calendar for 2020

as of 01/27/2020

Thursday, February 27, 2020

1pm – 3:30pm

Meeting via Zoom and at the Center Office

Thursday, May 28, 2020

1pm – 3pm

Meeting via Zoom and at the Center Office

Thursday, August 27, 2020

1pm – 3pm

Meeting via Zoom and at the Center Office

Thursday, October 29, 2020

1pm – 3pm

Meeting via Zoom and at the Center Office



List of Board of Directors
Updated February 01, 2020
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Center for Watershed Protection

Board Committee Assignments

As of 02/06/2020

Governance

Rhea Harris – Chair

Willy Moore

Kimberly Min

Karen Evans

Juanita Galbreath

Finance

Mike Freeburger – Chair

Luis Valdivieso

D’Andrea Walker

Scott Lang

Anwer Ahmed

Scott Osborn

Resource Development

Alan Vicory – Chair

Addison Palmer

Karen Evans

Michael Marcus

AGENDA DRAFT AS OF 06/10/20

CENTER FOR WATERSHED PROTECTION BOARD MEETING

Thursday, June 18th from 1:00 pm – 3:00 pm

Join Zoom Meeting

<https://zoom.us/j/96690658800?pwd=d2txVWY0LzVKTGxjSIVtS0dkdEZyZz09>

Meeting ID: 966 9065 8800

Password: 024634

1:00 – 1:10	Call Meeting to Order, Roll Call, and Approval of Meeting Minutes	Carlton Epps
1:10 – 1:40	Finance Committee Introduce Jay Kapadia 2019 Audit 2020 Numbers	Mike Freeburger
1:40 – 2:00	Ad-Hoc Contingency Planning	Anwer Ahmed
2:00 – 2:20	Governance	Rhea Harris
2:20 – 2:40	Resource Development Committee	Alan Vicory
2:40 – 2:50	Future Board Training Discussion Meeting Protocols Building a Fundraising Board Other Topics?	Hye Yeong Kwon
2:50 – 3:00	Concluding Remarks	Carlton Epps

**Executive Director's Report brought to you by Hye Yeong Kwon
May 2020**

How are Things Going Overall?

Despite COVID-19, so far because our organization conducted much of our work remotely before, the transition to work at home has been minimal. There have been some major issues that have emerged as a result of the stay-at-home orders including:

- 1) A staff person's wife is thought to have contracted COVID-19, although at this stage she is over the worst of it and could not get tested to confirm. The issue is that he also has small children at home and has not been able to work full-time. I have had to spend time learning what the new rules are for employment, asking several attorneys for advice. His inability to work has impacted our ability to bill. Fortunately, we had another engineer start this week and she is now fully immersed in doing some of the work, but it has been more than a month lag time. We are still short staffed, but I am holding on to hope that the employee's status will change in the next month or two as measures for distancing change.
- 2) We had made two offers to employees and although both accepted to fill the gaps left by others, only one actually executed our agreement of employment, again, setting us back in staff people to do the work we have in hand. However, we discussed reconsidering the offer of employment later this year.
- 3) My big concern right now with the consulting work is getting done the work we have in hand. The changes in employees has set us back some, although we do have a plan to get us back, it is not instant.
- 4) Because of the unknowns with COVID-19 the management staff have already started looking at every single project and proposal to determine what if anything will change in funding even for secured work. We hope to have some information to share as part of the new emergency planning that was recommended by BEACON.
- 5) Despite last minute changes in our conference to an on-line format, the conference was excellent all the way around. I am confident that this is an indicator of the flexibility of the staff to adapt rapidly to changing circumstances. I am hopeful that the board can help support our need to make these changes, sometimes on the fly by letting staff do our thing.

Project News:

As shared with the Board, the 2020 National Watershed and Stormwater Conference was a huge success despite the last-minute pivot to an on-line format. The staff are working on other on-line formats for future conference beyond the Webcasts and Lunch & Learns that we currently hold. For example, we are considering a few specialty conferences on topics island/ coastal watersheds and agriculture as they emerged as topics of interest from our membership and audience.

At this point, while we (the board and staff) had discussed a fundraising event in 2020, I believe this will have to be put on hold until 2021.

Lastly, membership is still thriving and gaining ground with over 800 individual members from both individual and group memberships.

New Work: Since my last report in February, we were awarded more than \$300,000 worth of more work in 2020 and 2021 and an additional \$800,000 worth of proposals were submitted over the past two months.

I submitted two grants from the Small Business Administration's Paycheck Protection Program, one for \$10,000 and another for \$500,000. Unfortunately, we did not qualify for the \$500,000 because the credit union to which we applied had a requirement they did not disclose at the time of application requiring nonprofits to serve the military only. We also missed the window to apply to other banks. We have yet to hear back about the \$10,000 which would partially pay for our employee who has been on leave due to the impacts of COVID-19.

Board News: Committee chairs are setting up meetings now and recruiting new board members to committees. Please expect outreach from chairs and if you don't hear from them, please reach out to the chairs of the respective committees on which you serve. A reminder of chairs:

Resource Development – Alan Vicory
Governance – Rhea Harris
Finance – Mike Freeburger

Also, the board calendar is up. Please make sure you add the meetings to your own personal calendars.

Financials:

A draft of the first quarter numbers have been shared with the Treasurer, Mike Freeburger. As you might imagine the losses in mutual funds are going to be big when all is said and done. The good news is so far we have not had to take any loans or money out to cover costs.

Working with our Marlyn, the accountants, and auditors, we are immersed in the 2019 audit and have been simultaneously dealing with the federal indirect rate audit and will continue to do so through June. We will talk through numbers and actions items at the next finance committee meeting.

Area Where Board Can Help

For those of you who know me, my work passions are helping nonprofits thrive AND environmental work which is why the Center for Watershed Protection has always been a great place for me. I have played on both sides of the fence as staff and board of SECU MD and other nonprofits in the past. In that regard, I follow the latest news on nonprofits as much as I do watershed news, and my sources of information include many long-standing and reputable publications and organizations like Blue Avocado. Jan Masaoka ran a nonprofit for years and founded Blue Avocado to communicate the best and worst practices for nonprofits. Here is a very quick read from Blue Avocado that I thought was great so thought I would share. <https://blueavocado.org/board-of-directors/top-10-nonprofit-board-worst-practices/>. I hope you find this useful as well.

Hope you all stay healthy and well during these very strange times.

CENTER FOR WATERSHED PROTECTION, INC.

**FINANCIAL REPORT
DECEMBER 31, 2019 AND 2018**

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 19
Supplementary Information	
Schedules of Overhead Rate	20 - 21



**ANDERSON
DAVIS**

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Center for Watershed Protection, Inc.
Ellicott City, Maryland

We have audited the accompanying financial statements of the Center for Watershed Protection, Inc. (a nonprofit organization) (the Center), which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities, functional expenses, and cash flows 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.

Auditor's 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. 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 the Center for Watershed Protection, Inc. as of December 31, 2019 and 2018, 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 Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Overhead Rate are presented on pages 19 - 20 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.

Anderson, Davis & Associates, CPA

Glen Burnie, Maryland

June 4, 2020

CENTER FOR WATERSHED PROTECTION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 155,696	\$ 131,997
Grants and contracts receivable:		
Federal government - unbilled	458,052	441,678
Other - billed	90,254	58,715
Prepaid expenses	16,046	13,203
Total current assets	720,048	645,593
Investment	404,863	438,288
Furniture and equipment - at cost:		
Furniture	6,311	6,311
Computer equipment	199,184	181,565
	205,495	187,876
Less accumulated depreciation	164,970	149,333
Net value of furniture and equipment	40,525	38,543
Security deposit	4,522	6,522
Total assets	\$ 1,169,958	\$ 1,128,946
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 5,032	\$ 161,700
Accrued salaries and taxes payable	68,833	74,010
Accrued leave	50,007	48,637
Deferred rent - short-term	6,086	3,881
Deferred revenue	24,049	47,671
Total current liabilities	154,007	335,899
Long-term liabilities:		
Deferred rent - long-term	4,111	10,197
Total liabilities	158,118	346,096
Net assets:		
Without donor restrictions	957,944	566,108
With donor restrictions	53,896	216,742
Total net assets	1,011,840	782,850
Total liabilities and net assets	\$ 1,169,958	\$ 1,128,946

See the Independent Auditor's Report and the Notes to the Financial Statements.

CENTER FOR WATERSHED PROTECTION, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GRANTS, AND OTHER SUPPORT			
Federal government grants	\$ 341,403	\$ -	\$ 341,403
Local government partnerships	2,559,720	-	2,559,720
Private foundation grants	333,551	-	333,551
Other grants	284,487	-	284,487
Individual and corporate donations	41,639	-	41,639
Workshops	214,570	-	214,570
Membership dues, net of discounts	30,300	-	30,300
Subscriptions	67	-	67
Advertising and sponsorships	63,250	-	63,250
Interest and dividends	339	-	339
Unrealized gain (loss) on investments	106,411	-	106,411
Net assets released from restriction	162,846	(162,846)	-
	4,138,583	(162,846)	3,975,737
EXPENSES			
Program services:			
Membership	143,389	-	143,389
Research	155,636	-	155,636
Training	578,696	-	578,696
Watershed/Stormwater Services	2,661,933	-	2,661,933
	3,539,654	-	3,539,654
Supporting services:			
General and administrative	195,106	-	195,106
Fundraising	11,987	-	11,987
	207,093	-	207,093
	3,746,747	-	3,746,747
Change in net assets	391,836	(162,846)	228,990
Net assets at beginning of year	566,108	216,742	782,850
Net assets at end of year	\$ 957,944	\$ 53,896	\$ 1,011,840

See the Independent Auditor's Report and the Notes to the Financial Statements.

CENTER FOR WATERSHED PROTECTION, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GRANTS, AND OTHER SUPPORT			
Federal government grants	\$ 547,132	\$ -	\$ 547,132
Local government partnerships	2,076,332	-	2,076,332
Private foundation grants	178,938	258,232	437,170
Other grants	260,219	-	260,219
Individual and corporate donations	16,971	-	16,971
Workshops	62,504	-	62,504
Membership dues, net of discounts	16,481	-	16,481
Subscriptions	610	-	610
Advertising and sponsorships	10,750	-	10,750
Interest and dividends	925	-	925
Unrealized gain (loss) on investments	(53,928)	-	(53,928)
Net assets released from restriction	265,509	(265,509)	-
	<u>3,382,443</u>	<u>(7,277)</u>	<u>3,375,166</u>
EXPENSES			
Program services:			
Membership	59,802	-	59,802
Research	361,223	-	361,223
Training	432,233	-	432,233
Watershed/Stormwater Services	2,612,031	-	2,612,031
	<u>3,465,289</u>	<u>-</u>	<u>3,465,289</u>
Supporting services:			
General and administrative	209,874	-	209,874
Fundraising	3,165	-	3,165
	<u>213,039</u>	<u>-</u>	<u>213,039</u>
	<u>3,678,328</u>	<u>-</u>	<u>3,678,328</u>
Change in net assets	(295,885)	(7,277)	(303,162)
Net assets at beginning of year	861,993	224,019	1,086,012
Net assets at end of year	<u>\$ 566,108</u>	<u>\$ 216,742</u>	<u>\$ 782,850</u>

See the Independent Auditor's Report and the Notes to the Financial Statements.

CENTER FOR WATERSHED PROTECTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019

	PROGRAM SERVICES					SUPPORTING SERVICES			
	Membership	Research	Training	Watershed/ Stormwater Services	Total Program Services	General and Adminstrative	Fundraising	Total Supporting Services	Total
Salaries	\$ 89,929	\$ 94,041	\$ 255,582	\$ 528,782	\$ 968,334	\$ 496,688	\$ 5,023	\$ 501,711	\$ 1,470,045
Fringe - Payroll Taxes	6,740	6,968	19,344	39,411	72,463	37,524	379	37,903	110,366
Fringe - Employee Benefits	5,456	5,823	16,612	30,611	58,502	64,600	189	64,789	123,291
Fringe - Employer 401K	3,111	3,176	8,944	11,901	27,132	23,605	173	23,778	50,910
Bank/Credit Card Fees	756	-	6,829	-	7,585	8,518	-	8,518	16,103
Contractors	5,195	11,329	7,274	1,512,659	1,536,457	-	-	-	1,536,457
Depreciation Expense	790	817	3,285	4,653	9,545	6,020	72	6,092	15,637
Insurance	-	-	-	-	-	16,520	-	16,520	16,520
Licensing Fees	-	-	150	3,912	4,062	649	3,285	3,934	7,996
Operational Expenses	97	-	9,790	1,088	10,975	72,915	758	73,673	84,648
Postage & Delivery	40	-	736	586	1,362	2,977	9	2,986	4,348
Professional Development	-	-	-	-	-	1,001	-	1,001	1,001
Professional Fees: Accounting	-	-	-	-	-	35,000	-	35,000	35,000
Publications, Dues & Subscriptions	-	-	4,433	2,020	6,453	2,690	-	2,690	9,143
Registration Fees	-	-	1,320	215	1,535	1,835	-	1,835	3,370
Rent	3,091	3,198	12,855	18,209	37,353	23,555	282	23,837	61,190
Reproduction	906	-	4,537	2,046	7,489	8,891	-	8,891	16,380
Staff Recruitment	-	-	-	-	-	221	-	221	221
Supplies	23	7	9,270	4,499	13,799	14,927	-	14,927	28,726
Telephone	37	322	1,217	833	2,409	12,479	-	12,479	14,888
Travel	765	1,242	109,756	9,416	121,179	19,294	34	19,328	140,507
Subtotal expenses	116,936	126,923	471,934	2,170,841	2,886,634	849,909	10,204	860,113	3,746,747
Indirect expenses	26,453	28,713	106,762	491,092	653,020	(654,803)	1,783	(653,020)	-
Total expenses	\$ 143,389	\$ 155,636	\$ 578,696	\$ 2,661,933	\$ 3,539,654	\$ 195,106	\$ 11,987	\$ 207,093	\$ 3,746,747

See the Independent Auditor's Report and the Notes to the Financial Statements.

CENTER FOR WATERSHED PROTECTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019

	PROGRAM SERVICES					SUPPORTING SERVICES				
	Membership	Research	Training	Watershed/ Stormwater Services	Total Program Services	General and Adminstrative	Fundraising	Total Supporting Services	Total	
Salaries	\$ 27,701	\$ 146,396	\$ 197,485	\$ 546,632	\$ 918,214	\$ 559,107	\$ -	\$ 559,107	\$ 1,477,321	
Fringe - Payroll Taxes	2,031	10,926	14,669	40,683	68,309	42,652	-	42,652	110,961	
Fringe - Employee Benefits	2,270	11,797	15,936	43,863	73,866	64,482	-	64,482	138,348	
Fringe - Employer 401K	975	5,108	6,877	19,148	32,108	19,702	-	19,702	51,810	
Bank/Credit Card Fees	-	288	3,878	13,764	17,930	2,661	-	2,661	20,591	
Contractors	13,535	104,047	68,660	1,373,450	1,559,692	-	-	-	1,559,692	
Depreciation Expense	317	1,676	2,261	6,257	10,511	6,400	-	6,400	16,911	
Insurance	-	-	-	-	-	19,400	-	19,400	19,400	
Licensing Fees	-	-	-	3,880	3,880	25	2,555	2,580	6,460	
Operational Expenses	-	-	-	-	-	76,441	-	76,441	76,441	
Postage & Delivery	-	14	68	896	978	1,573	-	1,573	2,551	
Professional Development	-	-	880	-	880	3,497	-	3,497	4,377	
Publications, Dues & Subscriptions	-	249	740	1,109	2,098	1,446	-	1,446	3,544	
Registration Fees	-	40	100	708	848	5,228	-	5,228	6,076	
Rent	1,194	6,310	8,511	23,559	39,574	24,097	-	24,097	63,671	
Reproduction	-	-	2,204	1,658	3,862	8,710	-	8,710	12,572	
Staff Recruitment	-	-	-	-	-	172	-	172	172	
Supplies	-	554	5,238	8,708	14,500	15,682	-	15,682	30,182	
Telephone	34	585	1,055	1,105	2,779	11,165	-	11,165	13,944	
Travel	215	3,585	20,332	22,985	47,117	16,187	-	16,187	63,304	
Subtotal expenses	48,272	291,575	348,894	2,108,405	2,797,146	878,627	2,555	881,182	3,678,328	
Indirect expenses	11,530	69,648	83,339	503,626	668,143	(668,753)	610	(668,143)	-	
Total expenses	<u>\$ 59,802</u>	<u>\$ 361,223</u>	<u>\$ 432,233</u>	<u>\$ 2,612,031</u>	<u>\$ 3,465,289</u>	<u>\$ 209,874</u>	<u>\$ 3,165</u>	<u>\$ 213,039</u>	<u>\$ 3,678,328</u>	

See the Independent Auditor's Report and the Notes to the Financial Statements.

CENTER FOR WATERSHED PROTECTION, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets:	\$ 228,990	\$ (303,162)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Unrealized (gain) loss on investments	(106,411)	53,928
Depreciation	15,637	16,911
Changes in assets and liabilities:		
Decrease (increase) in:		
Grants and contracts receivable	(47,913)	430,798
Security deposit	2,000	-
Prepaid expenses	(2,843)	(1,590)
Increase (decrease) in:		
Accounts payable	(156,668)	(44,518)
Accrued salaries and taxes payable	(5,177)	11,034
Accrued leave	1,370	1,726
Deferred revenue	(23,622)	28,261
Deferred rent	(3,881)	(1,751)
Net cash (used in) provided by operating activities	(98,518)	191,637
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(17,783)	-
Proceeds from sale of investments	275,000	-
Purchase of investments	(135,000)	-
Net cash provided by investing activities	122,217	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit proceeds	287,426	331,263
Repayment of line of credit	(287,426)	(677,132)
Net cash used in financing activities	-	(345,869)
Net increase (decrease) in cash and cash equivalents	23,699	(154,232)
Cash and cash equivalents, beginning of year	131,997	286,229
Cash and cash equivalents, end of year	\$ 155,696	\$ 131,997
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ 2,944	\$ 4,428
Income tax paid	\$ -	\$ -

See the Independent Auditor's Report and the Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. ORGANIZATION

The Center for Watershed Protection, Inc. (the Center) was organized under the general not-for-profit corporation laws of Virginia in 1992. The Center is dedicated to the protection, restoration and enhancement of our nation's streams, rivers, lakes, wetlands and bays. The Center creates viable solutions and partnerships for responsible land water management so that every community has clean water and healthy natural resources to sustain diverse life.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Center maintains its books and records on the accrual basis of accounting and, accordingly, reflects all significant receivables, payables and other liabilities.

Basis of Presentation

The financial statements of The Center for Watershed Protection, Inc. have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Center to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Center's management and the board of directors.

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 the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Contributions, Grants, and Support

Contributions and grants received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Center reports gifts of cash and other assets as restricted support if they are received with donor/grantor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

NOTES TO THE FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When a donor/grantor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Center reports cost reimbursable government grants as support without donor restrictions. Revenue from contracts is recognized as the service is completed.

The Center reports gifts of goods and equipment as unrestricted support unless explicit donor/grantor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Cash and Cash Equivalents

The Center considers all time deposits with original maturities of three months or less at the time of purchase to be cash equivalents. Money market accounts that are used or held for operations are considered cash equivalents. All other money market accounts are considered investments.

As of December 31, 2019, the Center had no cash in excess of federally insured limits.

Grants and Contracts Receivable

Receivables are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Center's historical collection experience.

All grants and contracts receivable are considered to be fully collectible at December 31, 2019, and as such, no allowance for doubtful accounts has been provided for in the financial statements.

Unbilled amounts represent costs incurred and estimated fees on contracts for which billings have not yet been presented. When billed, these amounts are included in billed accounts receivable.

NOTES TO THE FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following schedule summarizes the Center's aging receivables as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Current	\$ 499,292	\$ 317,897
31-60 Days	45,375	74,382
61-90 Days	3,381	87,472
Over 90 Days	<u>258</u>	<u>20,642</u>
	548,306	500,393
Allowance for uncollectible accounts	-	-
Net grants and contracts receivable	<u>\$ 548,306</u>	<u>\$ 500,393</u>

Investments and Fair Value Measurements

FASB ASC 820, Fair Value Measurements and Disclosures, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. (e.g., equity securities traded on the New York Stock Exchange).
- Level 2 – Inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).
- Level 3 – Inputs are unobservable (e.g., a company's own data) and should be used to measure fair value to the extent that observable inputs are not available.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of the observable inputs and minimize the use of the unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Fair Value Measurements (continued)

Investments are stated at fair value and consist of the following at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 404,863	\$ -	\$ -	\$ 404,863
	<u>\$ 404,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 404,863</u>

Investments are stated at fair value and consist of the following at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 438,288	\$ -	\$ -	\$ 438,288
	<u>\$ 438,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 438,288</u>

Investments consist of certificates of deposit held to maturity and mutual funds. Management considers these investments to be long-term, regardless of the nature of the investments. Investments are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect account balances and the amounts reported in the accompanying financial statements.

Furniture and Equipment

The Center follows the practice of capitalizing, at cost, all expenditures for furniture and equipment in excess of \$1,000. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the respective assets, which range from three to seven years. Total depreciation expense of \$15,637 and \$16,911 was incurred for the years ended December 31, 2019 and 2018, respectively.

Refundable Advances

Refundable advances are federal monies received before related expenditures are incurred. The Center received no advances for the years ended December 31, 2019 and 2018.

Deferred Revenue

Monies received in advance for subscriptions relating to the following year and dues and registrations received in advance are recorded as deferred revenue.

NOTES TO THE FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Rent Liability

The Center accounts for escalating rent payments and the rent abatement period under its office lease by spreading the rent payments as expense, on a straight-line basis, over the term of the lease. The difference between the monthly payment and the rent expense recognized for financial statement purposes is recognized as a deferred rent liability in the financial statements.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Contractors	Time and effort
Rent	Square Footage
Travel	Time and effort
Depreciation	Square footage

Income Taxes

The Center is a nonprofit entity and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, contributions to the Center are tax deductible under Section 170 of the Internal Revenue Code. However, the Center is required to report unrelated business income to the Internal Revenue Service and the state of Maryland. For the years ended December 31, 2019 and 2018, there was no unrelated business income.

The Center follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) for Accounting of Uncertainty in Income Taxes. These recommendations clarify the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. They also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Center has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates.

NOTES TO THE FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

The Center believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Center's financial condition, results of operations or cash flows. Accordingly, the Center has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2019 and 2018. With few exceptions, the Center's tax returns remain open for three years for federal and state examination.

Donated Services and Goods

As required by FASB ASC 958-605-25, Accounting for Contributions Received and Contributions Made, donated services include assistance which creates or enhances non-financial assets or requires specialized skills provided by individuals possessing those skills. Those services would typically need to be purchased if not donated and are recorded by the Center at their fair value in the period such services are delivered. Donated goods are recorded as contributions at their estimated fair values at the date of donation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and Revenue Recognition

The Center recognizes revenue from exchange transactions as the related work is accomplished. Funds relating to exchange transactions are never received in advance of work being completed. Grants and donations with donor restrictions received in advance of the accomplishment of the restricted purpose are recorded as revenue and net assets with donor restrictions.

Market Value Risk

The Center invests funds in a professionally managed portfolio. Such investments are exposed to market and credit risks. The Center's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

On May 28, 2014, Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The update outlines a new, single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new model requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. Analysis of various provisions of this standard resulted in no significant changes in the way the Center recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Center has adjusted the presentation of these statements accordingly.

Subsequent Events

Subsequent events have been evaluated through June 4, 2020, which is the date the financial statements are available to be issued.

Note 3. GOVERNMENT GRANTS SUBJECT TO AUDIT

Revenue from government grants is recognized only to the extent of actual expenses incurred in compliance with the grants. Reimbursed costs are subject to audit and final determination of allowability by the federal government. There is the possibility that any amount received in excess of allowable costs would be required to be refunded. The Center believes that no material liability would result from such an audit.

NOTES TO THE FINANCIAL STATEMENTS

Note 4. LOAN PAYABLE

The Center has a line of credit agreement with a bank for an amount up to \$350,000. This line of credit is subject to annual renewal. As of December 31, 2019 and 2018, there was no balance due. However, in 2019, the Center did draw on this line of credit for a total of \$287,426. This amount was repaid throughout the year. The line of credit is secured by all personal property of the Center and is payable on demand. Interest is due monthly at a rate of prime plus three percent. The interest rate was 4.76% and 5.49% as of December 31, 2019 and 2018, respectively. Interest expense was \$2,944 and \$4,428 for the years ended December 31, 2019 and 2018, respectively.

Note 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows at December 31:

	2019	2018
<u>Restricted for a specific purpose:</u>		
The William Penn Foundation (DE Basin Technical Assistance)	\$ -	\$ 57,679
Altria Group (Pollutant Reduction Strategies)	-	47,198
The Keith Campbell Foundation (Clean Water Certification Training)	-	46,280
The Oak Hill Fund (Green Infrastructure)	45,000	45,000
The Keith Campbell Foundation (Laptops/Tablets)	-	5,732
Bennett Creek Restoration & Education	5,000	5,000
Department of Natural Resources (DE Stormwater)	3,895	4,257
Prince Charitable Green Jobs	-	3,755
Yellow Breeches Watershed (Riparian Forest Buffer Restoration)	-	958
The Keith Campbell Foundation (Clean Water Certification Training)	-	883
	\$ 53,896	\$ 216,742

All grants and donations of \$333,551 with donor restrictions received during the year ended December 31, 2019 were released from restriction in 2019 due to their restrictions being satisfied in the same period received.

NOTES TO THE FINANCIAL STATEMENTS

Note 6. RELEASE FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors at December 31, 2019.

Purpose restrictions accomplished:

The William Penn Foundation	\$ 57,678
Altria Group (Pollutant Reduction Strategies)	47,198
The Keith Campbell Foundation (Clean Water Certification Training)	46,280
The Keith Campbell Foundation (Laptops/Tablets)	5,732
Prince Charitable Green Jobs	3,755
Yellow Breeches Watershed (Riparian Forest Buffer Restoration)	958
The Keith Campbell Foundation (Clean Water Certification Training)	883
Department of Natural Resources (DE Stormwater)	362
Total restrictions released	\$ 162,846

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors at December 31, 2018.

Purpose restrictions accomplished:

Altria Group (Pollutant Reduction Strategies)	\$ 49,110
Union Bethel AME Church (Clean Water)	47,017
The William Penn Foundation (DE Basin Technical Assistance)	29,580
The Keith Campbell Foundation (Clean Water Certification and Workforce Development)	28,709
The William Penn Foundation	24,822
The Keith Campbell Foundation (Clean Water Certification Training)	23,720
Anacostia (Prince Charitable Green Jobs)	22,949
Accokeek First Church of God (Clean Water for Accokeek)	15,208
Chesapeake Bay Trust (White Paper)	10,884
Yellow Breeches Watershed (Riparian Forest Buffer Restoration)	8,870
Altria Group (Pollutant Reduction Strategies)	2,802
The Dominion Foundation (Green Infrastructure Implementation and Outreach)	1,475
Department of Natural Resources (DE Stormwater)	363
Total restrictions released	\$ 265,509

NOTES TO THE FINANCIAL STATEMENTS

Note 7. LEASES

During 2014, the Center entered into a lease agreement for office space which commenced July 16, 2014 and expires in July of 2021. Monthly rent payments of \$4,522 are due the first year with annual escalations of 3.5%. The lease included a two-month rent holiday.

Rent expense was \$61,190 and \$63,671 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments required under the lease are as follows:

Year Ended December 31:

2020	\$ 65,486
2021	\$ 36,042

Note 8. RETIREMENT PLANS

The Center provides a 401(k) plan for employees, which includes a 100% employer match for up to 3% of employees' contribution and 50% employer match for up to 5% of employees' contribution. Contributions to this plan totaled \$50,910 and \$51,810 for the years ended December 31, 2019 and 2018, respectively.

Note 9. CONCENTRATION OF CREDIT RISK

The Center's financial instruments that are exposed to a concentration of credit risk consist primarily of cash. The Center places its cash with high-credit, quality institutions. At times, such balances may be in excess of Federal Deposit Insurance Corporations (FDIC) limits. The Center believes it is not exposed to significant credit risk.

NOTES TO THE FINANCIAL STATEMENTS

Note 10. AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The following reflects the Center's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 55,696	\$ 131,997
Grants and contracts receivable	548,306	500,393
Investments	<u>404,863</u>	<u>438,288</u>
Total financial assets at year-end:	1,008,865	1,070,678
Less amounts not available to be used within one year:		
Restricted by donor with time or purpose restrictions	<u>(53,896)</u>	<u>(216,742)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 954,969</u>	<u>\$ 853,936</u>

The Center's goal is generally to maintain financial assets to meet three months of operating expenses (approximately \$900,000). In addition to financial assets available to meet general expenditures over the next six months, the Center operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 11. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus disease ("COVID-19") a pandemic. The extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape.

As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization. However, if the pandemic continues to evolve into a severe health crisis, the disease could have a material adverse effect on the Organization, its operations, financial condition and cash flows.

Subsequent to year end, the Organization applied for and was approved a \$273,900 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1.00% per year but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

SUPPLEMENTARY INFORMATION

CENTER FOR WATERSHED PROTECTION, INC.
SCHEDULE OF OVERHEAD RATE
For the year ended December 31, 2019

	Financial Statement Expense	Unallowable Expenses	Allowable Expenses	Overhead Rates
Salaries	\$ 968,334	\$ -	\$ 968,334	100.00%
Other Direct Costs	1,760,205	-	1,760,205	
Total Direct Costs	<u>\$ 2,728,539</u>	<u>\$ -</u>	<u>\$ 2,728,539</u>	
Fringe Benefits				
Fringe - Payroll taxes	\$ 72,463	\$ -	\$ 72,463	
Fringe - Employee Benefits	58,502	-	58,502	
Fringe - Employer 401K	27,132	-	27,132	
Total Fringe Benefits	<u>\$ 158,097</u>	<u>\$ -</u>	<u>\$ 158,097</u>	16.33%
General Overhead				
Salaries	\$ 501,712	\$ -	\$ 501,712	
Fringe - Payroll taxes	37,903	-	37,903	
Fringe - Employee Benefits	64,789	-	64,789	
Fringe - Employer 401K	23,779	-	23,779	
Bank/Credit Card Fees	8,521	-	8,521	
Depreciation Expense	6,091	-	6,091	
Insurance	16,520	-	16,520	
Licensing fees	3,934	-	3,934	
Operational Expenses	73,673	-	73,673	
Postage & Delivery	2,985	-	2,985	
Professional Development	1,001	-	1,001	
Professional fees: Accounting	35,000	-	35,000	
Publications, Dues & Subscriptions	2,690	-	2,690	
Registration Fees	1,835	-	1,835	
Rent	23,836	-	23,836	
Reproduction	8,891	-	8,891	
Staff Recruitment	221	-	221	
Supplies	14,927	-	14,927	
Telephone	12,479	-	12,479	
Travel	19,328	(309)	19,019	
Total General Overhead	<u>\$ 860,115</u>	<u>\$ (309)</u>	<u>\$ 859,806</u>	88.79%
Total Overhead Rate	<u>\$ 1,018,212</u>	<u>\$ (309)</u>	<u>\$ 1,017,903</u>	105.12%

See the Independent Auditor's Report and the Notes to the Financial Statements.

CENTER FOR WATERSHED PROTECTION, INC.

SCHEDULE OF OVERHEAD RATE

For the year ended December 31, 2019

	Financial Statement Expense	Unallowable Expenses	Allowable Expenses	Overhead Rates
Salaries	\$ 918,214	\$ -	\$ 918,214	100.00%
Other Direct Costs	1,654,565	-	1,654,565	
Total Direct Costs	<u>\$ 2,572,779</u>	<u>\$ -</u>	<u>\$ 2,572,779</u>	
Fringe Benefits				
Fringe - Payroll taxes	\$ 68,308	\$ -	\$ 68,308	
Fringe - Employee Benefits	73,865	-	73,865	
Fringe - Employer 401K	32,108	-	32,108	
Total Fringe Benefits	<u>\$ 174,281</u>	<u>\$ -</u>	<u>\$ 174,281</u>	18.98%
General Overhead				
Salaries	\$ 559,107	\$ -	\$ 559,107	
Fringe - Payroll taxes	42,652	-	42,652	
Fringe - Employee Benefits	64,482	-	64,482	
Fringe - Employer 401K	19,702	-	19,702	
Bank/Credit Card Fees	2,662	-	2,662	
Depreciation Expense	6,400	-	6,400	
Insurance	19,400	-	19,400	
Licensing fees	2,580	-	2,580	
Operational Expenses	76,441	-	76,441	
Postage & Delivery	1,573	-	1,573	
Professional Development	3,497	-	3,497	
Publications, Dues & Subscriptions	1,446	-	1,446	
Registration Fees	5,228	-	5,228	
Rent	24,097	-	24,097	
Reproduction	8,711	-	8,711	
Staff Recruitment	172	-	172	
Supplies	15,682	-	15,682	
Telephone	11,165	-	11,165	
Travel	16,187	(352)	15,835	
Total General Overhead	<u>\$ 881,184</u>	<u>\$ (352)</u>	<u>\$ 880,832</u>	95.93%
Total Overhead Rate	<u>\$ 1,055,465</u>	<u>\$ (352)</u>	<u>\$ 1,055,113</u>	114.91%

See the Independent Auditor's Report and the Notes to the Financial Statements.



COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Directors
Center for Watershed Protection, Inc.
Ellicott City, Maryland

We have audited the financial statements of Center for Watershed Protection, Inc. (the Center) as of and for the year ended December 31, 2019 and have issued our report thereon dated June 4, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated November 4, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Center for Watershed Protection, Inc. solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Center is included in Note 2 to the financial statements. As described in Note 2 to the financial statements, during the year ended December 31, 2019, the Center changed its basis of accounting for revenue recognition by adopting the Financial Accounting Standards Board's Accounting Standard's Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the depreciable life of fixed assets is based on the historical life of similar fixed assets. Management's estimate of the allowance for uncollectible grants, contributions and other receivables is based on historical collection and an analysis of the collectability of individual accounts. Management allocates functional expenses based upon various factors relating to the Center's activities. Management estimates the fair value of investments based on quoted market prices in active markets. We evaluated the key factors and assumptions used to develop the depreciable life of fixed assets, the allowance for uncollectible grants contributions and other receivables, functional expense allocation, fair value of investments and calculation of lease liability and right-to-use asset in determining they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the Center's financial statements relate to Note 11. Subsequent Events. The Center has acquired debt subsequent to year end which is expected to be forgiven.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communications, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the combined financial statements as a whole. Management has corrected all identified material misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Center for Watershed Protection, Inc.'s financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated June 4, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Center for Watershed Protection, Inc., we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Center's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Center for Watershed Protection, Inc's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This information is intended solely for the use of the Board of Directors, and management of the Center for Watershed Protection, Inc and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Davis & Associates, CPA

Glen Burnie, Maryland
June 4, 2020

June 4, 2020

Anderson Davis & Associates, CPA, PA
Suite 204 Crain Professional
1406B South Crain Highway
Glen Burnie, Maryland 21061

This representation letter is provided in connection with your audit of the financial statements of the Center for Watershed Protection, Inc. (the Center), which comprise the Statements of Financial Position as of December 31, 2019 and 2018, and the related Statements of Activities, Functional Expenses and Cash Flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with the accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of June 4, 2020.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 4, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have complied with all contractual agreements, grants, and donor restrictions.
- We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.

- We have accurately presented the entity's position regarding taxation and tax-exempt status.
- The bases used for allocation of functional expenses are reasonable and appropriate.
- We have included in the financial statements all assets and liabilities under the entity's control.
- We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.
- Reclassifications between net asset classes are proper.
- The governing board's interpretations concerning whether laws place restrictions on net appreciation of donor-restricted endowments are reasonable and have been disclosed to you.
- Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.
- With respect to the Form 990 preparation and drafting of audited financial statement with related notes from trial balance, we have performed the following:
 - Made all management decisions and performed all management functions;
 - Assigned a competent individual to oversee the services;
 - Evaluated the adequacy of the services performed;
 - Evaluated and accepted responsibility for the result of the service performed; and
 - Established and maintained internal controls, including monitoring ongoing activities.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the Center and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Center's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations, contracts, and grant agreements whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
- We have disclosed to you the identity of the Center's related parties and all the related party relationships and transactions of which we are aware.
- The Center has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

- We acknowledge our responsibility for presenting the Schedule of Overhead Rate in accordance with U.S. GAAP. The methods of measurement and presentation of the Schedule of Overhead Rate has not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

A handwritten signature in blue ink, appearing to read "Hye Yeong Kwon".

Hye Yeong Kwon
Executive Director/ CEO

Finance Committee Meeting

June 11, 2020

Attendance: Mike Freeburger, Carlton Epps, Anwer Ahmed, Luis Valdivieso, and Hye Yeong Kwon (notes)

Discussion:

Balance Sheet

Cash position is ok, but greatly helped by the PPP Loan

Both AR and AP is high, however, results in a positive net of about \$300k

The PPP Loan of \$273,900 is currently, correctly, recorded as a liability on the balance sheet and the Center's accounting team took the position that it will be recognized in the income statement once the loan is proven to be forgiven. The Center will fill out the appropriate forgiveness application for the loan to be forgiven.

As a side note, the PPP Loan is provided and subsequently forgiven based on the payment of salaries (and up to 25% on other expenses, such as interest and rent). The loan is not at all based on the Center's loss of revenue.

Income Statement - compared to budget

After adjusting out State Government Contracts revenue & Contractor expense as well as securities losses, the loss becomes \$62k.

We are behind by about \$511k on budgeted revenue from EPA Funds, Local Government Contracts, Private Foundations (annualized) and Nonprofit Corps

We are ahead on Registrations by about \$100k

Spending is largely behind budget by approx. \$200k, in addition, the release of the PPP loan will pull this down further

About 1/3 of the lower expense is driven by travel/travel-meals, caused by not traveling to the conference

Noted that the accounting cost was left from the budget.

I attached a file that shows the adjustments that I made to see a more "normalized" comparison to the budget.

Scheduled Work

We seem to be about halfway through recognizing revenue for the year based on the backlog report based on secured work.

There was an increase in work secured for 2021 compared to the previous report.

Hye Yeong will provide a prior year YTD income statement for us to compare so that we can see how this year is compared to last year. Anwar requested to have a budget that reflects the timing for the year instead of trying to tell what is caused by timing compared to missing revenue.

Board Giving Update for 2020

As of 06/01/20

2020 Goal: \$7,000 (\$500 each member)

Current Board Members	Pledge Amount	Type of Pledge	Date Received	Total Given to Date
Anwer Ahmed				
Carlton Epps	\$25	Check	05/29/20	\$225
Karen Evans	\$300	Online	03/04/20	\$300
Mike Freeburger				
Juanita Galbreath				
Rhea Harris				
Scott Lang				
Michael Marcus				
Kimberly Min				
Scott Osborn				
Addison Palmer	\$2,000	Conference Sponsorship	03/23/20	\$2,000
Luis Valdivieso				
Alan Vicory				
D'Andrea Walker	\$200	Check	03/02/20	\$200
			TOTAL:	\$2,725

CENTER FOR WATERSHED PROTECTION BOARD MEETING

Thursday, February 27, 2020 from 1:00 pm – 4:00 pm

Conference Line 1-866-502-8312 and Conference code 271352

Board members calling must use Zoom to be on “visually” to meet Better Business Bureau requirements for Board meeting attendance.

3290 North Ridge Road, Ellicott City, MD

Present:

In Office: Carlton Epps, Michael Freeburger, Kimberly Min, Scott Osborn, Addison Palmer, D’Andrea Walker, Hye Yeong Kwon (staff) and Marlyn Argueta (staff)

By Zoom: Anwer Ahmed, Willy Moore, Alan Vicory, Rhea Harris, Michael Marcus, Memo Diriker (BEACON)

Absent: Karen Evans, Scott Lang, Luis Valdivieso, Juanita Galbreath

Action items are listed here:

- Memo will email presentation to Hye Yeong and she will share it with the necessary parties.
- Memo will provide list of companies for “yield analysis” to Hye Yeong.
- Carlton will put committee together for Strategic Plan Revision.
- Scott and Karen Titus will send tickets for each board member to sell.

Discussion:

Call Meeting to Order, Roll Call, Approval of Minutes, and Welcome

Carlton convened the meeting at 1:04 and thanked everyone for their attendance. Carlton asked if there were any questions or changes to the minutes from last meeting. Carlton asked for a motion to approve minutes with any necessary edits. D’Andrea Walker motioned to approve, and Michael Freeburger seconded. All in favor.

Strategic Planning Update

Memo started by reporting that Beacon had finished their recommendations but that the finished product is never given by them because these recommendations should be a living document. Memo also offered one more final meeting after recommendations are reviewed because of the long pause between meetings and the final draft. Memo shared his PowerPoint Presentation with final recommendations which he will email to Hye Yeong afterwards. Rhea followed up the presentation by asking about next steps and Memo responded that the board and staff have to make tweaks and then put the recommendations into place but that he can be a resource along the way. Hye Yeong stated that some of the strategies are already in place from the previous plan. Carlton asked about reviewing and going over recommendations with staff and board members. Memo wanted Hye Yeong to decide who reviews at staff level but that all board members should review. Memo thanked everyone and signed off.

Executive Director's Report

Hye Yeong started off with a Q and A about the ED report. Michael F. had a question about membership financials. Hye Yeong responded that CWP knows how much the program makes but there is a question/confusion about how they were recorded in Sage. Michael F. said that 1/12 should be recognized per month. Michael F then went on to ask about an update for the new work in hand. Hye Yeong responded that CWP still has about a year and a half worth of work. Michael F. also asked about the number stated in the report for registrants for the conference which Hye Yeong clarified what the number means in the ED report and that the 2020 Conference will probably have around 400 attendees. Michael F ended his questions by asking about the hiring and the employee on disability. Hye Yeong updated everyone that with the employee returning from disability, CWP is looking to hire 2 more (rather than 3). Hye Yeong also stated that she has extended an offer for 2nd opening and interviewed someone for the 3rd opening but is waiting to see if there is enough work for them. D'andrea asked about the Lancaster office and the possibility of 3 more hires there as well. Hye Yeong confirmed expansion but that CWP is still trying to figure out workloads for Pennsylvania and predicted a 3-5-person office there.

Scott then talked about the fundraising event. Scott explained that he and Karen Titus have organized a fundraiser. It's tentatively scheduled for June 4th date at the Howard County Conservancy with '11 Courses' as a caterer. CWP would raise money through tickets and sponsorships with the main goal being to raise awareness about CWP being a great non-profit in Howard County. Scott also thought CWP can make it so that it is an annual thing for them. Scott warned of learning curve for the first year and that it could take between 2-3 years to make it successful. Alan said ROI would be long term and way beyond profit. Michael M. warned about adding a unique factor or else it will not be successful. Hye Yeong added that the organization of the event is not an issue because of the current staff CWP has and also agreed that the board buying in will be the key. Michael M. recommended an event with something water related. Hye Yeong is convinced that 100 people will be easy to do by recalling how successful past events went. Carlton asked who is willing to help, Addison and D'Andrea volunteered to help Scott. Addison also worried about time and themes/hook. Hye Yeong reassured him that time is not an issue because staff are on top of logistics. Alan said he is willing to buy ticket but cannot attend due to location and offers to help sell tickets. Willy will be out of town but also is willing to buy tickets and donate them. Anwer finished up by adding that he also is willing to help by selling tickets.

Finance Committee

Michael F. reported that he is working with Hye Yeong to come up with a better document with the goal being to come up with better way for board members to read financials. The first page of the packet was skipped. The second was a forecast. Next was the comparative balance sheet which showed that AR went up and AP went down in 2019. The next page was the cash flow of

2018 vs 2019 and said he is not confident on the cash flow. The next four pages were income statements and the last one showed the year to date. December showed income while the other months showed losses. Carlton explained that it is normal for CWP to show losses until end of the year. The next page was the AR schedule. Michael F pointed out that the 31-60 day range is big but it's all Government Agency, which means it's secured payments. The next four pages were 2018 so it was not discussed. After that was the project projection plan. And finally, the final page was proposed contracts and those are in the process of being secured. Addison asked about the win percentage and Hye Yeong said CWP is at about a 50% win rate. Carlton stated that it looked like CWP is back on comfortable footing after a bad stretch.

Resource Development Committee

Alan explained that the committee is responsible for the donations to the Center. He explained that it is a necessity for all board members to donate. Alan reminded everyone that last year was unsuccessful, but it was written as successful because of other donations that came through. Alan wants to bring forward a document for annual donations (probably in the fall). Kimberly wondered that maybe the minimum amount should be revised so that no one is possibly excluded. Willy asked about reminders. Alan confirmed that he calls and sends email reminders. Michael M offered to do reminder phone calls, offered to find funders as well and stated that 100% donations give the board credibility. Carlton ended this portion of the meeting by reiterating that a lack of contribution punishment will be decided by Alan and his committee.

Governance Committee

Rhea stated her committee was on the ball this go around but that she fell through with planning the meeting. Rhea will come up with succession plan for board members for the next meeting.

Concluding Remarks

Carlton wanted to bring everyone together before going back to Beacon about the strategic plan. Carlton suggested an unscheduled board meeting and Kim suggested putting together a committee to advance strategic plan. Rhea agreed. Carlton agreed and will come up with a date and time in March for that committee.

The meeting concluded by 3:05 pm.