

GREAT SWAMP WATERSHED ASSOCIATION  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

**RICH, GELWARG & LAMPF LLP**

CERTIFIED PUBLIC ACCOUNTANTS

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MARK H. LAMPF, CPA

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees:  
Great Swamp Watershed Association  
568 Tempe Wick Road  
Morristown, NJ 07960

We have audited the accompanying statements of Great Swamp Watershed Association (the "Organization"), which comprise the comparative statement of financial position as of June 30, 2013 and 2012, and the related comparative statement of activities and cash flows for the years then ended, and the related notes to the financial statements.


Management is responsible for the preparation and fair representation 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 representation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Swamp Watershed Association as of June 30, 2013 and 2012, and the changes in its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

  
RICH, GELWARG & LAMPF LLP  
CERTIFIED PUBLIC ACCOUNTANTS

September 10, 2013

GREAT SWAMP WATERSHED ASSOCIATION  
COMPARATIVE STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 153,092	\$ 117,731
Endowment fund account	791,964	756,757
Property and equipment	190,635	191,659
Contributions receivable	16,588	21,210
Prepaid expenses	5,492	5,449
Deposit	<u>1,000</u>	<u>1,000</u>
 TOTAL ASSETS	 <u>\$ 1,158,771</u>	 <u>\$ 1,093,806</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 9,211</u>	<u>\$ 13,174</u>
 TOTAL LIABILITIES	 <u>9,211</u>	 <u>13,174</u>
 NET ASSETS		
Unrestricted	1,081,629	1,011,833
Temporarily restricted	4,351	5,219
Permanently restricted	<u>63,580</u>	<u>63,580</u>
 TOTAL NET ASSETS	 <u>1,149,560</u>	 <u>1,080,632</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,158,771</u>	 <u>\$ 1,093,806</u>

See accompanying notes.

GREAT SWAMP WATERSHED ASSOCIATION  
COMPARATIVE STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
REVENUES, GAINS AND OTHER SUPPORT:					
Contributions	\$ 295,656	\$ 52,274	-	\$ 347,930	\$ 437,772
Grants	-	28,581	-	28,581	46,121
Special events	126,187	-	-	126,187	126,345
Endowment investment income	28,322	-	-	28,322	32,680
Interest earned	131	-	-	131	15
Net unrealized gain/(loss) on investments	70,031	-	-	70,031	(12,817)
Miscellaneous revenue	1,208	-	-	1,208	2,239
Net assets released from restrictions:					
Satisfaction of program restrictions	81,723	(81,723)	-	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	603,258	(868)	-	602,390	632,355
EXPENSES:					
Program	408,517	-	-	408,517	452,134
Costs of direct benefits to donors	14,000	-	-	14,000	
Management and general	36,584	-	-	36,584	37,806
Fundraising	74,361	-	-	74,361	86,682
TOTAL EXPENSES	533,462	-	-	533,462	576,622
CHANGE IN NET ASSETS	69,796	(868)	-	68,928	55,733
BEGINNING NET ASSETS, as originally stated	1,075,413	5,219	-	1,080,632	1,024,899
Reclassification of net assets to permanently restricted (NOTE 6)	(63,580)	-	63,580	-	-
BEGINNING NET ASSETS, as restated	1,011,833	5,219	63,580	1,080,632	1,024,899
ENDING NET ASSETS	\$ 1,081,629	\$ 4,351	\$ 63,580	\$ 1,149,560	\$ 1,080,632

See accompanying notes.

GREAT SWAMP WATERSHED ASSOCIATION  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 68,928	\$ 55,733
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,025	2,050
(Increase) decrease in prepaid expenses and deposits	(43)	16
(Increase) decrease in contributions receivable	4,622	(19,025)
Increase (Decrease) in accounts payable and accrued expenses	(3,963)	7,062
Net unrealized and realized (gain)/loss on investments	(70,031)	12,817
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>538</u>	<u>58,653</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities-reinvestments	(28,323)	(32,679)
NET CASH PROVIDED/(USED) IN INVESTING ACTIVITIES	<u>(28,323)</u>	<u>(32,679)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Transfers from endowment fund	63,146	30,705
NET CASH PROVIDED/(USED) IN FINANCING ACTIVITIES	<u>63,146</u>	<u>30,705</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	35,361	56,679
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>117,731</u>	<u>61,052</u>
<b>CASH AND CASH EQUIVALENTS, ENDING OF YEAR</b>	<u><u>\$ 153,092</u></u>	<u><u>\$ 117,731</u></u>

**Supplement cash flow disclosures:**

Cash paid for income taxes were:	-0-
Cash paid for interest was:	-0-

See accompanying notes.

GREAT SWAMP WATERSHED ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Great Swamp Watershed Association have been prepared on the accrual basis.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

NATURE OF ACTIVITIES

The Great Swamp Watershed Association was founded in 1981 by citizens to promote the conservation and protection of natural resources within the Great Swamp basin, especially those affecting water quality and quantity. Great Swamp Watershed Association works with the basin's ten (10) municipalities and two (2) counties to protect the Watershed's wetlands, stream corridors, agricultural and forested areas and wildlife, encouraging adequate storm water management, sediment and erosion control and open space preservation.

SUPPORT AND REVENUE

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Permanently restricted net assets cannot be spent due to donor-imposed permanent restrictions on the use of funds.

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor 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. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

GREAT SWAMP WATERSHED ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

CONTRIBUTIONS

The Organization has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

FINANCIAL STATEMENT PRESENTATION

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by the statement, the Organization has discontinued its use of fund accounting.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and similar provision for New Jersey. Therefore, no provision for income taxes has been made.

INVESTMENTS

The Organization has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

GREAT SWAMP WATERSHED ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 2 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Net Assets are available for the following program activities:

Hyde & Watson	\$ 2,151
Norcross	<u>2,200</u>
Total	<u>\$ 4,351</u>

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of plant assets follows:

Land	\$ 179,100
Equipment	<u>106,260</u>
	285,360
Less: accumulated depreciation	(94,725)
	<u>\$ 190,635</u>

The Organization also owns and manages Green Acres properties in Harding Township. Its fair market value is zero and it has no resale value. The total depreciation expense for the year ended June 30, 2013 was \$1,025.

NOTE 4 - INVESTMENTS

Investments are stated at fair value and are summarized as follows as of June 30, 2013:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Endowment fund account securities held by the Vanguard Group	\$ 648,892	\$ 791,961	\$ 791,964

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2013. Permanently restricted net assets in the endowment fund are \$63,580, see NOTE 6.

	<u>Unrestricted</u>
Endowment investment income	\$ 28,322
Interest earned on cash and cash equivalents	131
Unrealized gain on endowment investments	<u>70,031</u>
	<u>\$ 98,484</u>



GREAT SWAMP WATERSHED ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 5 - CASH

At June 30, 2013, the Organization had no cash deposits in excess of federally insured limits of \$250,000. Deposits at Peapack Gladstone Bank totaled \$147,401 and PNC Bank totaled \$5,691 at June 30, 2013.

NOTE 6 - RECLASSIFICATION OF NET ASSETS

During the year ended June 30, 2013, management performed a detailed analysis of funds received within the endowment fund, including amounts received in prior years. As a result of this analysis, a reclassification was made to reduce unrestricted net assets by \$63,580 and increase permanently restricted net assets by the same amount.

INDEPENDENT AUDITOR'S REPORT  
ON ADDITIONAL INFORMATION

To The Board of Directors:  
Great Swamp Watershed Association  
568 Tempe Wick Road  
Morristown, NJ 07960

We have audited the financial statements of Great Swamp Watershed Association as of and for the year ended June 30, 2013, and have issued our report thereon dated September 10, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses and the analysis of endowment account is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management, 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.



RICH, GELWARG & LAMPF LLP  
CERTIFIED PUBLIC ACCOUNTANTS

September 10, 2013

GREAT SWAMP WATERSHED ASSOCIATION  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Program and Supporting Services</u>
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salary, wages and benefits	\$ 268,909	\$ 31,028	\$ 44,818	\$ 344,755
Professional fees and services	4,708	696	481	5,885
Postage and printing	18,662	-	4,956	23,618
Office and supplies	11,115	1,283	1,852	14,250
Occupancy and maintenance	35,297	2,531	3,655	41,483
Program, meetings and membership	60,753	-	17,088	77,841
Insurance	8,272	954	1,379	10,605
Depreciation	800	92	133	1,025
Costs of direct benefits to donors	-	-	-	14,000
	<u>\$ 408,516</u>	<u>\$ 36,584</u>	<u>\$ 74,362</u>	<u>\$ 533,462</u>

GREAT SWAMP WATERSHED ASSOCIATION  
ANALYSIS OF ENDOWMENT ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2013

Beginning balance - July 1, 2012		\$ 756,757
Deposits	\$ -0-	
Dividends and capital gains/(losses)	28,322	
Transfers to operating account	(63,146)	
Unrealized gain on investments	<u>70,031</u>	
Change in account balance		<u>35,207</u>
Ending balance - June 30, 2013		<u>\$ 791,964</u>