

***ANACOSTIA WATERSHED SOCIETY, INC.
AND SATURDAY ENVIRONMENTAL
ACADEMY***

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2015 AND 2014



**Halt Buzas &
Powell, LTD**

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

TABLE OF CONTENTS

Independent auditors' report.....	1 - 2
<i>Audited consolidated financial statements</i>	
Consolidated statements of financial position.....	3
Consolidated statements of activities.....	4 - 5
Consolidated statements of cash flows.....	6 - 7
Notes to consolidated financial statements.....	8 - 17
<i>Supplemental information</i>	
Consolidated schedules of functional expenses.....	18 - 19



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Anacostia Watershed Society, Inc. and Saturday Environmental Academy
Bladensburg, Maryland

We have audited the accompanying consolidated financial statements of Anacostia Watershed Society, Inc. and Saturday Environmental Academy (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015 and 2014, 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 consolidated financial statements as a whole. The consolidated schedules of functional expenses (pages 18 - 19) are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated 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 consolidated financial statements as a whole.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia

July 7, 2016

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Current assets:		
Cash	\$ 194,327	\$ 86,161
Contracts receivable	363,899	539,281
Contributions receivable	50,000	64,343
Prepaid expenses	12,825	8,130
Total current assets	621,051	697,915
Contributions receivable, net, non-current	-	47,170
Property and equipment, net	958,912	996,582
Total assets	\$ 1,579,963	\$ 1,741,667
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$ 136,884	\$ -
Accounts payable	295,812	227,204
Accrued payroll liabilities	72,450	87,775
Deferred revenue	35,648	98,174
Capital lease obligation	3,060	3,060
Note payable	5,205	-
Total current liabilities	549,059	416,213
Capital lease obligation, non-current	-	3,060
Note payable, non-current	9,108	-
Total liabilities	558,167	419,273
Net assets:		
Unrestricted	895,141	1,028,601
Temporarily restricted	126,655	293,793
Total net assets	1,021,796	1,322,394
Total liabilities and net assets	\$ 1,579,963	\$ 1,741,667

See accompanying notes to the consolidated financial statements.

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Contract revenue	\$ 2,415,317	\$ -	\$ 2,415,317
Contributions	732,027	76,655	808,682
Program service fees	135,006	-	135,006
Special event, net of direct donor benefits of \$12,040	110,110	-	110,110
In-kind contributions	16,385	-	16,385
Gain on disposal of property and equipment	2,215	-	2,215
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>243,793</u>	<u>(243,793)</u>	<u>-</u>
Total revenues	<u>3,654,853</u>	<u>(167,138)</u>	<u>3,487,715</u>
Expenses:			
Program services:			
Stewardship	2,495,220	-	2,495,220
Environmental education	443,630	-	443,630
Advocacy	265,589	-	265,589
Recreation	<u>122,313</u>	<u>-</u>	<u>122,313</u>
Total program services	<u>3,326,752</u>	<u>-</u>	<u>3,326,752</u>
Support services:			
Management and general	297,088	-	297,088
Fundraising	<u>164,473</u>	<u>-</u>	<u>164,473</u>
Total support services	<u>461,561</u>	<u>-</u>	<u>461,561</u>
Total expenses	<u>3,788,313</u>	<u>-</u>	<u>3,788,313</u>
Change in net assets	(133,460)	(167,138)	(300,598)
Net assets, beginning of year	<u>1,028,601</u>	<u>293,793</u>	<u>1,322,394</u>
Net assets, end of year	<u>\$ 895,141</u>	<u>\$ 126,655</u>	<u>\$ 1,021,796</u>

See accompanying notes to the consolidated financial statements.

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contract revenue	\$ 1,890,190	\$ -	\$ 1,890,190
Contributions	691,741	205,872	897,613
In-kind contributions	346,655	-	346,655
Special event, net of direct donor benefits of \$27,870	174,954	-	174,954
Program service fees	74,465	-	74,465
Loss on disposal of property and equipment	(4,908)	-	(4,908)
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>162,584</u>	<u>(162,584)</u>	<u>-</u>
Total revenues	<u>3,335,681</u>	<u>43,288</u>	<u>3,378,969</u>
Expenses:			
Program services:			
Stewardship	1,777,678	-	1,777,678
Environmental education	354,665	-	354,665
Advocacy	282,592	-	282,592
Recreation	<u>146,569</u>	<u>-</u>	<u>146,569</u>
Total program services	<u>2,561,504</u>	<u>-</u>	<u>2,561,504</u>
Support services:			
Management and general	371,775	-	371,775
Fundraising	<u>148,347</u>	<u>-</u>	<u>148,347</u>
Total support services	<u>520,122</u>	<u>-</u>	<u>520,122</u>
Total expenses	<u>3,081,626</u>	<u>-</u>	<u>3,081,626</u>
Change in net assets	254,055	43,288	297,343
Net assets, beginning of year	<u>774,546</u>	<u>250,505</u>	<u>1,025,051</u>
Net assets, end of year	<u>\$ 1,028,601</u>	<u>\$ 293,793</u>	<u>\$ 1,322,394</u>

See accompanying notes to the consolidated financial statements.

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ <u>(300,598)</u>	\$ <u>297,343</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	65,342	57,336
(Gain) loss on disposal of assets	(2,215)	4,908
Donated property and equipment	(7,980)	(247,920)
Bad debt expense	15,500	-
Decrease (increase) in assets:		
Contracts receivable	175,382	(349,174)
Contributions receivable, net	46,013	58,817
Prepaid expenses	(4,695)	2,558
Increase (decrease) in liabilities:		
Accounts payable	68,608	49,652
Accrued payroll liabilities	(15,325)	10,566
Deferred revenue	<u>(62,526)</u>	<u>60,361</u>
Total adjustments	<u>278,104</u>	<u>(352,896)</u>
Net cash used in operating activities	<u>(22,494)</u>	<u>(55,553)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(22,377)	(11,930)
Proceeds from sales of property and equipment	<u>4,900</u>	<u>-</u>
Net cash used in investing activities	<u>(17,477)</u>	<u>(11,930)</u>
Cash flows from financing activities:		
Payments on capital lease obligation	(3,060)	-
Proceeds from issuance of note payable	16,000	-
Principal payments on note payable	(1,687)	-
Proceeds from line of credit	210,377	-
Payments on line of credit	<u>(73,493)</u>	<u>-</u>
Net cash provided by financing activities	<u>148,137</u>	<u>-</u>
Net increase (decrease) in cash	108,166	(67,483)
Cash, beginning of year	<u>86,161</u>	<u>153,644</u>
Cash, end of year	<u>\$ 194,327</u>	<u>\$ 86,161</u>

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See accompanying notes to the consolidated financial statements.

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Supplemental disclosures of cash flow information:		
Interest expense	\$ <u>2,989</u>	\$ <u>1,735</u>
Non-cash investing and financing transactions:		
Acquisition of equipment through capital lease obligation	\$ <u>-</u>	\$ <u>6,120</u>

See accompanying notes to the consolidated financial statements.

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. Organization

The accompanying consolidated financial statements include the accounts of Anacostia Watershed Society, Inc. (the Society) and Saturday Environmental Academy (SEA), collectively the Organization.

The Society was founded as a nonprofit environmental organization in 1989. The mission of the Organization is to protect and restore the Anacostia River and its watershed communities by cleaning the water, recovering the shores, and honoring the heritage. The ultimate goal of the Organization is to make the Anacostia River swimmable and fishable, in compliance with the federal Clean Water Act. The Organization also remains committed to working with the historical preservation and cultural communities by maintaining the integrity of their historic headquarters, the George Washington House.

SEA is a D.C. nonprofit organization that offers outdoor education opportunities for 7th and 8th graders living in the watershed area.

Stewardship: the Organization engages community members of all ages in stewardship action to restore the health of the Anacostia River, create wildlife habitat, produce sustainable built and natural environments and foster a sense of stewardship to protect the river among watershed residents.

Environmental education: the Organization increases awareness, knowledge, skills, and a sense of stewardship among watershed residents that will result in changes in both present and future behavior positively affecting the health of the river.

Advocacy: the Organization influences policies and resources favorably towards the restoration of the Anacostia River, with an emphasis on enhanced storm-water controls, increased containment of trash, and reduced sewage levels.

Recreation: the Organization engages community members of all ages in recreational activities in the watershed to increase awareness of the river, foster their enjoyment of nature, and motivate them to further their stewardship of the river.

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

More than one million people reside in the 176 square mile Anacostia watershed, which encompasses eastern Washington, DC, and northern Prince George's and eastern Montgomery counties in Maryland. The watershed is widely believed to have been one of the most polluted in the nation. By restoring the watershed, the Organization will improve the quality of the environment and human health.

2. Summary of significant accounting policies

Principles of consolidation

All significant intra-entity accounts and transactions have been eliminated in consolidation.

Basis of presentation

The Organization's consolidated financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets represent resources that are not subject to donor imposed stipulations and are available for operations at management's discretion.

Temporarily Restricted Net Assets represent resources restricted by donors as to purpose or by the passage of time.

Permanently Restricted Net Assets represent resources whose use by the Organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Organization. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

The Organization had no permanently restricted net assets at December 31, 2015 and 2014.

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Basis of accounting

The Organization's consolidated financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

Income taxes

The Society and SEA are both exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. This code section enables the Organization to accept donations that qualify as charitable contributions to the donor. The Organization is subject to income taxes on taxable income from unrelated business activities. For the years ended December 31, 2015 and 2014, the Organization did not recognize income tax expense in the accompanying consolidated financial statements as there was no unrelated business taxable income.

The Organization is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying consolidated financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If material omissions of income exist, tax returns may be subject to examination for up to six years. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in the accompanying consolidated financial statements. As of December 31, 2015 and 2014, the Organization had no uncertain tax positions which should be recognized as a liability.

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Contracts receivable

Contracts receivable principally represent amounts due from government awards that are all due in less than one year and stated at their net realizable value. In the opinion of management, all receivables are considered collectible. Accordingly, no allowance for doubtful contracts receivable has been recorded.

Contributions receivable, net

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at their net realizable value. Amounts that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The cash flows are discounted at a discount rate commensurate with the risk involved. Amortization of the resulting discount is recognized as additional contribution revenue. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At December 31, 2015 and 2014, no allowance for doubtful contributions receivable had been recognized.

Property and equipment, net

Property and equipment acquisitions are recorded in the consolidated financial statements at cost, net of accumulated depreciation. Donated property and equipment is stated at fair value at the date of donation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	10 - 27.5 years
Equipment	5 - 10 years
Vehicles	5 - 7 years
Office barges	20 years

The Organization's policy is to capitalize major additions and improvements over \$500. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Revenue recognition

Contributions

Contributions and certain foundation and corporate grants are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Contracts

Contract revenue is recognized as earned when the qualifying costs are incurred. Amounts received in advance are recorded as deferred revenue in the accompanying statements of financial position.

Program service fees

Program service fees are recognized as revenue in the period in which services are provided. Fees received relating to future periods are recorded as deferred revenue in the accompanying consolidated statements of financial position.

In-kind contributions

Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying consolidated financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited.

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The value of these contributed services is not recorded as in-kind contributions since the criteria for recognition was not met under the standards.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

3. Contributions receivable, net

Contributions receivable consist of unconditional promises to give principally for the Rice Rangers environmental education program and are summarized as follows:

	2015	2014
Unconditional promises to give expected to be collected in:		
Less than one year	\$ 50,000	\$ 64,343
One to five years	-	50,000
	50,000	114,343
Less:		
Discount to present value (6% interest rate)	-	(2,830)
Total contributions receivable, net	\$ 50,000	\$ 111,513

4. Line of credit

On March 29, 2012, the Organization entered into a \$60,000 line of credit with a financial institution. The line of credit was increased to \$150,000 on March 11, 2014. The line of credit is payable on demand and matures on March 29, 2017. The line has an interest rate equal to the "Wall Street Journal Prime Rate" plus 2% with a minimum rate of 6%. For the year ended December 31, 2015, the balance due on the line of credit was \$136,884. There was no balance due for the year ended December 31, 2014.

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

5. Property and equipment, net

The following is a summary of property and equipment held at December 31:

	2015	2014
Land	\$ 134,075	\$ 134,075
Building and improvements	828,543	828,543
Equipment	219,363	221,958
Vehicles	51,209	36,331
Office barges	230,000	230,000
Property and equipment	1,463,190	1,450,907
Accumulated depreciation	(504,278)	(454,325)
Total property and equipment, net	\$ 958,912	\$ 996,582

Depreciation expense for the years ended December 31, 2015 and 2014 was \$65,342 and \$57,336, respectively.

6. Note payable

On August 26, 2015, the Organization entered into a note payable in the amount of \$16,000 with interest on the unpaid principal balance calculated as 3.75% per annum. Payments of \$471 are due monthly beginning on September 26, 2015, with all unpaid principal due on August 26, 2018. The note is secured by a truck. At December 31, 2015, the balance due on the note was \$14,313.

Aggregate future maturities of notes payable are as follows for the years ending December 31:

2016	\$ 5,205
2017	5,404
2018	3,704
Total	\$ 14,313

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

7. Temporarily restricted net assets

Net assets were released from donor restrictions for the following purposes during the years ended December 31:

	<u>2015</u>	<u>2014</u>
Environmental education	\$ 173,928	\$ 87,788
Advocacy	29,115	43,876
Management and general	40,750	9,250
Stewardship	<u>-</u>	<u>21,670</u>
Total net assets released from restrictions	<u>\$ 243,793</u>	<u>\$ 162,584</u>

At December 31, 2015 and 2014, temporarily restricted net assets were available for the following purposes:

	<u>2015</u>	<u>2014</u>
Environmental education	\$ 87,278	\$ 223,928
Management and general	39,377	40,750
Advocacy	<u>-</u>	<u>29,115</u>
Total temporarily restricted net assets	<u>\$ 126,655</u>	<u>\$ 293,793</u>

8. In-kind donations

During the years ended December 31, 2015 and 2014, the Organization received various donated goods and services which require skill and would need to be purchased if not donated. The Organization received donated supplies, food and equipment valued at \$8,405 and \$21,064 for the years ended December 31, 2015 and 2014, respectively. Donated services principally included legal fees and lab testing services that were valued at \$77,671 for the year ended December 31, 2014. For the years ended December 31, 2015 and 2014, the Organization also received donated use of space valued at \$13,000 and \$10,000, respectively, which are included in special event revenue on the accompanying consolidated statement of activities. Total donated services and goods are recorded as in-kind contributions revenue and included under program advocacy, stewardship, and management and general services expense (except for the special event amounts as noted above) in the accompanying consolidated statements of activities.

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

During 2015, the Organization also received donated property and equipment valued at \$7,980. During 2014, the Organization received office barges that became the Organization's DC office valued at \$230,000 and donated office furniture valued at \$17,920. All donated property and equipment were capitalized and included in property and equipment on the accompanying consolidated statement of financial position.

9. Commitments

Operating leases

The Organization entered into a lease agreement for equipment in August 2011. The equipment lease is for a period of 60 months with monthly payments of \$372. Future minimum lease payments for the year ending December 31, 2016 is \$2,976.

The Organization entered into a lease agreement for a vehicle in August 2013. The vehicle lease had monthly payments of \$932 and was for a period of 24 months. The lease ended in July 2015.

On October 14, 2014, the Organization entered into a lease agreement for rental slips for the barges. The agreement calls for monthly payments of \$1,000 beginning December 1, 2014 and is on a month-to-month basis.

Capital lease

On November 18, 2014 a capital lease was entered into for equipment. The fair value of the equipment when acquired was \$6,120. The lease is for a period of 24 months with monthly principal payments of \$255 and a one dollar buyout option. Capital lease amortization is included with depreciation expense in the consolidated financial statements. Future minimum lease payments for the year ending December 31, 2016 is \$3,060.

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

10. Contingency

The Organization receives a portion of its revenue from contracts. The ultimate determination of amounts received under these programs often is based upon allowable costs reported to and audited by the awarding agency. Until such audits have been completed and final settlement reached, a contingency exists to refund any amount received in excess of allowable costs. Management is of the opinion that no liability will result from such an audit.

11. Retirement plan

The Organization sponsors a defined contribution retirement plan (the Plan) under Internal Revenue Code section 403(b) which substantially covers all of its employees who meet certain age and length of service requirements. The Organization makes matching contributions in accordance with the Plan provisions. Retirement plan expense for the years ended in December 31, 2015 and 2014 was \$16,748 and \$8,986, respectively.

12. Subsequent events

In preparing the consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 7, 2016, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.

SUPPLEMENTAL INFORMATION

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Stewardship</u>	<u>Environmental education</u>	<u>Advocacy</u>	<u>Recreation</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total support services</u>	<u>Total expenses</u>
Salaries	\$ 564,326	\$ 250,709	\$ 146,850	\$ 80,998	\$ 1,042,883	\$ 211,222	\$ 70,058	\$ 281,280	\$ 1,324,163
Payroll taxes	53,492	23,690	13,244	7,351	97,777	3,063	6,563	9,626	107,403
Employee benefits	27,283	12,342	7,146	3,898	50,669	11,043	3,248	14,291	64,960
Materials and supplies	142,590	27,101	446	798	170,935	191	822	1,013	171,948
Green Roofs-rebate	188,532	-	-	-	188,532	-	-	-	188,532
GW House (includes depreciation)	19,956	7,818	5,526	2,469	35,769	5,995	2,057	8,052	43,821
DC office (includes depreciation)	23,452	4,221	2,444	1,393	31,510	3,777	1,111	4,888	36,398
Bad debt expense	-	5,500	-	-	5,500	-	10,000	10,000	15,500
Equipment repairs and maintenance	10,064	5,170	3,418	961	19,613	561	576	1,137	20,750
Computer and website	13,644	3,948	1,755	121	19,468	17,444	2,306	19,750	39,218
Telephone	6,193	3,132	1,491	335	11,151	496	796	1,292	12,443
Postage and shipping	2,405	687	669	200	3,961	568	1,462	2,030	5,991
Printing and publications	23,644	4,009	2,438	982	31,073	2,038	7,493	9,531	40,604
Office expenses	2,343	395	328	216	3,282	4,352	336	4,688	7,970
Dues and membership	9,490	4,146	2,298	3,821	19,755	3,397	14,838	18,235	37,990
Conferences and conventions	4,934	2,621	410	284	8,249	309	401	710	8,959
Miscellaneous	7,851	14,184	707	812	23,554	319	1,704	2,023	25,577
Travel	1,494	7,290	846	191	9,821	124	573	697	10,518
Promotion	855	342	198	108	1,503	306	170	476	1,979
Professional fees	57,552	27,567	23,121	10,579	118,819	20,057	25,149	45,206	164,025
Contract services	1,297,816	21,599	42,770	2,320	1,364,505	1,191	11,681	12,872	1,377,377
Insurance	25,697	10,988	7,670	2,902	47,257	8,217	2,418	10,635	57,892
Depreciation and amortization	<u>11,607</u>	<u>6,171</u>	<u>1,814</u>	<u>1,574</u>	<u>21,166</u>	<u>2,418</u>	<u>711</u>	<u>3,129</u>	<u>24,295</u>
Total expenses	<u>\$ 2,495,220</u>	<u>\$ 443,630</u>	<u>\$ 265,589</u>	<u>\$ 122,313</u>	<u>\$ 3,326,752</u>	<u>\$ 297,088</u>	<u>\$ 164,473</u>	<u>\$ 461,561</u>	<u>\$ 3,788,313</u>

ANACOSTIA WATERSHED SOCIETY, INC. AND SATURDAY ENVIRONMENTAL ACADEMY
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Stewardship</u>	<u>Environmental education</u>	<u>Advocacy</u>	<u>Recreation</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total support services</u>	<u>Total expenses</u>
Salaries	\$ 566,585	\$ 245,533	\$ 169,374	\$ 104,896	\$ 1,086,388	\$ 71,848	\$ 84,823	\$ 156,671	\$ 1,243,059
Payroll taxes	42,638	18,566	12,159	7,360	80,723	16,240	6,214	22,454	103,177
Employee benefits	25,198	10,918	7,535	4,666	48,317	3,195	3,770	6,965	55,282
Materials and supplies	160,042	17,367	1,373	7,049	185,831	6,394	-	6,394	192,225
Green Roofs-rebate	298,671	-	-	-	298,671	-	-	-	298,671
Lab costs	5,671	-	-	-	5,671	-	-	-	5,671
Occupancy	-	-	-	-	-	1,500	-	1,500	1,500
GW House (includes depreciation)	16,542	12,356	5,352	3,303	37,553	5,140	5,355	10,495	48,048
Equipment repairs and maintenance	17,648	2,508	2,350	70	22,576	9,125	-	9,125	31,701
Computer and website	11,408	1,717	4,609	1,278	19,012	13,694	3,933	17,627	36,639
Telephone	4,565	1,806	2,035	360	8,766	3,305	720	4,025	12,791
Postage and shipping	333	25	718	58	1,134	3,053	1,864	4,917	6,051
Printing and publications	17,718	298	7,427	5,987	31,430	12,952	4,547	17,499	48,929
Office expenses	1,128	279	653	106	2,166	9,571	2,705	12,276	14,442
Dues and membership	2,295	815	980	2,500	6,590	12,551	2,668	15,219	21,809
Conferences and conventions	1,406	1,435	824	495	4,160	4,456	118	4,574	8,734
Miscellaneous	5,011	2,727	298	526	8,562	8,240	1,611	9,851	18,413
Travel	1,337	3,933	2,403	906	8,579	463	665	1,128	9,707
Promotion	-	-	-	-	-	3,200	1,408	4,608	4,608
Professional fees	-	-	2,500	-	2,500	113,282	-	113,282	115,782
Contract services	577,460	28,161	59,228	5,928	670,777	49,903	27,946	77,849	748,626
Insurance	11,347	1,500	2,400	-	15,247	12,725	-	12,725	27,972
Depreciation and amortization	10,675	4,721	374	1,081	16,851	4,230	-	4,230	21,081
DC office (includes depreciation)	-	-	-	-	-	6,708	-	6,708	6,708
Total expenses	<u>\$ 1,777,678</u>	<u>\$ 354,665</u>	<u>\$ 282,592</u>	<u>\$ 146,569</u>	<u>\$ 2,561,504</u>	<u>\$ 371,775</u>	<u>\$ 148,347</u>	<u>\$ 520,122</u>	<u>\$ 3,081,626</u>