

STROUD WATER RESEARCH CENTER, INC.

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

DECEMBER 31, 2021 AND 2020

STROUD WATER RESEARCH CENTER, INC.
TABLE OF CONTENTS
DECEMBER 31, 2021 AND 2020

	<u>Page No.</u>
Financial Statements	
Independent Auditors' Report	1
Statements of Financial Position	4
Statements of Activities	6
Statements of Cash Flows	8
Statements of Functional Expenses	9
Notes to Financial Statements	11
Supplementary Information	
Schedule of Expenditures of Federal Awards	33
Notes to the Schedule of Expenditures of Federal Awards	34
Single Audit	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	37
Schedule of Findings and Questioned Costs	40
Summary Schedule of Prior Audit Findings	42



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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Stroud Water Research Center, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses, for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Stroud Water Research Center, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Stroud Water Research Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Stroud Water Research Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Stroud Water Research Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Stroud Water Research Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report August 26, 2022, on our consideration of Stroud Water Research Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Stroud Water Research Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stroud Water Research Center, Inc.'s internal control over financial reporting and compliance.

Belfunt, Lyons & Shuman, P.A.

August 26, 2022
Wilmington, Delaware

STROUD WATER RESEARCH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash	\$ 258,517	\$ 489,807
Accounts and Grants Receivable, Net	2,239,688	1,049,233
Pledges Receivable, Net	298,148	666,736
Prepaid Expenses	60,952	47,796
TOTAL CURRENT ASSETS	2,857,305	2,253,572
PROPERTY AND EQUIPMENT		
Land	2,357,839	2,357,839
Buildings and Improvements	12,961,351	12,709,106
Equipment	3,226,496	3,154,730
Vehicles	405,185	380,508
	18,950,871	18,602,183
Less: Accumulated Depreciation	8,384,977	7,910,054
TOTAL PROPERTY AND EQUIPMENT	10,565,894	10,692,129
PLEDGES RECEIVABLE, NET	62,918	624,359
INVESTMENTS	37,820,658	33,404,124
BENEFICIAL INTEREST IN PERPETUAL TRUST	11,842,616	10,613,320
TOTAL ASSETS	\$ 63,149,391	\$ 57,587,504

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

STROUD WATER RESEARCH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION - CONTINUED
DECEMBER 31, 2021 AND 2020

LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 426,594	\$ 423,615
Taxes Payable - Payroll	8,804	8,175
Current Maturities of Bonds Payable	271,449	260,801
Current Maturities of Paycheck Protection Program Loan	5,124	-
TOTAL CURRENT LIABILITIES	711,971	692,591
BONDS PAYABLE - NET OF CURRENT MATURTIES	4,185,334	4,461,785
PAYCHECK PROTECTION PROGRAM LOAN	19,105	859,276
PENSION BENEFIT OBLIGATION	3,829,727	5,439,620
TOTAL LIABILITIES	8,746,137	11,453,272
NET ASSETS		
Without Donor Restrictions		
Board Designated - Endowment	24,681,166	22,196,975
Undesignated	2,491,580	(523,134)
Total Net Assets Without Donor Restrictions	27,172,746	21,673,841
Total Net Assets With Donor Restrictions	27,230,508	24,460,391
TOTAL NET ASSETS	54,403,254	46,134,232
TOTAL LIABILITIES AND NET ASSETS	\$ 63,149,391	\$ 57,587,504

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

STROUD WATER RESEARCH CENTER, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUE			
Research Programs	\$ 2,270,633	\$ 449,952	\$ 2,720,585
Education/Public Programs	494,403	50,040	544,443
Watershed Restoration Programs	2,409,410	77,267	2,486,677
Annual Fund	464,684	18,191	482,875
Contributions	169,320	130,855	300,175
Contribution from Beneficial Interest in Perpetual Trust	443,394	-	443,394
Other Income	156,052	-	156,052
Special Events	276,909	-	276,909
	<u>6,684,805</u>	<u>726,305</u>	<u>7,411,110</u>
Net Assets Released from Restriction	<u>991,353</u>	<u>(991,353)</u>	<u>-</u>
TOTAL OPERATING REVENUE	<u>7,676,158</u>	<u>(265,048)</u>	<u>7,411,110</u>
OPERATING EXPENSES			
Program Services			
Research	2,536,933	-	2,536,933
Education	494,016	-	494,016
Watershed Restoration	2,425,319	-	2,425,319
Total Program Services	<u>5,456,268</u>	<u>-</u>	<u>5,456,268</u>
Supporting Services			
Finance and Administrative	727,592	-	727,592
Information Services	444,043	-	444,043
Facilities	965,513	-	965,513
Communications and Marketing	47,817	-	47,817
Other Expenses	166,052	-	166,052
Total Supporting Services	<u>2,351,017</u>	<u>-</u>	<u>2,351,017</u>
Development and Outreach	<u>389,838</u>	<u>-</u>	<u>389,838</u>
TOTAL OPERATING EXPENSES	<u>8,197,123</u>	<u>-</u>	<u>8,197,123</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(520,965)</u>	<u>(265,048)</u>	<u>(786,013)</u>
OTHER CHANGES			
Pension Changes Including Net Periodic Pension Cost	1,609,893	-	1,609,893
Investment Income	1,263,740	638,055	1,901,795
Paycheck Protection Program Loan Forgiveness	833,254	-	833,254
Net Realized and Unrealized Gains (Losses) on Beneficial Interest in Perpetual Trust	-	1,229,296	1,229,296
Investments	2,312,983	1,167,814	3,480,797
TOTAL OTHER CHANGES	<u>6,019,870</u>	<u>3,035,165</u>	<u>9,055,035</u>
CHANGE IN NET ASSETS	<u>5,498,905</u>	<u>2,770,117</u>	<u>8,269,022</u>
NET ASSETS - Beginning of Year	<u>21,673,841</u>	<u>24,460,391</u>	<u>46,134,232</u>
NET ASSETS - End of Year	<u>\$ 27,172,746</u>	<u>\$ 27,230,508</u>	<u>\$ 54,403,254</u>

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

STROUD WATER RESEARCH CENTER, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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

STROUD WATER RESEARCH CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 8,269,022	\$ 1,325,737
Adjustments to Reconcile Change in Net Assets to Net Cash Flow Used by Operating Activities		
Depreciation	474,923	516,435
Amortization of Debt Issuance Costs	2,018	1,927
Net Realized and Unrealized Gains	(4,710,093)	(3,480,340)
Paycheck Protection Program Loan - Loan Forgiveness	(833,254)	-
Contributed Investments	(321,600)	(833,793)
(Increase) Decrease in		
Accounts and Grants Receivable	(1,190,455)	525,710
Pledges Receivable	(67,345)	(281,838)
Prepaid Expenses	(13,156)	(5,217)
Increase (Decrease) in		
Accounts Payable and Accrued Expenses	2,979	(239,065)
Taxes Payable - Payroll	629	840
Pension Benefit Obligation	(1,609,893)	1,458,200
NET CASH (USED BY) / FROM OPERATING ACTIVITIES	3,775	(1,011,404)
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(348,688)	(96,064)
Purchase of Investment Securities	(7,220,604)	(4,700,161)
Proceeds on Sale of Investment Securities	6,606,467	4,288,172
NET CASH USED BY INVESTING ACTIVITIES	(962,825)	(508,053)
CASH FLOWS FROM FINANCING ACTIVITIES		
Pledge Payments Received	997,374	1,006,006
Paycheck Protection Program Loan - Conditional Grant	-	859,276
Repayment of Paycheck Protection Program Loan	(1,793)	-
Repayment of Bond Payable	(267,821)	(262,339)
NET CASH FROM FINANCING ACTIVITIES	727,760	1,602,943
NET CHANGE IN CASH	(231,290)	83,486
CASH - Beginning of Year	489,807	406,321
CASH - End of Year	\$ 258,517	\$ 489,807
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash Paid for Interest	\$ 199,745	\$ 210,926
Noncash Investing and Financing Activities		
Contributed Investments	\$ 321,600	\$ 833,793

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

STROUD WATER RESEARCH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Development and Outreach</u>	<u>Total</u>
Salaries and Wages	\$ 2,375,144	\$ 1,050,834	\$ 234,599	\$ 3,660,577
Fringe Benefits	738,111	324,680	73,899	1,136,690
Advertising and Promotion	156	209	-	365
Conferences, Conventions, and Meeting	13,500	10,961	54,516	78,977
Subawards	1,314,148	-	-	1,314,148
Participant Support	229,439	-	-	229,439
Outside Services	291,454	110,411	11,659	413,524
Laboratory Equipment	278,995	43,442	-	322,437
Information Technology	20,566	26,931	450	47,947
Occupancy	3,122	28,207	-	31,329
Office Expenses	11,384	57,512	2,985	71,881
Insurance	-	120,288	-	120,288
Travel	67,030	-	4,322	71,352
Interest	-	201,763	-	201,763
Depreciation	104,986	369,937	-	474,923
Other Expenses	8,233	5,842	7,408	21,483
Net Periodic Defined Benefit Pension Cost	241,630	106,288	24,192	372,110
	5,697,898	2,457,305	414,030	8,569,233
Less: Net Periodic Pension Cost Presented as Nonoperating on Statements of Activities	<u>(241,630)</u>	<u>(106,288)</u>	<u>(24,192)</u>	<u>(372,110)</u>
Total Operating Expenses	<u>\$ 5,456,268</u>	<u>\$ 2,351,017</u>	<u>\$ 389,838</u>	<u>\$ 8,197,123</u>

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

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

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Development and Outreach</u>	<u>Total</u>
Salaries and Wages	\$ 2,351,229	\$ 987,139	\$ 337,798	\$ 3,676,166
Fringe Benefits	733,570	308,887	106,406	1,148,863
Advertising and Promotion	945	655	-	1,600
Conferences, Conventions, and Meeting	3,832	-	674	4,506
Subawards	589,264	-	-	589,264
Participant Support	73,460	-	-	73,460
Outside Services	237,950	133,188	8,195	379,333
Laboratory Equipment	149,208	28,237	-	177,445
Information Technology	19,942	24,916	440	45,298
Occupancy	-	43,612	-	43,612
Office Expenses	9,975	62,305	2,086	74,366
Insurance	-	107,480	-	107,480
Travel	42,653	-	703	43,356
Interest	-	212,853	-	212,853
Depreciation	155,103	361,332	-	516,435
Other Expenses	6,070	6,607	311	12,988
Net Periodic Defined Benefit Pension Cost	161,534	68,017	23,431	252,982
	4,534,735	2,345,228	480,044	7,360,007
Less: Net Periodic Pension Cost Presented as Nonoperating on Statements of Activities	<u>(161,534)</u>	<u>(68,017)</u>	<u>(23,431)</u>	<u>(252,982)</u>
Total Operating Expenses	<u>\$ 4,373,201</u>	<u>\$ 2,277,211</u>	<u>\$ 456,613</u>	<u>\$ 7,107,025</u>

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

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Special Events - The Corporation recognizes special events revenue equal to the cost of direct benefits provided to the donor and contribution revenue for the difference. Special event revenue equal to the cost of direct benefits provided to the donor is recognized at the point in time the benefit is delivered, generally when the event occurs. Contribution revenue resulting from special events is recognized immediately. For the years ended December 31, 2021 and 2020, the Corporation recognized ticket sales of \$61,778 and \$44,643, respectively, in accordance with the provisions of ASC 606.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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

Revenue Recognition - Continued

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

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

Government Grants - A portion of the Corporation's revenue is derived from cost-reimbursable federal and state contracts or grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Corporation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Corporation received cost-reimbursable grants of \$8,749,134 that have not been recognized at December 31, 2021, because qualifying expenditures have not yet been incurred.

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

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

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

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

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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

Net Assets - Continued

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

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

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

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

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

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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

Endowment Investment and Spending Policies - Continued

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

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

The spending policy calculates the amount of money annually distributed from the Corporation's various endowed funds to fund Corporation operations and capital acquisitions. The current spending policy is to distribute an amount equal to 5% of a thirteen-quarter weighted average of the value of endowment assets. In addition to this distribution, the Corporation's finance committee has the authority to distribute additional funds as they are deemed necessary. The spending policy called for a budgeted distribution of \$2,309,962 in 2021. Actual distributions from the endowment based on operating funds needed were \$1,985,665 and \$435,790 for the years ended December 31, 2021 and 2020, respectively.

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

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

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

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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

Property and Equipment - Continued

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

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

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

Deferred Fees and Amortization - Debt issuance costs of \$58,670, net of accumulated amortization of \$17,760 and \$15,742, respectively, as of December 31, 2021 and 2020, are reported as a direct deduction from the face amount of the bonds payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the effective interest method, over the terms of the respective notes payable.

Interest expense related to the debt issuance costs for the years ended December 31, 2021 and 2020, was \$2,018 and \$1,927, respectively.

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

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

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

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

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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

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

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

The Corporation complies with FASB ASC 740 - *Accounting for Uncertainty in Income Taxes*. For the years ended December 31, 2021 and 2020, the Corporation has determined it did not have a material tax liability for uncertain tax positions.

The Corporation's policy for penalties and interest assessed by income taxing authorities is to include them in other expenses. For the years ended December 31, 2021 and 2020, the Corporation did not incur any interest and penalties from taxing authorities.

The federal income tax returns of the Corporation for 2018, 2019 and 2020, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Advertising - Advertising costs are charged to operations when incurred. Total advertising expenses for the years ended December 31, 2021 and 2020, were \$364 and \$1,600, respectively.

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

Reclassifications - Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported total net assets or change in net assets.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 2: LIQUIDITY AND AVAILABILITY

The following represents the Corporation's financial assets at December 31, 2021 and 2020:

	2021	2020
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 258,517	\$ 489,807
Account and Grants Receivable	2,239,688	1,049,233
Pledges Receivable	361,066	1,291,095
Investments	37,820,658	33,404,124
Beneficial Interest in Perpetual Trust	11,842,616	10,613,320
 Total Financial Assets	 52,522,545	 46,847,579
 Less: Amounts Not Available to be Used Within One Year		
Total Net Assets With Donor Restrictions	27,230,508	24,460,391
Less: Net Assets With Purpose Restrictions to be Met in Less Than One Year	(3,313,208)	(2,752,429)
Pledges Receivable Without Donor Restrictions		
Due in Greater Than One Year	3,600	104,680
Quasi Endowment Established by the Board	24,681,166	22,196,975
 Total Amounts Not Available to be Used Within One Year	 48,602,066	 44,009,617
 Total Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	 \$ 3,920,479	 \$ 2,837,962

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to the above, the Corporation has the ability to distribute an amount equal to 5% of a thirteen-quarter weighted average of the value of endowment assets. In addition to this distribution, the Corporation's finance committee has the authority to distribute additional funds as they are deemed necessary. These distributions come out of the quasi endowment noted above.

NOTE 3: FINANCIAL INSTRUMENTS

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

Cash is maintained in bank deposit accounts with financial institutions that at times exceeds federally insured limits. The Corporation has not experienced any losses in such accounts and does not believe it is exposed to any significant risk. Uninsured balances were \$115,845 and \$321,163 as of December 31, 2021 and 2020, respectively.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 3: FINANCIAL INSTRUMENTS - CONTINUED

Concentrations of Credit Risk - Continued

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

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

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

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

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

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

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

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

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

Investments - Limited Partnerships - Investments in limited partnerships and LLCs that are measured at fair value using the net asset value per share (or its equivalent) practical expedient

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 3: FINANCIAL INSTRUMENTS - CONTINUED

Fair Value Measurement of Financial Instruments - Continued

Investments - Limited Partnerships - Continued - have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

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

Fair values of assets measured on a recurring basis at December 31, 2021, are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Management Funds	\$ 274,603	\$ 274,603	\$ -	\$ -
Mutual Funds				
Domestic Blended Equities	2,520,566	2,520,566	-	-
Domestic Small/Mid Cap Equities	7,300,004	7,300,004	-	-
Domestic Large Cap Equities	2,715,869	2,715,869	-	-
Fixed Income	7,717,032	7,717,032	-	-
Real Estate	75,262	75,262	-	-
International Equities				
Developed	3,731,219	3,731,219	-	-
Emerging Markets	1,949,685	1,949,685	-	-
Total Investments Measured at Fair Value	26,284,240	26,284,240	-	-
Investment Measured at Net Asset Value				
Investment in Limited Partnership	11,536,418	N/A	N/A	N/A
Total Investments	\$ 37,820,658	\$ 26,284,240	\$ -	\$ -
Beneficial Interest in Perpetual Trust	\$ 11,842,616	\$ -	\$ 11,842,616	\$ -

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 3: FINANCIAL INSTRUMENTS - CONTINUED

Fair Value Measurement of Financial Instruments - Continued

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

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

NOTE 4: PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	2021	2020
Receivable in Less Than One Year	\$ 298,148	\$ 666,736
Receivable in One to Five Years	62,918	682,386
Receivable in Greater Than Five Years	-	7,300
Total Pledges	361,066	1,356,422
Less: Discounts to Net Present Value	-	65,327
	<u>\$ 361,066</u>	<u>\$ 1,291,095</u>

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 5: INVESTMENTS

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

	2021		
	Cost	Fair Value	Unrealized Appreciation
Cash Management Fund	\$ 274,603	\$ 274,603	\$ -
Mutual Funds	19,930,266	26,009,637	6,079,371
Investment in Limited Partnerships	7,688,111	11,536,418	3,848,307
Total Investments	\$ 27,892,980	\$ 37,820,658	\$ 9,927,678

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

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

	2021	2020
Interest and Dividends	\$ 589,907	\$ 336,754
Partnership Income	1,405,297	54,436
Fees and Other Expenses	(93,409)	(73,925)
	\$ 1,901,795	\$ 317,265

NOTE 6: BONDS PAYABLE

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

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 6: BONDS PAYABLE - CONTINUED

Bonds payable totaled \$4,456,783 and \$4,772,586 as of December 31, 2021 and 2020, respectively. The first \$3,250,000 of the bond issue bears interest at 4.70% until December 23, 2035. The second \$3,250,000 of the bond issue bears interest at 3.65% until December 23, 2035. Payments of interest and principal are due in accordance with the schedule outlined in the bond issue through December 2035.

Components of bonds payable are as follows for the year ended December 31, 2021:

	<u>Bonds Payable</u>	<u>Unamortized Loan Costs</u>	<u>Net</u>
Current Portion	\$ 273,565	\$ 2,116	\$ 271,449
Long-Term Portion	<u>4,224,128</u>	<u>38,794</u>	<u>4,185,334</u>
Total	<u>\$ 4,497,693</u>	<u>\$ 40,910</u>	<u>\$ 4,456,783</u>

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

	<u>Bonds Payable</u>	<u>Unamortized Loan Costs</u>	<u>Net</u>
Current Portion	\$ 262,819	\$ 2,018	\$ 260,801
Long-Term Portion	<u>4,502,695</u>	<u>40,910</u>	<u>4,461,785</u>
Total	<u>\$ 4,765,514</u>	<u>\$ 42,928</u>	<u>\$ 4,722,586</u>

Components of interest expense on the bonds payable for the years ended December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Interest Expense	\$ 199,746	\$ 210,926
Amortization of Loan Cost	<u>2,018</u>	<u>1,927</u>
Total	<u>\$ 201,764</u>	<u>\$ 212,853</u>

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 6: BONDS PAYABLE - CONTINUED

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

2022	\$	273,565
2023		279,585
2024		285,892
2025		292,501
2026		336,615
Thereafter		3,029,535
	\$	4,497,693

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

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

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

The Corporation met the covenants described above as of December 31, 2021 and 2020.

NOTE 7: PAYCHECK PROTECTION PROGRAM LOAN

On April 16, 2020, the Corporation received proceeds in the amount of \$859,276 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provided loans to qualifying organizations for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. On July 16, 2021, the Corporation received PPP loan forgiveness of \$833,254. The remaining balance of \$26,022 bears interest at 1% per year and matures on April 24, 2026. Monthly payments of principal and interest in the amount of \$445 commenced on August 16, 2021. Scheduled principal payments on the PPP loan for each of the next five years are as follows:

2022	\$	5,124
2023		5,175
2024		5,227
2025		5,280
2026		3,095
	\$	23,901

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Subject to Expenditure of a Specified Purpose		
Research Programs	\$ 741,547	\$ 478,184
Education/Public Programs	153,697	178,098
Watershed Restoration Programs	673,228	861,577
Other Programs	469,210	89,468
	2,037,682	1,607,327
Endowment Assets		
Subject to Appropriation and Expenditure in Accordance with Spending Policy		
New Building	643,682	565,281
Executive Director	2,904,989	2,361,379
Assistant Director	352,247	309,343
Research Programs	1,296,284	986,805
Restoration Programs	4,281,023	3,474,443
Education Programs	672,660	521,291
Original Gifts to Endowment Funds	2,988,607	2,988,607
Beneficial Interest in Perpetual Trusts	11,842,616	10,613,320
	24,982,108	21,820,469
Donor-Restricted Pledges for the Future of Fresh Water Initiative		
New Building	8,739	8,498
Executive Director	16,617	593,095
Assistant Director	8,739	8,498
Research Programs	9,625	58,265
Restoration Programs	158,234	326,395
Education Programs	8,764	37,844
	210,718	1,032,595
Total Net Assets with Donor Restrictions	\$ 27,230,508	\$ 24,460,391

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 9: NET ASSETS RELEASED FROM RESTRICTION

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

	2021	2020
Research Programs	\$ 264,301	\$ 202,759
Education/Public Programs	63,195	33
Watershed Restoration	390,881	146,513
Other Programs	10,738	32,627
Executive Director	191,361	22,204
Assistant Director	25,068	5,738
New Building	45,809	10,617
	\$ 991,353	\$ 420,491

NOTE 10: REVENUE CONCENTRATIONS

During the years ended December 31, 2021 and 2020, approximately 68% and 67%, respectively, of program revenue was from grants and contracts with four organizations.

As of December 31, 2021 and 2020, approximately 89% and 84%, respectively, of total outstanding pledges receivable were from four donors.

NOTE 11: PENSION PLAN

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

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

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 11: PENSION PLAN - CONTINUED

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

Pension Plan Obligations and Funded Status:

	<u>2021</u>	<u>2020</u>
Projected Benefit Obligation	\$ 14,001,680	\$ 14,395,054
Fair Value of Plan Assets	<u>10,171,953</u>	<u>8,955,434</u>
Funded Status	<u>\$ (3,829,727)</u>	<u>\$ (5,439,620)</u>
Accumulated Benefit Obligation	\$ 12,309,038	\$ 12,383,169
Employer Contributions	365,000	360,000
Benefits Paid	519,550	364,900

Amounts Recognized in the Statement of Financial Position:

	<u>2021</u>	<u>2020</u>
Pension Benefit Obligation	<u>\$ 3,829,727</u>	<u>\$ 5,439,620</u>

Amounts Recognized in the Statement of Activities:

	<u>2021</u>	<u>2020</u>
Components of Net Periodic Benefit Cost		
Service Cost	\$ 700,405	\$ 554,943
Interest Cost	358,634	393,931
Amortization of Net Loss	204,164	149,417
Expected Return on Plan Assets	<u>(526,093)</u>	<u>(485,309)</u>
Net Periodic Benefit Cost	<u>737,110</u>	<u>612,982</u>
Changes in Plan Assets and Benefit Obligations Recognized in Other Changes in Net Assets Without Donor Restrictions		
Net Loss	(1,777,839)	1,354,635
Amortization of Actuarial (Gain) or Loss	<u>(204,164)</u>	<u>(149,417)</u>
Total Recognized in Other Changes in Net Assets Without Donor Restrictions	<u>(1,982,003)</u>	<u>1,205,218</u>
Total Recognized in Net Periodic Benefit Costs and Other Changes in Net Assets Without Donor Restrictions	<u>\$ (1,244,893)</u>	<u>\$ 1,818,200</u>

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 11: PENSION PLAN - CONTINUED

For the year ended December 31, 2021, the mortality assumption projection scale was revised from MP-2020 to MP-2021 to reflect the latest mortality projection. These assumption changes decreased the projected benefit obligation as of December 31, 2021, by \$658,980.

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

The estimated net gain and prior service cost for the defined benefit pension plan that will be amortized from other changes in net assets without donor restrictions into the net periodic benefit during the year ending December 31, 2021, is \$91,173.

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

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

	2021	2020
Discount Rate	2.85%	2.55%
Rate of Compensation Increase	3.00%	3.00%
Expected Return on Plan Assets	6.10%	6.10%

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

	2021	2020
Discount Rate	2.55%	3.30%
Rate of Compensation Increase	3.00%	3.00%
Expected Return on Plan Assets	6.10%	6.10%

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

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

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 11: PENSION PLAN - CONTINUED

income securities include corporate bonds of companies from diversified industries, global bonds, and U.S. Treasuries.

The fair values of the Plan's assets as of December 31, 2021, by asset class, are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Management Fund	\$ 123,275	\$ 123,275	\$ -	\$ -
Domestic Equities	3,168,633	3,168,633	-	-
Fixed Income	3,996,810	3,996,810	-	-
Real Estate Investment Trust	1,079,150	1,079,150	-	-
International Equities				
Developed	1,105,432	1,105,432	-	-
Emerging Markets	698,653	698,653	-	-
	<u>\$ 10,171,953</u>	<u>\$ 10,171,953</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

The Corporation expects to contribute approximately \$365,000 to the pension plan in the year ending December 31, 2022. No plan assets are expected to be returned to the Corporation during the year ending December 31, 2022.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 11: PENSION PLAN - CONTINUED

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

2022	\$	509,064
2023		511,155
2024		519,460
2025		510,272
2026		584,472
2027 - 2030		3,224,232

NOTE 12: COMMITMENTS - COPIER LEASES

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

2022	\$	15,072
2023		15,072
2024		5,172
2025		1,872
2026		1,404
		<u>1,404</u>
	\$	<u><u>38,592</u></u>

Rent expense related to these leases was \$16,056 and \$15,666 as of December 31, 2021 and 2020, respectively.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 13: ENDOWMENT ASSETS

Endowment assets consisted of the following as of December 31:

	Without Donor Restrictions (Board Designated)	With Donor Restrictions	Total
<u>As of December 31, 2021</u>			
Investments	\$ 24,681,166	\$ 13,139,492	\$ 37,820,658
Beneficial Interest in Perpetual Trust	-	11,842,616	11,842,616
	<u>\$ 24,681,166</u>	<u>\$ 24,982,108</u>	<u>\$ 49,663,274</u>
<u>As of December 31, 2020</u>			
Investments	\$ 22,196,975	\$ 11,207,149	\$ 33,404,124
Beneficial Interest in Perpetual Trust	-	10,613,320	10,613,320
	<u>\$ 22,196,975</u>	<u>\$ 21,820,469</u>	<u>\$ 44,017,444</u>

Changes in endowment net assets for the year ended December 31, 2021, were as follows:

	Without Donor Restrictions (Board Designated)	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2021	\$ 22,196,975	\$ 21,820,469	\$ 44,017,444
Investment Return			
Investment Income Net of Fees	1,263,740	638,055	1,901,795
Net Gains on Investments	2,312,983	2,397,110	4,710,093
Total Investment Return	<u>3,576,723</u>	<u>3,035,165</u>	<u>6,611,888</u>
Contributions Transferred into Endowment	<u>227,122</u>	<u>792,485</u>	<u>1,019,607</u>
Appropriation of Assets for Expenditure	<u>(1,319,654)</u>	<u>(666,011)</u>	<u>(1,985,665)</u>
Endowment Net Assets, December 31, 2021	<u>\$ 24,681,166</u>	<u>\$ 24,982,108</u>	<u>\$ 49,663,274</u>

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 13: ENDOWMENT ASSETS - CONTINUED

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

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

SUPPLEMENTARY INFORMATION

STROUD WATER RESEARCH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Program Cluster Federal Agency/Program Title Pass-Through Grantor	Federal Assistance Listing	Pass-thru Entity Identification Number	Federal Expenditures	Amounts Passed Through to Subrecipients
Research and Development Cluster:				
National Science Foundation				
Geosciences	47.050		\$ 122,275	\$ 4,410
Biological Sciences	47.074		85,286	-
University of Montana		PG19-66236-01	12,682	-
Total Program	47.074		97,968	-
Education and Human Resources				
Carnegie Mellon University	47.076		83,620	6,552
		1122371-358367	7,125	-
Total Program	47.076		90,745	6,552
U.S. Department of Agriculture				
Agriculture and Food Research Initiative (AFRI)				
University of Delaware	10.310	58354	29,905	-
The Pennsylvania State University		S000181-USDA	26,513	-
Total Program	10.310		189,084	51,031
United States Department of Commerce (DOC) - National Oceanic and Atmospheric Administration				
Chesapeake Bay Studies				
University of Delaware	11.457	-	93,823	22,692
			726	-
Total Program	11.457		94,549	22,692
Sea Grant Support				
The Pennsylvania State University	11.417	S002053-NOAA	1,326	-
U.S. Department of the Interior National Park Service				
Adaptive Science				
Caesar Rodney School District	15.670	-	12,990	-
Cooperative Research and Training Programs				
Resources of the National Park System	15.945	-	22,575	-
National Park Service Conservation, Protection, Outreach, and Education				
White Clay Watershed Association	15.954	S14141	10,180	-
NFWF-USFWS Conservation Partnership				
Friends of the Upper Delaware River	15.663	65021	19,685	-
U.S. Environmental Protection Agency				
Chesapeake Bay Program				
Chesapeake Bay Trust	66.466	18868	14,442	-
University of Montana		PG-1963455-02	29,104	-
Dickinson College		-	578	-
National Fish and Wildlife Foundation*		-	474,743	92,675
Total Program	66.466		518,867	92,675
			<u>\$ 1,180,244</u>	<u>\$ 177,360</u>

* See Note D to the Schedule of Expenditures of Federal Awards.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Stroud Water Research Center, Inc. under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Stroud Water Research Center, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Stroud Water Research Center, Inc.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

NOTE C: INDIRECT COST RATE

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

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

During the year ended December 31, 2021, funds totaling \$474,743 were received from the National Fish and Wildlife Foundation. While the grant agreements indicate that the source of the funds includes federal (CFDA #66.466/10.502/10.683, CFDA #66.466/10.902, CDFA #10.902/10.912/10.924/10.683 and CDFA #66.466/10.902/10.912), the National Fish and Wildlife Foundation has not provided the Corporation with the amount reimbursed by funding source. Because the amount by CFDA number cannot be separately identified, the full amount is included in the accompanying schedule of expenditures of federal awards under U.S. Environmental Protection Agency.



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***Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Stroud Water Research Center, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 26, 2022.

Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Belfunt, Lyons & Shuman, P.A.

August 26, 2022
Wilmington, Delaware



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Stroud Water Research Center, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Stroud Water Research Center, Inc.'s major federal programs for the year ended December 31, 2021. Stroud Water Research Center, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Stroud Water Research Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of Stroud Water Research Center, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Stroud Water Research Center, Inc.'s compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Stroud Water Research Center, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Stroud Water Research Center, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Stroud Water Research Center, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Stroud Water Research Center, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Stroud Water Research Center, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Stroud Water Research Center, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Belfert, Lyons & Shuman, P.A.

August 26, 2022
Wilmington, Delaware

STROUD WATER RESEARCH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2021

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued: Unmodified

Internal Control Over Financial Reporting:

- Material Weaknesses Identified? _____ Yes x No
- Significant Deficiencies Identified that are Not Considered to be Material Weaknesses? _____ Yes x None Reported
- Noncompliance Material to Financial Statements Noted? _____ Yes x No

Federal Awards

Internal Control Over Major Programs:

- Material Weaknesses Identified? _____ Yes x No
- Significant Deficiencies Identified that are Not Considered to be Material Weaknesses? _____ Yes x None Reported

Type of Auditors' Report Issued on Compliance for Major Programs: Unmodified

Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR section 200.516(a)? _____ Yes x No

Identification of Major Programs

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

Research and Development Cluster
 10.310, 10.502, 10.683, 10.902, 10.912, 10.924, 11.417, 11.457,
 15.663, 15.670, 15.945, 15.954, 47.050, 47.074, 47.076, 66.466

Dollar Threshold Used to Distinguish between Type A and Type B Programs: \$ 750,000

Auditee Qualified as Low-Risk Auditee? _____ x Yes _____ No

STROUD WATER RESEARCH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2021

II. Financial Statement Findings

None

III. Federal Award Findings

None

STROUD WATER RESEARCH CENTER, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2021

Financial Statement Findings

None

Federal Award Findings

None