

STROUD WATER RESEARCH CENTER, INC.

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

DECEMBER 31, 2024 AND 2023

STROUD WATER RESEARCH CENTER, INC.
TABLE OF CONTENTS
DECEMBER 31, 2024 AND 2023

	<u>Page No.</u>
Independent Auditor's Report	1
Financial Statements	
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	35
Single Audit	
Independent Auditor's 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>	36
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	38
Schedule of Findings and Questioned Costs	41
Current Status of Prior Findings	43



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Independent Auditor's 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, 2024 and 2023, 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, 2024 and 2023, 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 *Auditor's 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 opinion.

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.

Auditor's 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 auditor's 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 on August 25, 2025, our consideration of Stroud Water Research Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Stroud Water Research Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stroud Water Research Center, Inc.'s internal control over financial reporting and compliance.

Belfint, Lyons & Shuman, P.A.

August 25, 2025
Wilmington, Delaware

STROUD WATER RESEARCH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

ASSETS

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash	\$ 1,027,431	\$ 1,298,697
Accounts and Grants Receivable, Net	1,714,966	2,474,927
Pledges Receivable, Net	12,739	14,739
Prepaid Expenses	<u>49,225</u>	<u>75,200</u>
TOTAL CURRENT ASSETS	<u>2,804,361</u>	<u>3,863,563</u>
OTHER ASSETS		
Property and Equipment		
Land	2,357,838	2,357,839
Construction in Progress	14,000	-
Buildings and Improvements	13,163,067	13,106,067
Equipment	3,586,463	3,473,893
Vehicles	<u>499,800</u>	<u>462,551</u>
	19,621,168	19,400,350
Less: Accumulated Depreciation	<u>9,782,503</u>	<u>9,320,172</u>
Total Property and Equipment	9,838,665	10,080,178
Right of Use Asset - Operating Leases	40,631	53,117
Investments	34,572,757	34,156,653
Beneficial Interest in Perpetual Trust	<u>11,856,198</u>	<u>11,226,133</u>
TOTAL OTHER ASSETS	<u>56,308,251</u>	<u>55,516,081</u>
TOTAL ASSETS	<u><u>\$ 59,112,612</u></u>	<u><u>\$ 59,379,644</u></u>

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

STROUD WATER RESEARCH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION - CONTINUED
DECEMBER 31, 2024 AND 2023

LIABILITIES AND NET ASSETS

	<u>2024</u>	<u>2023</u>
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 800,835	\$ 922,143
Taxes Payable - Payroll	12,608	12,191
Current Maturities of Bonds Payable	290,066	283,568
Current Maturities of Paycheck Protection Program Loan	5,280	5,227
Current Maturities of Operating Leases Liability	12,891	12,469
Deferred Grant Revenue	449,268	1,418,358
	<u>1,570,948</u>	<u>2,653,956</u>
TOTAL CURRENT LIABILITIES	<u>1,570,948</u>	<u>2,653,956</u>
OTHER LIABILITIES		
Operating Leases Liability	27,740	40,648
Bonds Payable - Net of Current Maturities	3,334,330	3,624,397
Paycheck Protection Program Loan	3,454	8,724
Pension Benefit Obligation	583,970	1,708,838
	<u>3,949,494</u>	<u>5,382,607</u>
TOTAL OTHER LIABILITIES	<u>3,949,494</u>	<u>5,382,607</u>
TOTAL LIABILITIES	<u>5,520,442</u>	<u>8,036,563</u>
NET ASSETS		
Without Donor Restrictions		
Board Designated - Endowment	22,208,013	21,880,842
Undesignated	5,830,359	3,736,450
	<u>28,038,372</u>	<u>25,617,292</u>
Total Net Assets Without Donor Restrictions	28,038,372	25,617,292
Total Net Assets With Donor Restrictions	25,553,798	25,725,789
	<u>53,592,170</u>	<u>51,343,081</u>
TOTAL NET ASSETS	<u>53,592,170</u>	<u>51,343,081</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 59,112,612</u>	<u>\$ 59,379,644</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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
Research Programs	\$ 1,901,321	\$ 163,639	\$ 2,064,960
Education/Public Programs	477,110	105,388	582,498
Watershed Restoration Programs	4,455,776	131,823	4,587,599
Annual Fund	618,710	-	618,710
Contributions	432,213	-	432,213
Contribution from Beneficial Interest in Perpetual Trust	414,037	-	414,037
Other Income	119,283	91,043	210,326
Special Events	267,520	-	267,520
	8,685,970	491,893	9,177,863
Net Assets Released from Restriction	2,393,291	(2,393,291)	-
TOTAL OPERATING REVENUE	11,079,261	(1,901,398)	9,177,863
OPERATING EXPENSES			
Program Services			
Research	3,259,956	-	3,259,956
Education	661,272	-	661,272
Watershed Restoration	4,637,711	-	4,637,711
Total Program Services	8,558,939	-	8,558,939
Supporting Services			
Finance and Administrative	863,630	-	863,630
Information Services	549,345	-	549,345
Facilities	981,041	-	981,041
Communications and Marketing	117,011	-	117,011
Other Expenses	155,022	-	155,022
Total Supporting Services	2,666,049	-	2,666,049
Development and Outreach	517,573	-	517,573
TOTAL OPERATING EXPENSES	11,742,561	-	11,742,561
CHANGE IN NET ASSETS FROM OPERATIONS	(663,300)	(1,901,398)	(2,564,698)
OTHER CHANGES			
Pension Gain Net of Periodic Cost	1,124,868	-	1,124,868
Investment Income	794,426	445,695	1,240,121
Net Realized and Unrealized Gains on Beneficial Interest in Perpetual Trust	-	630,064	630,064
Investments	1,165,086	653,648	1,818,734
TOTAL OTHER CHANGES	3,084,380	1,729,407	4,813,787
CHANGE IN NET ASSETS	2,421,080	(171,991)	2,249,089
NET ASSETS - Beginning of Year	25,617,292	25,725,789	51,343,081
NET ASSETS - End of Year	\$ 28,038,372	\$ 25,553,798	\$ 53,592,170

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
Research Programs	\$ 2,222,414	\$ 259,754	\$ 2,482,168
Education/Public Programs	619,066	141,313	760,379
Watershed Restoration Programs	3,217,342	660,291	3,877,633
Annual Fund	711,214	-	711,214
Contributions	395,502	16,926	412,428
Contribution from Beneficial Interest in Perpetual Trust	399,757	-	399,757
Other Income	265,118	10,657	275,775
Special Events	316,982	-	316,982
	8,147,395	1,088,941	9,236,336
Net Assets Released from Restriction	1,168,751	(1,168,751)	-
TOTAL OPERATING REVENUE	9,316,146	(79,810)	9,236,336
OPERATING EXPENSES			
Program Services			
Research	3,456,532	-	3,456,532
Education	754,299	-	754,299
Watershed Restoration	3,250,468	-	3,250,468
Total Program Services	7,461,299	-	7,461,299
Supporting Services			
Finance and Administrative	799,156	-	799,156
Information Services	479,360	-	479,360
Facilities	1,010,498	-	1,010,498
Communications and Marketing	133,982	-	133,982
Other Expenses	129,917	-	129,917
Total Supporting Services	2,552,913	-	2,552,913
Development and Outreach	647,605	-	647,605
TOTAL OPERATING EXPENSES	10,661,817	-	10,661,817
CHANGE IN NET ASSETS FROM OPERATIONS	(1,345,671)	(79,810)	(1,425,481)
OTHER CHANGES			
Pension Gain Net of Periodic Cost	49,826	-	49,826
Investment Income	500,567	279,025	779,592
Net Realized and Unrealized Gains (Losses) on Beneficial Interest in Perpetual Trust	-	852,406	852,406
Investments	2,073,083	1,155,565	3,228,648
TOTAL OTHER CHANGES	2,623,476	2,286,996	4,910,472
CHANGE IN NET ASSETS	1,277,805	2,207,186	3,484,991
NET ASSETS - Beginning of Year	24,339,487	23,518,603	47,858,090
NET ASSETS - End of Year	\$ 25,617,292	\$ 25,725,789	\$ 51,343,081

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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,249,089	\$ 3,484,991
Adjustments to Reconcile Change in Net Assets to Net Cash Flow Used by Operating Activities		
Depreciation	462,331	461,079
Amortization of Debt Issuance Costs	2,324	2,218
Net Realized and Unrealized Gains	(2,448,798)	(4,081,054)
(Increase) Decrease in		
Accounts and Grants Receivable	759,961	(1,056,111)
Right of Use Asset - Operating Lease	12,486	12,844
Prepaid Expenses	25,975	(25,375)
Increase (Decrease) in		
Accounts Payable and Accrued Expenses	(121,308)	349,221
Taxes Payable - Payroll	417	(2,337)
Operating Lease Liability	(12,486)	(12,844)
Deferred Revenue	(969,090)	1,418,358
Pension Benefit Obligation	(1,124,868)	(49,827)
NET CASH FROM OPERATING ACTIVITIES	<u>(1,163,967)</u>	<u>501,163</u>
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(220,818)	(210,621)
Purchase of Investment Securities	(2,627,147)	(2,821,137)
Proceeds on Sale of Investment Securities	4,029,776	2,964,509
NET CASH USED BY INVESTING ACTIVITIES	<u>1,181,811</u>	<u>(67,249)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Pledge Payments Received for Long-Term Purposes	2,000	60,433
Repayment of Paycheck Protection Program Loan	(5,217)	(5,166)
Repayment of Bond Payable	(285,893)	(279,586)
NET CASH FROM FINANCING ACTIVITIES	<u>(289,110)</u>	<u>(224,319)</u>
NET CHANGE IN CASH	(271,266)	209,595
CASH - Beginning of Year	<u>1,298,697</u>	<u>1,089,102</u>
CASH - End of Year	<u><u>\$ 1,027,431</u></u>	<u><u>\$ 1,298,697</u></u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash Paid for Interest	<u>\$ 165,201</u>	<u>\$ 176,633</u>
Noncash Investing and Financing Activities		
Contributed Investments	<u>\$ 215,896</u>	<u>\$ 180,824</u>
Investment Proceeds in Transit	<u>\$ -</u>	<u>\$ 399,964</u>
Right of Use Assets Obtained in Exchange for New Operating Lease Liabilities	<u><u>\$ -</u></u>	<u><u>\$ 55,773</u></u>

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

STROUD WATER RESEARCH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Program Services	Supporting Services	Development and Outreach	Total
Salaries and Wages	\$ 3,115,327	\$ 1,189,900	\$ 308,329	\$ 4,613,556
Fringe Benefits	933,341	371,573	97,124	1,402,038
Advertising and Promotion	58	2,209	-	2,267
Conferences, Conventions, and Meetings	35,737	14,296	77,701	127,734
Subawards	2,717,313	-	-	2,717,313
Participant Support	907,798	-	-	907,798
Outside Services	376,319	177,860	19,010	573,189
Laboratory Equipment and Supplies	213,759	52,539	-	266,298
Information Technology	32,597	52,636	-	85,233
Occupancy	-	59,032	-	59,032
Office Expenses	29,594	69,037	13,502	112,133
Insurance	-	122,948	-	122,948
Travel	96,578	1,393	1,016	98,987
Interest	-	167,525	-	167,525
Depreciation	86,718	375,613	-	462,331
Other Expenses	13,800	9,488	891	24,179
Net Periodic Defined Benefit Pension Cost	<u>(9,502)</u>	<u>(2,962)</u>	<u>(572)</u>	<u>(13,036)</u>
	8,549,437	2,663,087	517,001	11,729,525
Less: Net Periodic Pension Cost Presented as Nonoperating on Statements of Activities	<u>9,502</u>	<u>2,962</u>	<u>572</u>	<u>13,036</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 8,558,939</u></u>	<u><u>\$ 2,666,049</u></u>	<u><u>\$ 517,573</u></u>	<u><u>\$ 11,742,561</u></u>

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

STROUD WATER RESEARCH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services	Supporting Services	Development and Outreach	Total
Salaries and Wages	\$ 3,076,878	\$ 1,174,944	\$ 398,787	\$ 4,650,609
Fringe Benefits	935,575	369,397	125,618	1,430,590
Advertising and Promotion	112	500	-	612
Conferences, Conventions, and Meetings	25,631	8,299	82,753	116,683
Subawards	2,070,008	-	-	2,070,008
Participant Support	143,528	-	-	143,528
Outside Services	629,251	132,841	19,197	781,289
Laboratory Equipment and Supplies	310,541	36,951	-	347,492
Information Technology	23,018	28,566	-	51,584
Occupancy	-	67,742	-	67,742
Office Expenses	17,683	59,815	12,014	89,512
Insurance	-	106,158	-	106,158
Travel	143,134	1,175	7,900	152,209
Interest	-	178,851	-	178,851
Depreciation	80,490	380,589	-	461,079
Other Expenses	5,450	7,085	1,336	13,871
Net Periodic Defined Benefit Pension Cost	<u>(60,962)</u>	<u>(24,070)</u>	<u>(8,185)</u>	<u>(93,217)</u>
	7,400,337	2,528,843	639,420	10,568,600
Less: Net Periodic Pension Cost Presented as Nonoperating on Statements of Activities	<u>60,962</u>	<u>24,070</u>	<u>8,185</u>	<u>93,217</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 7,461,299</u></u>	<u><u>\$ 2,552,913</u></u>	<u><u>\$ 647,605</u></u>	<u><u>\$ 10,661,817</u></u>

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

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

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 Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 606, *Revenue from Contracts with Customers*, 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 Corporation 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, 2024 and 2023, the Corporation recognized ticket sales of \$25,448 and \$48,318, respectively, in accordance with the provisions of ASC 606.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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

Revenue Recognition - Continued

Water Research Services - The Corporation recognizes revenue from providing research in the period that the services are rendered and the performance obligations are satisfied. For the years ended December 31, 2024 and 2023, the Corporation recognized service revenue of \$264,448 and \$329,339, respectively, in accordance with the provisions of ASC 606.

As of December 31, 2024 and 2023, there were no contract accounts receivable, contract assets, or contract liabilities.

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 \$12,201,343 and \$13,181,762 that have not been recognized at December 31, 2024 and 2023, respectively, 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.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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

Net Assets - Continued

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.

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

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

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

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

The Board of Directors of the Corporation has interpreted the 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

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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

Endowment Investment and Spending Policies - Continued - 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.

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 \$2,899,873 in 2024. Actual distributions from the endowment based on operating funds needed were \$2,900,415 and \$1,600,897 for the years ended December 31, 2024 and 2023, 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.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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

Property and Equipment - Continued

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.

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 \$24,418 and \$22,094, respectively, as of December 31, 2024 and 2023, 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, 2024 and 2023, was \$2,324 and \$2,218, 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.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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

Functional Allocation of Expenses - The cost of program and supporting services activities have been summarized on a functional basis in the statements 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 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, 2024 and 2023, 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, 2024 and 2023, the Corporation did not incur any interest and penalties from taxing authorities.

The federal income tax returns of the Corporation for 2021, 2022 and 2023, 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, 2024 and 2023, were \$2,267 and \$612, 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 auditor's report, which is the date the financial statements were available to be issued.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

NOTE 2: LIQUIDITY AND AVAILABILITY

The following represents the Corporation's financial assets at December 31, 2024 and 2023:

	2024	2023
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 1,027,431	\$ 1,298,697
Account and Grants Receivable	1,714,966	2,474,927
Pledges Receivable	12,739	14,739
Investments	34,572,757	34,156,653
Beneficial Interest in Perpetual Trust	11,856,198	11,226,133
	<u>49,184,091</u>	<u>49,171,149</u>
Total Financial Assets		
Less: Amounts Not Available to be Used Within One Year		
Net Assets With Donor Restrictions	(25,553,798)	(25,725,789)
Less: Net Assets With Donor Restrictions - Short Term Restrictions	3,465,648	3,523,571
Advanced Grant Funds Not Available for General Expenditures	(449,268)	(1,418,358)
Quasi Endowment Established by the Board	<u>(22,208,013)</u>	<u>(21,880,842)</u>
	<u>(44,745,431)</u>	<u>(45,501,418)</u>
Total Amounts Not Available to be Used Within One Year		
Total Financial Assets Available to Meet General Expenditures		
Over the Next Twelve Months	<u>\$ 4,438,660</u>	<u>\$ 3,669,731</u>

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 \$914,481 and \$1,152,220 as of December 31, 2024 and 2023, respectively.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

NOTE 3: FINANCIAL INSTRUMENTS - CONTINUED

Fair Value Measurement of Financial Instruments - Continued

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

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

Fair values of assets measured on a recurring basis at December 31, 2024, 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	\$ 632,207	\$ 632,207	\$ -	\$ -
Mutual Funds				
Domestic Blended Equities	643,138	643,138	-	-
Domestic Small/Mid-Cap Equities	6,094,970	6,094,970	-	-
Domestic Large-Cap Equities	2,846,763	2,846,763	-	-
Fixed Income	7,182,786	7,182,786	-	-
Credit	510,809	510,809	-	-
Real Estate	1,803,899	1,803,899	-	-
International Equities				
Developed	3,555,656	3,555,656	-	-
Emerging Markets	1,630,676	1,630,676	-	-
Total Investments Measured at Fair Value	24,900,904	24,900,904	-	-
Investment Measured at Net Asset Value				
Investment in Limited Partnership	9,671,853	N/A	N/A	N/A
Total Investments	\$ 34,572,757	\$ 24,900,904	\$ -	\$ -
Beneficial Interest in Perpetual Trust	\$ 11,856,198	\$ -	\$ 11,856,198	\$ -

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

NOTE 3: FINANCIAL INSTRUMENTS - CONTINUED

Fair Value Measurement of Financial Instruments - Continued

Fair values of assets measured on a recurring basis at December 31, 2023, 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	\$ 538,799	\$ 538,799	\$ -	\$ -
Mutual Funds				
Domestic Blended Equities	527,537	527,537	-	-
Domestic Small/Mid Cap Equities	6,647,027	6,647,027	-	-
Domestic Large Cap Equities	2,299,948	2,299,948	-	-
Fixed Income	7,401,175	7,401,175	-	-
Real Estate	1,811,023	1,811,023	-	-
International Equities				
Developed	3,614,573	3,614,573	-	-
Emerging Markets	1,700,931	1,700,931	-	-
Total Investments Measured at Fair Value	24,541,013	24,541,013	-	-
Investment Measured at Net Asset Value				
Investment in Limited Partnership	9,615,640	N/A	N/A	N/A
Total Investments	\$ 34,156,653	\$ 24,541,013	\$ -	\$ -
Beneficial Interest in Perpetual Trust	\$ 11,226,133	\$ -	\$ 11,226,133	\$ -

NOTE 4: PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	2024	2023
Receivable in Less Than One Year	\$ 12,739	\$ 14,739
Receivable in One to Five Years	-	-
Receivable in Greater Than Five Years	-	-
Total Pledges	12,739	14,739
Less: Discounts to Net Present Value	-	-
	\$ 12,739	\$ 14,739

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

NOTE 5: INVESTMENTS

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

	2024		
	Cost	Fair Value	Unrealized Appreciation
Cash Management Fund	\$ 632,207	\$ 632,207	\$ -
Mutual Funds	19,760,625	24,268,697	4,508,072
Investment in Limited Partnerships	6,931,788	9,671,853	2,740,065
Total Investments	<u>\$ 27,324,620</u>	<u>\$ 34,572,757</u>	<u>\$ 7,248,137</u>
	2023		
	Cost	Fair Value	Unrealized Appreciation
Cash Management Fund	\$ 538,799	\$ 538,799	\$ -
Mutual Funds	19,598,180	24,002,214	4,404,034
Investment in Limited Partnerships	7,008,446	9,615,640	2,607,194
Total Investments	<u>\$ 27,145,425</u>	<u>\$ 34,156,653</u>	<u>\$ 7,011,228</u>

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

	2024	2023
Interest and Dividends	\$ 715,617	\$ 642,765
Partnership Income	624,282	229,122
Fees and Other Expenses	<u>(99,778)</u>	<u>(92,295)</u>
Total Investment Income	<u>\$ 1,240,121</u>	<u>\$ 779,592</u>

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, 2024

NOTE 6: BONDS PAYABLE - CONTINUED

Bonds payable totaled \$3,658,648 and \$3,944,541 as of December 31, 2024 and 2023, respectively. The first \$3,250,000 of the bond issue bears interest at 4.70% until December 23, 2025. 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 2025.

Components of bonds payable are as follows for the year ended December 31, 2024:

	Bonds Payable	Unamortized Loan Costs	Net
Current Portion	\$ 292,501	\$ 2,435	\$ 290,066
Long-Term Portion	3,366,147	31,817	3,334,330
Total	<u>\$ 3,658,648</u>	<u>\$ 34,252</u>	<u>\$ 3,624,396</u>

Components of bonds payable are as follows for the year ended December 31, 2023:

	Bonds Payable	Unamortized Loan Costs	Net
Current Portion	\$ 285,892	\$ 2,324	\$ 283,568
Long-Term Portion	3,658,649	34,252	3,624,397
Total	<u>\$ 3,944,541</u>	<u>\$ 36,576</u>	<u>\$ 3,907,965</u>

Components of interest expense on the bonds payable for the years ended December 31, 2024 and 2023, are as follows:

	2024	2023
Interest Expense	\$ 165,201	\$ 176,633
Amortization of Loan Cost	<u>2,324</u>	<u>2,218</u>
Total	<u>\$ 167,525</u>	<u>\$ 178,851</u>

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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:

2025	\$	292,501
2026		336,615
2027		336,615
2028		336,615
2029		336,615
Thereafter		<u>2,019,687</u>
	\$	<u><u>3,658,648</u></u>

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, 2024 and 2023.

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 two years are as follows:

2025	\$	5,280
2026		<u>3,454</u>
	\$	<u><u>8,734</u></u>

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

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

	2024	2023
Subject to Expenditure of a Specified Purpose		
Research Programs	\$ 347,152	\$ 603,725
Education/Public Programs	156,505	195,594
Watershed Restoration Programs	672,082	1,345,055
Other Programs	151,203	71,931
	<u>1,326,942</u>	<u>2,216,305</u>
Endowment Assets		
Subject to Appropriation and Expenditure in Accordance with Spending Policy		
New Building	550,997	547,638
Executive Director	2,912,020	2,893,319
Assistant Director	305,676	303,813
Research Programs	1,137,278	1,106,464
Restoration Programs	3,866,301	3,836,777
Education Programs	603,866	599,193
Original Gifts to Endowment Funds	2,988,607	2,988,607
Beneficial Interest in Perpetual Trusts	11,856,197	11,226,133
	<u>24,220,942</u>	<u>23,501,944</u>
Donor-Restricted Pledges for the Future of Fresh Water Initiative		
New Building	135	406
Executive Director	3,428	3,699
Assistant Director	135	406
Research Programs	1,022	1,293
Restoration Programs	761	1,032
Education Programs	433	704
	<u>5,914</u>	<u>7,540</u>
Total Net Assets with Donor Restrictions	<u>\$ 25,553,798</u>	<u>\$ 25,725,789</u>

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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:

	<u>2024</u>	<u>2023</u>
Research Programs	\$ 520,644	\$ 270,704
Education/Public Programs	211,001	107,241
Watershed Restoration	1,229,709	547,684
Other Programs	11,622	8,638
Executive Director	324,748	181,090
Assistant Director	34,100	19,052
New Building	<u>61,467</u>	<u>34,342</u>
	<u><u>\$ 2,393,291</u></u>	<u><u>\$ 1,168,751</u></u>

NOTE 10: REVENUE CONCENTRATIONS

During the years ended December 31, 2024 and 2023, approximately 54% and 69%, respectively, of program revenue was from grants and contracts with four organizations.

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, 2024

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:

	2024	2023
Projected Benefit Obligation	\$ 11,418,936	\$ 11,788,562
Fair Value of Plan Assets	10,834,966	10,079,724
Funded Status	<u>\$ (583,970)</u>	<u>\$ (1,708,838)</u>
Accumulated Benefit Obligation	\$ 10,184,529	\$ 10,442,333
Employer Contributions	481,000	518,500
Administrative Expenses	1,092	978
Benefits Paid	476,829	408,908

Amounts Recognized in the Statements of Financial Position:

	2024	2023
Pension Benefit Obligation	<u>\$ 583,970</u>	<u>\$ 1,708,838</u>

Amounts Recognized in the Statements of Activities:

	2024	2023
Components of Net Periodic Benefit Cost		
Service Cost	\$ 484,331	\$ 415,886
Interest Cost	580,059	546,222
Expected Return on Plan Assets	<u>(596,426)</u>	<u>(536,825)</u>
Net Periodic Benefit Cost	<u>467,964</u>	<u>425,283</u>
Changes in Plan Assets and Benefit Obligations		
Recognized in Other Changes in Net Assets		
Without Donor Restrictions		
Net (Gain) Loss	<u>(1,111,832)</u>	<u>43,391</u>
Total Recognized in Other Changes in Net Assets		
Without Donor Restrictions	<u>(1,111,832)</u>	<u>43,391</u>
Total Recognized in Net Periodic Benefit Costs and		
Other Changes in Net Assets Without Donor Restrictions	<u>(643,868)</u>	<u>468,674</u>
Less: Employer Contributions	<u>(481,000)</u>	<u>(518,500)</u>
Pension Gain Net of Periodic Cost	<u>\$ (1,124,868)</u>	<u>\$ (49,826)</u>

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

NOTE 11: PENSION PLAN - CONTINUED

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

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

	<u>2024</u>	<u>2023</u>
Discount Rate	5.65%	5.05%
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 years ended December 31:

	<u>2024</u>	<u>2023</u>
Discount Rate	5.65%	5.25%
Rate of Compensation Increase	3.00%	3.00%
Expected Return on Plan Assets	6.10%	6.10%

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

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

For the year ended December 31, 2024, all other methods, actuarial assumptions and plan provisions are unchanged from those used as of December 31, 2023.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

NOTE 11: PENSION PLAN - CONTINUED

The fair values of the Plan's assets as of December 31, 2024, 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	\$ 199,716	\$ 199,716	\$ -	\$ -
Mutual Funds				
Domestic Equities	3,448,862	3,448,862	-	-
Fixed Income	4,202,368	4,202,368	-	-
Real Estate Investment Trust	1,058,022	1,058,022	-	-
International Equities				
Developed	1,186,419	1,186,419	-	-
Emerging Markets	739,579	739,579	-	-
	<u>\$ 10,834,966</u>	<u>\$ 10,834,966</u>	<u>\$ -</u>	<u>\$ -</u>

The fair values of the Plan's assets as of December 31, 2023, 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	\$ 136,584	\$ 136,584	\$ -	\$ -
Mutual Funds				
Domestic Equities	3,201,302	3,201,302	-	-
Fixed Income	3,953,564	3,953,564	-	-
Real Estate Investment Trust	1,015,011	1,015,011	-	-
International Equities				
Developed	1,090,002	1,090,002	-	-
Emerging Markets	683,261	683,261	-	-
	<u>\$ 10,079,724</u>	<u>\$ 10,079,724</u>	<u>\$ -</u>	<u>\$ -</u>

The Corporation expects to contribute approximately \$500,000 to the pension plan in the year ending December 31, 2025. No plan assets are expected to be returned to the Corporation during the year ending December 31, 2024.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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:

2025	\$	539,685
2026		619,286
2027		608,495
2028		647,997
2029		694,482
2030 - 2032		3,961,551

NOTE 12: LEASE ARRANGEMENTS AS LESSEE

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

2025	\$	14,077
2026		13,609
2027		12,205
2028		3,051
2029		-
		<hr/>
Total Future Minimum Lease Payments		42,942
Less: Amounts Representing Interest		(2,311)
		<hr/>
Present Value of Future Minimum Lease Payments		40,631
Less: Current Maturities		(12,891)
		<hr/>
Lease Obligations - Net of Current Maturities	\$	<u>27,740</u>

The following are required lease disclosures as of and for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash Paid for Amounts in the Measurement of Lease Liabilities		
Operating Cash Flows for Operating Leases	<u>\$ 14,077</u>	<u>\$ 14,326</u>
Operating Lease Cost	<u>\$ 14,077</u>	<u>\$ 14,326</u>
Weighted Average Remaining Lease Term - Operating Leases	3.13 Years	4.11 Years
Weighted Average Discount Rate - Operating Leases	3.38%	3.34%

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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, 2024</u>			
Investments	\$ 22,208,013	\$ 12,364,744	\$ 34,572,757
Beneficial Interest in Perpetual Trust	-	11,856,198	11,856,198
	<u>\$ 22,208,013</u>	<u>\$ 24,220,942</u>	<u>\$ 46,428,955</u>
<u>As of December 31, 2023</u>			
Investments	\$ 21,880,842	\$ 12,275,811	\$ 34,156,653
Beneficial Interest in Perpetual Trust	-	11,226,133	11,226,133
	<u>\$ 21,880,842</u>	<u>\$ 23,501,944</u>	<u>\$ 45,382,786</u>

Changes in endowment net assets for the year ended December 31, 2024, were as follows:

	Without Donor Restrictions (Board Designated)	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2024	\$ 21,880,842	\$ 23,501,944	\$ 45,382,786
Investment Return			
Investment Income Net of Fees	794,426	445,695	1,240,121
Net Gains on Investments	1,165,086	1,283,712	2,448,798
	<u>1,959,512</u>	<u>1,729,407</u>	<u>3,688,919</u>
Contributions Transferred into Endowment	225,673	31,992	257,665
Appropriation of Assets for Expenditure	(1,858,014)	(1,042,401)	(2,900,415)
Endowment Net Assets, December 31, 2024	<u>\$ 22,208,013</u>	<u>\$ 24,220,942</u>	<u>\$ 46,428,955</u>

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

NOTE 13: ENDOWMENT ASSETS - CONTINUED

Changes in endowment net assets for the year ended December 31, 2023, were as follows:

	Without Donor Restrictions (Board Designated)	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2023	\$ 20,207,433	\$ 21,637,635	\$ 41,845,068
Investment Return			
Investment Income Net of Fees	500,567	279,025	779,592
Net Gains on Investments	2,073,083	2,007,971	4,081,054
Total Investment Return	2,573,650	2,286,996	4,860,646
Contributions and Transfers into Endowment	127,680	150,289	277,969
Appropriation of Assets for Expenditure	(1,027,921)	(572,976)	(1,600,897)
Endowment Net Assets, December 31, 2023	\$ 21,880,842	\$ 23,501,944	\$ 45,382,786

NOTE 14: CONTINGENCIES

Government Programs - Stroud participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Stroud is potentially liable for any expenditure which may be disallowed pursuant to the terms of the grant programs.

Potential Impact of Federal Funding Changes - The Organization received 31% and 15% for the years ended December 31, 2024 and 2023, of its funding directly or indirectly from federal grants and contracts. Federal funding is subject to budgetary constraints, legislative changes, and shifts in government priorities, all of which create inherent uncertainty regarding future funding levels.

While management continues to monitor federal policy developments and explore alternative funding sources, there is no assurance that current levels of federal funding will be maintained. Any material reduction in federal funding could have an adverse impact on the Organization's operations, financial position, and ability to carry out its programs. Management is actively engaged in strategic planning to mitigate potential funding shortfalls, including diversifying revenue streams and strengthening relationships with non-federal funding partners.

The financial statements do not reflect any adjustments that may result from these uncertainties, as the potential impact cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

STROUD WATER RESEARCH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

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				
U.S. Department of Agriculture				
Specialty Crop Block Grant Program - Farm Bill				
Rodale Institute	10.170		\$ 17,557	\$ -
Agriculture and Food Research Initiative (AFRI)	10.310		159,752	99,344
University of Delaware		UDR0000423	60,637	-
William & Mary			27,124	-
The Pennsylvania State University		S000181-USDA	38,285	-
Total Program	10.310		285,798	99,344
Soil and Water Conservation				
National Fish and Wildlife Foundation	10.902	0603.21.072542	7,555	-
Regional Conservation Partnership Program				
Lancaster Clean Water Partners	10.932	2437	16,374	-
Partnerships for Climate-Smart Commodities				
Conservation Innovation Fund	10.937		190,220	-
U.S. Department of Commerce				
NOAA Mission-Related Education Awards				
North American Association for Environmental Education	11.008		13,011	-
Chesapeake Bay Studies	11.457		63,762	25,984
University of Delaware			9,345	-
Total Program	11.457		73,107	25,984
U.S. Department of the Interior				
NFWF-USFWS Conservation Partnership	15.663		17,727	17,727
U.S Geological Survey Research and Data Collection	15.808		107,829	-
Adaptive Science	15.670			
Red Clay Consolidated School District			5,506	-
Cooperative Research and Training Programs				
Resources of the National Park System	15.945		189,054	-
National Park Service Conservation, Protection, Outreach, and Education	15.954		-	-
White Clay Watershed Association		S14141	20,542	-
National Wild and Scenic Rivers System	15.962		-	-
White Clay Watershed Association			24,938	-
National Science Foundation				
Geosciences	47.050		169,156	10,879

STROUD WATER RESEARCH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2024

Program Cluster Federal Agency Program Title Pass-Through Grantor	Federal Assistance Listing	Pass-thru Entity Identification Number	Federal Expenditures	Amounts Passed Through to Subrecipients
Biological Sciences	47.074		\$ 150,301	\$ -
Education and Human Resources	47.076		394	-
U.S. Environmental Protection Agency				
Chesapeake Bay Program	66.466			
James River Association			5,702	-
Chesapeake Bay Trust			38,382	-
National Fish and Wildlife Foundation*			1,034,840	344,724
Total Program	66.466		1,078,924	344,724
Geographic Programs - Chesapeake Bay				
Lancaster County Conservation District	66.964		310,912	-
Total Research and Development Cluster			2,678,905	498,658
U.S Department of Treasury				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027			
Pennsylvania Department of Conservation and Natural Resources			991,389	235,263
Pennsylvania Department of Agriculture			1,440	-
Total Program	21.027		992,829	235,263
Total U.S Department of Treasury			992,829	235,263
U.S Department of Agriculture				
COVID-19 Coronavirus Relief Fund				
Pennsylvania Department of Agriculture	21.019		202,904	131,077
Total U.S Department of Agriculture			202,904	131,077
U.S Department of Education				
Elementary and Secondary School Emergency Relief Fund				
The School District of Philadelphia	84.425	3053	125,446	37,720
Total U.S Department of Education			125,446	37,720
			\$ 4,000,084	\$ 902,718

* 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, 2024

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, 2024. 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 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) - CHESAPEAKE BAY PROGRAM AND SOIL AND WATER CONSERVATION

During the year ended December 31, 2024, funds totaling \$781,423 were received from the National Fish and Wildlife Foundation. While the grant agreements indicate that the source of the funds includes federal (Assistance Listing numbers #66.466/10.902 and #66.466/10.678), 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 and U.S. Department of Agriculture.



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***Independent Auditor's 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, 2024, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 25, 2025.

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.

Belfint, Lyons & Shuman, P.A.

August 25, 2025
Wilmington, Delaware



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***Independent Auditor's 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, 2024. Stroud Water Research Center, Inc.'s major federal programs are identified in the summary of auditor's 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, 2024.

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 *Auditor's 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.

Auditor's 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 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 *Auditor's 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. Given these limitations, during our audit we did not identify any 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.

Belfint, Lyons & Shuman, P.A.

August 25, 2025
Wilmington, Delaware

STROUD WATER RESEARCH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2024

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's 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 Auditor's 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

Assistance Listing Number(s) - Name of Federal Program or Cluster
21.027 - COVID-19 Coronavirus State and Local Fiscal Recovery Funds

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, 2024

II. Financial Statement Findings

NONE

III. Federal Award Finding

NONE

UNAUDITED

STROUD WATER RESEARCH CENTER, INC. CURRENT STATUS OF PRIOR FINDINGS DECEMBER 31, 2024

FINANCIAL STATEMENT FINDING

Reference Number: 2023-001

Type of Finding: Significant Deficiency - Financial Accounting and Reporting Process

Condition: Audit procedures resulted in a material auditor-proposed adjustment to record non-routine deferred revenue which increased liabilities by \$1,418,000 and decreased revenue by \$1,418,000.

Recommendation: We recommend the Corporation review significant grant agreements prior to execution to identify specific contractual terms that require changes to the Company's accounting and financial reporting.

Current Status: The 2023 Corrective Action Plan was implemented during 2024, and similar findings were not found during the 2024 audit.

FEDERAL AWARD FINDING

Federal Program Name: American Rescue Plan Act - State Parks and Outdoor Recreation

Assistance Listing Number: 21.027

Award Number: BRC-RFB-28.6-13

Finding Type: Significant Deficiency - Compliance; Internal Control Over Compliance

Compliance Requirement: Cash Management

Reference Number: 2023-002

Condition: In May 2023, the Corporation received a \$1,425,000 advance of federal funds. The grant agreement and federal regulations require the funds to be held in a separate interest-bearing account until expended. In December 2023, the Corporation made an endowment draw receipt of which was delayed by the investment manager. As a result, the total unrestricted cash was less than the unspent grant funds. This was cured on January 2, 2024, when the endowment draw of approximately \$300,000 was received.

Recommendation: We recommend the Corporation rely upon other funding sources for operations if this situation occurs in the future.

Current Status: The 2023 Corrective Action Plan was implemented during 2024, and similar findings were not found during the 2024 audit.