STROUD WATER RESEARCH CENTER, INC.

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

DECEMBER 31, 2025 AND 2024

STROUD WATER RESEARCH CENTER, INC.
TABLE OF CONTENTS
DECEMBER 31, 2025 AND 2024

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, 2025 and 2024, 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, 2025 and 2024, 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.

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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 10, 2026, 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 10, 2026
Wilmington, Delaware

STROUD WATER RESEARCH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

ASSETS

	2025	2024
CURRENT ASSETS		
Cash	$ 1,059,710	$ 1,027,431
Accounts and Grants Receivable, Net	2,630,678	1,714,966
Pledges Receivable, Net	11,739	12,739
Prepaid Expenses	76,477	49,225
TOTAL CURRENT ASSETS	3,778,604	2,804,361
OTHER ASSETS		
Property and Equipment		
Land	2,357,838	2,357,838
Construction in Progress	4,897	14,000
Buildings and Improvements	13,312,766	13,163,067
Equipment	3,607,910	3,586,463
Vehicles	499,800	499,800
	19,783,211	19,621,168
Less: Accumulated Depreciation	10,257,593	9,782,503
Total Property and Equipment	9,525,618	9,838,665
Right-of-Use Asset - Operating Leases	27,740	40,631
Investments	34,992,471	34,572,757
Beneficial Interest in Perpetual Trust	13,118,901	11,856,198
TOTAL OTHER ASSETS	57,664,730	56,308,251
TOTAL ASSETS	$ 61,443,334	$ 59,112,612

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

STROUD WATER RESEARCH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION - CONTINUED
DECEMBER 31, 2025 AND 2024

LIABILITIES AND NET ASSETS

	2025	2024
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 980,379	$ 800,835
Taxes Payable - Payroll	14,470	12,608
Current Maturities of Bonds Payable	334,062	290,066
Current Maturities of Paycheck Protection Program Loan	3,463	5,280
Current Maturities of Operating Leases Liability	12,843	12,891
Deferred Grant Revenue	2,400	449,268
TOTAL CURRENT LIABILITIES	1,347,617	1,570,948
OTHER LIABILITIES		
Operating Leases Liability	14,897	27,740
Bonds Payable - Net of Current Maturities	3,000,268	3,334,330
Paycheck Protection Program Loan	-	3,454
Pension Benefit Obligation	136,196	583,970
TOTAL OTHER LIABILITIES	3,151,361	3,949,494
TOTAL LIABILITIES	4,498,978	5,520,442
NET ASSETS		
Without Donor Restrictions		
Board Designated - Endowment	22,486,897	22,208,012
Undesignated	7,756,665	5,830,360
Total Net Assets Without Donor Restrictions	30,243,562	28,038,372
Total Net Assets With Donor Restrictions	26,700,794	25,553,798
TOTAL NET ASSETS	56,944,356	53,592,170
TOTAL LIABILITIES AND NET ASSETS	$ 61,443,334	$ 59,112,612

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, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
Research Programs	$ 1,633,139	$ 112,002	$ 1,745,141
Education/Public Programs	599,316	126,876	726,192
Watershed Restoration Programs	3,740,967	250,221	3,991,188
Annual Fund	866,356	-	866,356
Contributions	562,249	-	562,249
Contribution from Beneficial Interest in Perpetual Trust	448,486	-	448,486
Other Income	206,931	1,367	208,298
Special Events	262,946	-	262,946
	8,320,390	490,466	8,810,856
Net Assets Released from Restriction	1,971,546	(1,971,546)	-
TOTAL OPERATING REVENUE	10,291,936	(1,481,080)	8,810,856
OPERATING EXPENSES			
Program Services			
Research	3,054,780	-	3,054,780
Education	710,625	-	710,625
Watershed Restoration	3,741,839	-	3,741,839
Total Program Services	7,507,244	-	7,507,244
Supporting Services			
Finance and Administrative	893,440	-	893,440
Information Services	573,458	-	573,458
Facilities	919,815	-	919,815
Communications and Marketing	314,581	-	314,581
Other Expenses	282,345	-	282,345
Total Supporting Services	2,983,639	-	2,983,639
Development and Outreach	495,951	-	495,951
TOTAL OPERATING EXPENSES	10,986,834	-	10,986,834
CHANGE IN NET ASSETS FROM OPERATIONS	(694,898)	(1,481,080)	(2,175,978)
OTHER CHANGES			
Pension Gain Net of Periodic Cost	447,774	-	447,774
Investment Income	378,450	197,790	576,240
Net Realized and Unrealized Gains on			
Beneficial Interest in Perpetual Trust	-	1,262,703	1,262,703
Investments	2,073,864	1,167,583	3,241,447
TOTAL OTHER CHANGES	2,900,088	2,628,076	5,528,164
CHANGE IN NET ASSETS	2,205,190	1,146,996	3,352,186
NET ASSETS - Beginning of Year	28,038,372	25,553,798	53,592,170
NET ASSETS - End of Year	$ 30,243,562	$ 26,700,794	$ 56,944,356

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 (Losses) 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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 3,352,186	$ 2,249,089
Adjustments to Reconcile Change in Net Assets to Net Cash Flow Used by Operating Activities		
Depreciation	475,092	462,331
Amortization of Debt Issuance Costs	2,436	2,324
Net Realized and Unrealized Gains	(4,504,150)	(2,448,798)
(Increase) Decrease in		
Accounts and Grants Receivable	(915,712)	759,961
Right-of-Use Asset - Operating Lease	12,891	12,486
Prepaid Expenses	(27,252)	25,975
Increase (Decrease) in		
Accounts Payable and Accrued Expenses	179,544	(121,308)
Taxes Payable - Payroll	1,862	417
Operating Lease Liability	(12,891)	(12,486)
Deferred Revenue	(446,868)	(969,090)
Pension Benefit Obligation	(447,774)	(1,124,868)
NET CASH FROM OPERATING ACTIVITIES	(2,330,636)	(1,163,967)
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(162,043)	(220,818)
Purchase of Investment Securities	(15,565,775)	(2,627,147)
Proceeds on Sale of Investment Securities	18,387,506	4,029,776
NET CASH USED BY INVESTING ACTIVITIES	2,659,688	1,181,811
CASH FLOWS FROM FINANCING ACTIVITIES		
Pledge Payments Received for Long-Term Purposes	1,000	2,000
Repayment of Paycheck Protection Program Loan	(5,271)	(5,217)
Repayment of Bond Payable	(292,502)	(285,893)
NET CASH FROM FINANCING ACTIVITIES	(296,773)	(289,110)
NET CHANGE IN CASH	32,279	(271,266)
CASH - Beginning of Year	1,027,431	1,298,697
CASH - End of Year	$ 1,059,710	$ 1,027,431
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash Paid for Interest	$ 152,494	$ 165,201
Noncash Investing and Financing Activities		
Contributed Investments	$ 33,531	$ 215,896

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, 2025

	Program Services	Supporting Services	Development and Outreach	Total
Salaries and Wages	$ 2,890,213	$ 1,358,466	$ 298,810	$ 4,547,489
Fringe Benefits	882,100	425,430	94,125	1,401,655
Advertising and Promotion	131	86,573	-	86,704
Conferences, Conventions, and Meetings	22,459	1,750	68,341	92,550
Subawards	1,846,471	-	-	1,846,471
Participant Support	1,151,506	-	-	1,151,506
Outside Services	253,874	179,906	19,061	452,841
Laboratory Equipment and Supplies	221,144	59,303	30	280,477
Information Technology	28,502	49,834	-	78,336
Occupancy	-	51,985	-	51,985
Office Expenses	22,300	87,930	14,704	124,934
Insurance	-	138,546	-	138,546
Travel	69,683	1,182	120	70,985
Interest	-	154,930	-	154,930
Depreciation	99,411	375,681	-	475,092
Other Expenses	19,450	12,123	760	32,333
Net Periodic Defined Benefit Pension Cost	(26,838)	(10,667)	(1,773)	(39,278)
	7,480,406	2,972,972	494,178	10,947,556
Less: Net Periodic Pension Cost Presented as Nonoperating on Statements of Activities	26,838	10,667	1,773	39,278
TOTAL OPERATING EXPENSES	$ 7,507,244	$ 2,983,639	$ 495,951	$ 10,986,834

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	(9,502)	(2,962)	(572)	(13,036)
	8,549,437	2,663,087	517,001	11,729,525
Less: Net Periodic Pension Cost Presented as Nonoperating on Statements of Activities	9,502	2,962	572	13,036
TOTAL OPERATING EXPENSES	$ 8,558,939	$ 2,666,049	$ 517,573	$ 11,742,561

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

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

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 ongoing 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, 2025 and 2024, the Corporation recognized ticket sales of $30,315 and $25,448, respectively, in accordance with the provisions of ASC 606.

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, 2025 and 2024, the Corporation recognized service revenue of $317,830 and $264,448, respectively, in accordance with the provisions of ASC 606.

As of December 31, 2025 and 2024, 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 $12,871,522 and $12,201,343 that have not been recognized at December 31, 2025 and 2024, 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.

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

Net Assets - Continued

> <u>*Net Assets With Donor Restrictions*</u> - 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 ("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

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 was 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 $2,858,964 in 2025 and $2,899,873 in 2024. Actual distributions from the endowment based on operating funds needed were $3,447,488 and $2,900,415 for the years ended December 31, 2025 and 2024, respectively.

Investments - Investments are comprised of common stock, mutual funds, alternative investments, 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.

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 $26,854 and $24,418, respectively, as of December 31, 2025 and 2024, 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, 2025 and 2024, was $2,436 and $2,324, 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 the 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.

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

Functional Allocation of Expenses - The costs 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 details of expenses by natural classification and 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 regardless of the program or supportive service benefited.

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, 2025 and 2024, 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. During the years ended December 31, 2025 and 2024**,** the Corporation did not incur any interest and penalties from taxing authorities.

The federal income tax returns of the Corporation for 2022, 2023, and 2024, 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, 2025 and 2024, were $86,704 and $2,267, 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.

NOTE 2: LIQUIDITY AND AVAILABILITY

The following represents the Corporation's financial assets at December 31, 2025 and 2024:

	2025	2024
Financial Assets at Year End:		
Cash and Cash Equivalents	$ 1,059,710	$ 1,027,431
Accounts and Grants Receivable	2,630,678	1,714,966
Pledges Receivable	11,739	12,739
Investments	34,992,471	34,572,757
Beneficial Interest in Perpetual Trust	13,118,901	11,856,198
Total Financial Assets	51,813,499	49,184,091
Less: Amounts Not Available to be Used Within One Year		
Net Assets With Donor Restrictions	(26,700,794)	(25,553,798)
Less: Net Assets With Donor Restrictions - Short-Term Restrictions	2,523,715	3,465,648
Advanced Grant Funds Not Available for General Expenditures	(2,400)	(449,268)
Quasi Endowment Established by the Board	(22,486,897)	(22,208,013)
Total Amounts Not Available to be Used Within One Year	(46,666,376)	(44,745,431)
Total Financial Assets Available to Meet General Expenditures Over the Next 12 Months	$ 5,147,123	$ 4,438,660

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 $875,683 and $914,481 as of December 31, 2025 and 2024, respectively.

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.

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, 2025, 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	$ 1,161,629	$ 1,161,629	$ -	$ -
Mutual Funds				
Domestic Blended Equities	1,230,688	1,230,688	-	-
Domestic Small/Mid-Cap Equities	7,484,566	7,484,566	-	-
Domestic Large-Cap Equities	2,826,053	2,826,053	-	-
Fixed Income	11,976,778	11,976,778	-	-
Credit	564,978	564,978	-	-
Real Estate	1,299,856	1,299,856	-	-
International Equities				
Developed Markets	4,396,974	4,396,974	-	-
Emerging Markets	1,650,748	1,650,748	-	-
Total Investments Measured at Fair Value	32,592,270	32,592,270	-	-
Investment Measured at Net Asset Value				
Investment in Limited Partnership	2,400,201	N/A	N/A	N/A
Total Investments	$ 34,992,471	$ 32,592,270	$ -	$ -
Beneficial Interest in Perpetual Trust	$ 13,118,901	$ -	$ 13,118,901	$ -

NOTE 3: FINANCIAL INSTRUMENTS - CONTINUED

Fair Value Measurement of Financial Instruments - Continued

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	$ -

NOTE 4: PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	2025	2024
Receivable in Less Than One Year	$ 11,739	$ 12,739
Receivable in One to Five Years	-	-
Receivable in Greater Than Five Years	-	-
Total Pledges	11,739	12,739
Less: Discounts to Net Present Value	-	-
	$ 11,739	$ 12,739

NOTE 5: INVESTMENTS

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

	2025		
	Cost	Fair Value	Unrealized Appreciation
Cash Management Fund	$ 1,161,629	$ 1,161,629	$ -
Mutual Funds	26,540,252	31,430,641	4,890,389
Investment in Limited Partnerships	75,129	2,400,201	2,325,072
Total Investments	$ 27,777,010	$ 34,992,471	$ 7,215,461

	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	$ 27,324,620	$ 34,572,757	$ 7,248,137

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

	2025	2024
Interest and Dividends	$ 701,603	$ 715,617
Partnership Income	134,890	624,282
Fees and Other Expenses	(260,253)	(99,778)
Total Investment Income	$ 576,240	$ 1,240,121

NOTE 6: BONDS PAYABLE

In 2008, the Corporation entered into an agreement to construct a new building to accommodate the needs of its 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”).

NOTE 6: BONDS PAYABLE - CONTINUED

Bonds payable totaled $3,336,146 and $3,658,648 as of December 31, 2025 and 2024, 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, 2025:

	Bonds Payable	Unamortized Loan Costs	Net
Current Portion	$ 336,615	$ 2,553	$ 334,062
Long-Term Portion	3,029,531	29,263	3,000,268
Total	$ 3,366,146	$ 31,816	$ 3,334,330

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	$ 3,658,648	$ 34,252	$ 3,624,396

Components of interest expense on the bonds payable for the years ended December 31, 2025 and 2024, are as follows:

	2025	2024
Interest Expense	$ 152,494	$ 165,201
Amortization of Loan Cost	2,436	2,324
Total	$ 154,930	$ 167,525

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:

2026	$	336,615
2027		336,615
2028		336,615
2029		336,615
2030		336,615
Thereafter		1,683,071
	$	3,366,146

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, 2025 and 2024.

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 matured 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 is as follows:

2026	$	3,463

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

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

	2025	2024
Subject to Expenditure of a Specified Purpose		
Research Programs	$ 215,776	$ 347,152
Education/Public Programs	193,166	156,505
Watershed Restoration Programs	595,331	672,082
Other Programs	66,943	151,202
	1,071,216	1,326,941
Endowment Assets		
Subject to Appropriation and Expenditure in Accordance with Spending Policy		
New Building	559,047	550,997
Executive Director	2,954,372	2,912,020
Assistant Director	310,263	305,676
Research Programs	1,157,052	1,137,278
Restoration Programs	3,921,568	3,866,301
Education Programs	614,665	603,866
Original Gifts to Endowment Funds	2,988,607	2,988,607
Beneficial Interest in Perpetual Trusts	13,118,901	11,856,198
	25,624,475	24,220,943
Donor-Restricted Pledges for the Future of Fresh Water Initiative		
New Building	-	135
Executive Director	3,293	3,428
Assistant Director	-	135
Research Programs	886	1,022
Restoration Programs	626	761
Education Programs	298	433
	5,103	5,914
Total Net Assets with Donor Restrictions	$ 26,700,794	$ 25,553,798

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:

	2025	2024
Research Programs	$ 389,352	$ 520,644
Education/Public Programs	167,488	211,001
Watershed Restoration	834,859	1,229,709
Other Programs	84,259	11,622
Executive Director	382,934	324,748
Assistant Director	40,197	34,100
New Building	72,457	61,467
	$ 1,971,546	$ 2,393,291

NOTE 10: REVENUE CONCENTRATIONS

During the years ended December 31, 2025 and 2024, approximately 62% and 54%, 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 (Plan) which covers all full-time employees who 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.

The Plan's benefits are insured by the Pension Benefit Guaranty Corporation (PBGC). The Plan has met ERISA's minimum funding requirements for the year ended December 31, 2025. The Corporation's annual funding contribution to the Plan is based on the actuarial cost as determined by the Plan's actuary. The majority of the Plan's administrative costs are absorbed by the Corporation.

Should the plan terminate at some future time, its net assets generally will not be available on a pro rata basis to provide participants' benefits. Whether a particular participant's accumulated plan benefits will be paid depends on both the priority of those benefits and the level of benefits guaranteed by the PBGC at that time. Some benefits may be fully or partially provided for by the then existing assets and the PBGC guaranty while other benefits may not be provided for at all.

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:

	2025	2024
Projected Benefit Obligation	$ 12,265,772	$ 11,418,936
Fair Value of Plan Assets	12,129,576	10,834,966
Funded Status	$ (136,196)	$ (583,970)
Accumulated Benefit Obligation	$ 10,930,923	$ 10,184,529
Employer Contributions	462,230	481,000
Administrative Expenses	1,260	1,092
Benefits Paid	541,126	476,829

Amounts Recognized in the Statements of Financial Position:

	2025	2024
Pension Benefit Obligation	$ 136,196	$ 583,970

Amounts Recognized in the Statements of Activities:

	2025	2024
Components of Net Periodic Benefit Cost		
Service Cost	$ 437,398	$ 484,331
Interest Cost	628,644	580,059
Expected Return on Plan Assets	(643,090)	(596,426)
Net Periodic Benefit Cost	422,952	467,964
Changes in Plan Assets and Benefit Obligations Recognized in Other Changes in Net Assets Without Donor Restrictions		
Net (Gain) Loss	(408,496)	(1,111,832)
Total Recognized in Other Changes in Net Assets Without Donor Restrictions	(408,496)	(1,111,832)
Total (Gain) Loss Recognized in Net Periodic Benefit Costs and Other Changes in Net Assets Without Donor Restrictions	14,456	(643,868)
Less: Employer Contributions	(462,230)	(481,000)
Pension Gain Net of Periodic Cost	$ (447,774)	$ (1,124,868)

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:

	2025	2024
Discount Rate	5.55%	5.65%
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:

	2025	2024
Discount Rate	5.65%	5.65%
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, 2025, all other methods, actuarial assumptions and plan provisions are unchanged from those used as of December 31, 2024.

NOTE 11: PENSION PLAN - CONTINUED

The fair values of the Plan's assets as of December 31, 2025, 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	$ 388,216	$ 388,216	$ -	$ -
Mutual Funds				
Domestic Equities	4,279,073	4,279,073	-	-
Fixed Income	4,539,687	4,539,687	-	-
Real Estate Investment Trust	700,949	700,949	-	-
International Equities				
Developed	1,461,643	1,461,643	-	-
Emerging Markets	760,008	760,008	-	-
	$ 12,129,576	$ 12,129,576	$ -	$ -

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	-	-
	$ 10,834,966	$ 10,834,966	$ -	$ -

The Corporation expects to contribute approximately $450,000 to the pension plan in the year ended December 31, 2025. No plan assets are expected to be returned to the Corporation during the year ended December 31, 2025.

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:

2026	$	633,221
2027		622,430
2028		663,387
2029		706,519
2030		773,922
2031 - 2032		4,140,441

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 three years ending December 31, are as follows:

2026	$	13,609
2027		12,205
2028		3,051
Total Future Minimum Lease Payments		28,865
Less: Amounts Representing Interest		(1,125)
Present Value of Future Minimum Lease Payments		27,740
Less: Current Maturities		(12,843)
Lease Obligations - Net of Current Maturities	$	14,897

The following are required lease disclosures as of and for the years ended December 31, 2025 and 2024:

	2025	2024
Cash Paid for Amounts in the Measurement of Lease Liabilities		
Operating Cash Flows for Operating Leases	$ 14,077	$ 14,077
Operating Lease Cost	$ 14,077	$ 14,077
Weighted Average Remaining Lease Term - Operating Leases	2.17 Years	3.13 Years
Weighted Average Discount Rate - Operating Leases	3.46%	3.38%

NOTE 13: ENDOWMENT ASSETS

Endowment assets consisted of the following as of December 31:

	Without Donor Restrictions (Board Designated)	With Donor Restrictions	Total
As of December 31, 2025			
Investments	$ 22,486,897	$ 12,505,574	$ 34,992,471
Beneficial Interest in Perpetual Trust	-	13,118,901	13,118,901
	$ 22,486,897	$ 25,624,475	$ 48,111,372
As of December 31, 2024			
Investments	$ 22,208,012	$ 12,364,745	$ 34,572,757
Beneficial Interest in Perpetual Trust	-	11,856,198	11,856,198
	$ 22,208,012	$ 24,220,943	$ 46,428,955

Changes in endowment net assets for the year ended December 31, 2025, were as follows:

	Without Donor Restrictions (Board Designated)	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2025	$ 22,208,012	$ 24,220,943	$ 46,428,955
Investment Return			
Investment Income Net of Fees	378,450	197,790	576,240
Net Gains on Investments	2,073,864	2,430,286	4,504,150
Total Investment Return	2,452,314	2,628,076	5,080,390
Contributions Transferred into Endowment	41,085	8,430	49,515
Appropriation of Assets for Expenditure	(2,214,514)	(1,232,974)	(3,447,488)
Endowment Net Assets, December 31, 2025	$ 22,486,897	$ 25,624,475	$ 48,111,372

NOTE 13: ENDOWMENT ASSETS - CONTINUED

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
Total Investment Return	1,959,512	1,729,407	3,688,919
Contributions and Transfers into Endowment	225,672	31,992	257,664
Appropriation of Assets for Expenditure	(1,858,014)	(1,042,400)	(2,900,414)
Endowment Net Assets, December 31, 2024	$ 22,208,012	$ 24,220,943	$ 46,428,955

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 Corporation derived 31% of its funding for the years ended December 31, 2025 and 2024, 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 Corporation'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, 2025

Program Cluster Federal Agency Program Title Pass-Through Grantor	Federal Assistance Listing	Pass-Through Entity Identification Number	Federal Expenditures	Amounts Passed Through to Subrecipients
Research and Development Cluster				
U.S. Department of Agriculture				
Agriculture and Food Research Initiative	10.310		$ 316,422	$ 109,708
University of Delaware		UDR0000423	99,187	-
William & Mary		745143	43,722	-
The Pennsylvania State University		S000181-USDA	23,918	-
Total Program	10.310		483,249	109,708
Regional Conservation Partnership Program	10.932			
Lancaster Clean Water Partners		2437	8,561	-
Alliance for the Chesapeake Bay		2513	1,993	-
Total Program	10.932		10,554	-
Partnerships for Climate-Smart Commodities				
Conservation Innovation Fund	10.937	NR233A750004G045	157,621	-
U.S. Department of Commerce				
NOAA Mission-Related Education Awards				
North American Association for Environmental Education	11.008	NA23SEC0080012	34,204	-
Sea Grant Support	11.417			
The Pennsylvania State University		NA24OARX417C0151	41,774	-
Marine Sanctuary Program	11.429			
Seneca Nation of Indians		NA24NOSX429G0013-T1-01	10,527	-
Chesapeake Bay Studies	11.457		61,626	11,153
The Pennsylvania State University		NA25NMFX457C0017	30,118	-
University of Delaware		NA21NMF4570497	5,085	-
Total Program	11.457		96,829	11,153
U.S. Department of the Interior				
Adaptive Science	15.670		141,973	-
Red Clay Consolidated School District, Delaware		79617	10,600	-
Total Program	15.670		152,573	-
U.S. Geological Survey Research and Data Collection	15.808		60,296	-
Cooperative Research and Training Programs				
Resources of the National Park System	15.945		55,424	-
National Park Service Conservation, Protection,				
Outreach, and Education	15.954			
White Clay Watershed Association		S14141	11,528	-
National Wild and Scenic Rivers System	15.962		-	-

STROUD WATER RESEARCH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2025

Program Cluster Federal Agency | Program Title Pass-Through Grantor	Federal Assistance Listing	Pass-Through Entity Identification Number	Federal Expenditures	Amounts Passed Through to Subrecipients
National Science Foundation				
Geosciences	47.050		$ 116,444	$ -
Biological Sciences	47.074		88,169	-
Virginia Polytechnic Institute and State University		2400622	10,000	-
Total Program	47.074		98,169	-
Education and Human Resources	47.076		157,093	128,565
U.S. Environmental Protection Agency - National Fish and Wildlife Foundation				
Chesapeake Bay Program	66.466*		1,145,121	140,334
James River Association			946	-
Chesapeake Bay Clay Watershed Association			31,603	-
Chesapeake Bay Trust			34,404	-
Total Program	66.466		1,212,074	140,334
Total Research and Development Cluster			2,701,077	389,760
U.S. Department of Treasury				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027			
Pennsylvania Department of Conservation and Natural Resources		SLFRP1746	727,607	210,664
Pennsylvania Department of Agriculture		BRC-RFB-28.6-13	65,475	-
Total Program	21.027		793,082	210,664
U.S. Environmental Protection Agency - National Fish and Wildlife Foundation				
COVID-19 Geographic Programs - Chesapeake Bay	66.964			
Pennsylvania Department of Conservation and Natural Resources		BRC-RFB-28.6-13	615,658	209,741
			$ 4,109,817	$ 810,165

* 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, 2025

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, 2025. 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 represent 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 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, 2025, funds totaling $183,382 received from the National Fish and Wildlife Foundation were expended. While the grant agreements indicate that the source of the funds includes federal (Assistance Listing numbers #66.466/10.902/10.912/10.924 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 - National Fish and Wildlife Foundation.

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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, 2025, 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 10, 2026.

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.

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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 10, 2026
Wilmington, Delaware

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, 2025. 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, 2025.

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.

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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 10, 2026
Wilmington, Delaware

STROUD WATER RESEARCH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2025

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

Research and Development Cluster

10.310, 10.932, 10.937, 11.008, 11.417, 11.429, 11.457, 15.670,
15.808, 15.945, 15.954, 15.962, 47.050, 47.074, 47.076, 66.466

Dollar Threshold Used to Distinguish between Type A and Type B Programs:	$ 1,000,000	
Auditee Qualified as Low-Risk Auditee?	x Yes	____ No

II. Financial Statement Findings

NONE

III. Federal Award Finding

NONE