

STROUD WATER RESEARCH CENTER, INC.

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

DECEMBER 31, 2023 AND 2022

STROUD WATER RESEARCH CENTER, INC.
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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, 2023 and 2022, 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, 2023 and 2022, 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 September 24, 2024, 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.

September 24, 2024
Wilmington, Delaware

STROUD WATER RESEARCH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash	\$ 1,298,697	\$ 1,089,102
Accounts and Grants Receivable, Net	2,474,927	1,018,852
Pledges Receivable, Net	14,739	75,172
Prepaid Expenses	75,200	49,825
TOTAL CURRENT ASSETS	3,863,563	2,232,951
OTHER ASSETS		
Property and Equipment		
Land	2,357,839	2,357,839
Buildings and Improvements	13,106,067	13,096,249
Equipment	3,473,893	3,273,068
Vehicles	462,551	462,573
	19,400,350	19,189,729
Less: Accumulated Depreciation	9,320,172	8,859,093
Total Property and Equipment	10,080,178	10,330,636
Right of Use Asset - Operating Leases	53,117	10,187
Investments	34,156,653	31,471,341
Beneficial Interest in Perpetual Trust	11,226,133	10,373,727
TOTAL OTHER ASSETS	55,516,081	52,185,891
TOTAL ASSETS	\$ 59,379,644	\$ 54,418,842

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

STROUD WATER RESEARCH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION - CONTINUED
DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 922,143	\$ 572,922
Taxes Payable - Payroll	12,191	14,528
Current Maturities of Bonds Payable	283,568	277,367
Current Maturities of Paycheck Protection Program Loan	5,227	5,175
Current Maturities of Operating Leases Liability	12,469	5,104
Deferred Grant Revenue	1,418,358	-
	2,653,956	875,096
OTHER LIABILITIES		
Operating Leases Liability	40,648	5,083
Bonds Payable - Net of Current Maturities	3,624,397	3,907,966
Paycheck Protection Program Loan	8,724	13,942
Pension Benefit Obligation	1,708,838	1,758,665
	8,036,563	6,560,752
	8,036,563	6,560,752
NET ASSETS		
Without Donor Restrictions		
Board Designated - Endowment	21,880,842	20,207,433
Undesignated	3,736,450	4,132,054
	25,617,292	24,339,487
Total Net Assets Without Donor Restrictions	25,617,292	24,339,487
Total Net Assets With Donor Restrictions	25,725,789	23,518,603
	51,343,081	47,858,090
	51,343,081	47,858,090
TOTAL LIABILITIES AND NET ASSETS	\$ 59,379,644	\$ 54,418,842

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
	<u>8,147,395</u>	<u>1,088,941</u>	<u>9,236,336</u>
Net Assets Released from Restriction	<u>1,168,751</u>	<u>(1,168,751)</u>	<u>-</u>
TOTAL OPERATING REVENUE	<u>9,316,146</u>	<u>(79,810)</u>	<u>9,236,336</u>
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	<u>7,461,299</u>	<u>-</u>	<u>7,461,299</u>
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	<u>2,552,913</u>	<u>-</u>	<u>2,552,913</u>
Development and Outreach	<u>647,605</u>	<u>-</u>	<u>647,605</u>
TOTAL OPERATING EXPENSES	<u>10,661,817</u>	<u>-</u>	<u>10,661,817</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(1,345,671)</u>	<u>(79,810)</u>	<u>(1,425,481)</u>
OTHER CHANGES			
Pension Changes Including Net Periodic Pension Cost	49,826	-	49,826
Investment Income	500,567	279,025	779,592
Net Realized and Unrealized Gains on Beneficial Interest in Perpetual Trust Investments	-	852,406	852,406
	<u>2,073,083</u>	<u>1,155,565</u>	<u>3,228,648</u>
TOTAL OTHER CHANGES	<u>2,623,476</u>	<u>2,286,996</u>	<u>4,910,472</u>
CHANGE IN NET ASSETS	<u>1,277,805</u>	<u>2,207,186</u>	<u>3,484,991</u>
NET ASSETS - Beginning of Year	<u>24,339,487</u>	<u>23,518,603</u>	<u>47,858,090</u>
NET ASSETS - End of Year	<u>\$ 25,617,292</u>	<u>\$ 25,725,789</u>	<u>\$ 51,343,081</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUE			
Research Programs	\$ 2,125,455	\$ 247,757	\$ 2,373,212
Education/Public Programs	526,681	46,423	573,104
Watershed Restoration Programs	2,468,997	686,112	3,155,109
Annual Fund	600,527	-	600,527
Contributions	321,153	-	321,153
Contribution from Beneficial Interest in Perpetual Trust	371,110	-	371,110
Other Income	104,914	-	104,914
Special Events	306,721	-	306,721
	<u>6,825,558</u>	<u>980,292</u>	<u>7,805,850</u>
Net Assets Released from Restriction	<u>1,297,877</u>	<u>(1,297,877)</u>	<u>-</u>
TOTAL OPERATING REVENUE	<u>8,123,435</u>	<u>(317,585)</u>	<u>7,805,850</u>
OPERATING EXPENSES			
Program Services			
Research	3,177,437	-	3,177,437
Education	651,869	-	651,869
Watershed Restoration	2,662,049	-	2,662,049
Total Program Services	<u>6,491,355</u>	<u>-</u>	<u>6,491,355</u>
Supporting Services			
Finance and Administrative	778,468	-	778,468
Information Services	459,548	-	459,548
Facilities	984,492	-	984,492
Communications and Marketing	102,073	-	102,073
Other Expenses	168,169	-	168,169
Total Supporting Services	<u>2,492,750</u>	<u>-</u>	<u>2,492,750</u>
Development and Outreach	<u>426,849</u>	<u>-</u>	<u>426,849</u>
TOTAL OPERATING EXPENSES	<u>9,410,954</u>	<u>-</u>	<u>9,410,954</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(1,287,519)</u>	<u>(317,585)</u>	<u>(1,605,104)</u>
OTHER CHANGES			
Pension Changes Including Net Periodic Pension Cost	2,071,063	-	2,071,063
Investment Income	449,108	239,087	688,195
Net Realized and Unrealized Gains (Losses) on			
Beneficial Interest in Perpetual Trust	-	(1,468,889)	(1,468,889)
Investments	(4,065,911)	(2,164,518)	(6,230,429)
TOTAL OTHER CHANGES	<u>(1,545,740)</u>	<u>(3,394,320)</u>	<u>(4,940,060)</u>
CHANGE IN NET ASSETS	<u>(2,833,259)</u>	<u>(3,711,905)</u>	<u>(6,545,164)</u>
NET ASSETS - Beginning of Year	<u>27,172,746</u>	<u>27,230,508</u>	<u>54,403,254</u>
NET ASSETS - End of Year	<u>\$ 24,339,487</u>	<u>\$ 23,518,603</u>	<u>\$ 47,858,090</u>

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

STROUD WATER RESEARCH CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,484,991	\$ (6,545,164)
Adjustments to Reconcile Change in Net Assets to Net Cash Flow Used by Operating Activities		
Depreciation	461,079	474,116
Amortization of Debt Issuance Costs	2,218	2,116
Net Realized and Unrealized (Gains)/Losses	(4,081,054)	7,699,318
(Increase) Decrease in		
Accounts and Grants Receivable	(1,056,111)	1,220,836
Right of Use Asset - Operating Lease	12,844	14,739
Prepaid Expenses	(25,375)	11,127
Increase (Decrease) in		
Accounts Payable and Accrued Expenses	349,221	146,328
Taxes Payable - Payroll	(2,337)	5,724
Operating Lease Liability	(12,844)	(14,739)
Deferred Revenue	1,418,358	-
Pension Benefit Obligation	(49,827)	(2,071,062)
NET CASH FROM OPERATING ACTIVITIES	501,163	943,339
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(210,621)	(238,858)
Purchase of Investment Securities	(2,821,137)	(6,522,137)
Proceeds on Sale of Investment Securities	2,964,509	6,641,025
NET CASH USED BY INVESTING ACTIVITIES	(67,249)	(119,970)
CASH FLOWS FROM FINANCING ACTIVITIES		
Pledge Payments Received for Long Term Purposes	60,433	285,894
Repayment of Paycheck Protection Program Loan	(5,166)	(5,112)
Repayment of Bond Payable	(279,586)	(273,566)
NET CASH FROM FINANCING ACTIVITIES	(224,319)	7,216
NET CHANGE IN CASH	209,595	830,585
CASH - Beginning of Year	1,089,102	258,517
CASH - End of Year	\$ 1,298,697	\$ 1,089,102
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash Paid for Interest	\$ 176,633	\$ 188,242
Noncash Investing and Financing Activities		
Contributed Investments	\$ 180,824	\$ 284,435
Investment Proceeds in Transit	\$ 399,964	\$ -
Right of Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 55,773	\$ 24,926

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

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Development and Outreach</u>	<u>Total</u>
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	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>\$ 7,461,299</u>	<u>\$ 2,552,913</u>	<u>\$ 647,605</u>	<u>\$ 10,661,817</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, 2022

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Development and Outreach</u>	<u>Total</u>
Salaries and Wages	\$ 2,845,373	\$ 1,101,704	\$ 290,112	\$ 4,237,189
Fringe Benefits	868,396	329,745	91,379	1,289,520
Advertising and Promotion	378	-	-	378
Conferences, Conventions, and Meetings	25,067	66,561	13,105	104,733
Subawards	1,942,896	-	-	1,942,896
Participant Support	65,550	-	-	65,550
Outside Services	268,200	112,639	20,486	401,325
Laboratory Equipment	237,290	38,708	-	275,998
Information Technology	23,486	29,072	182	52,740
Occupancy	-	57,535	-	57,535
Office Expenses	21,494	63,124	4,436	89,054
Insurance	-	118,006	-	118,006
Travel	91,908	1,403	6,432	99,743
Interest	-	190,358	-	190,358
Depreciation	97,822	376,294	-	474,116
Other Expenses	3,495	7,601	717	11,813
Net Periodic Defined Benefit Pension Cost	97,534	37,035	10,263	144,832
	<u>6,588,889</u>	<u>2,529,785</u>	<u>437,112</u>	<u>9,555,786</u>
Less: Net Periodic Pension Cost Presented as Nonoperating on Statements of Activities	<u>(97,534)</u>	<u>(37,035)</u>	<u>(10,263)</u>	<u>(144,832)</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 6,491,355</u></u>	<u><u>\$ 2,492,750</u></u>	<u><u>\$ 426,849</u></u>	<u><u>\$ 9,410,954</u></u>

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

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023 and 2022, the Corporation recognized ticket sales of \$48,318 and \$66,395, respectively, in accordance with the provisions of ASC 606.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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. For the years ended December 31, 2023 and 2022, the Corporation recognized service revenue of \$329,339 and \$271,579, respectively, in accordance with the provisions of ASC 606.

As of December 31, 2023 and 2022, 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 \$13,181,762 and \$11,723,299 that have not been recognized at December 31, 2023 and 2022, 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, 2023

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, 2023

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 \$2,127,559 in 2023. Actual distributions from the endowment based on operating funds needed were \$1,600,897 and \$1,674,228 for the years ended December 31, 2023 and 2022, 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, 2023

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 \$22,094 and \$19,876, respectively, as of December 31, 2023 and 2022, 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, 2023 and 2022, was \$2,218 and \$2,116, 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, 2023

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, 2023 and 2022, 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, 2023 and 2022, the Corporation did not incur any interest and penalties from taxing authorities.

The federal income tax returns of the Corporation for 2020, 2021 and 2022, 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, 2023 and 2022, were \$612 and \$378, 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, 2023

NOTE 2: LIQUIDITY AND AVAILABILITY

The following represents the Corporation's financial assets at December 31, 2023 and 2022:

	2023	2022
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 1,298,697	\$ 1,089,102
Account and Grants Receivable	2,474,927	1,018,852
Pledges Receivable	14,739	75,172
Investments	34,156,653	31,471,341
Beneficial Interest in Perpetual Trust	11,226,133	10,373,727
Total Financial Assets	49,171,149	44,028,194
Less: Amounts Not Available to be Used Within One Year		
Net Assets With Donor Restrictions	(22,202,218)	(20,454,034)
Advanced Grant Funds Not Available for General Expenditures	(1,418,358)	-
Quasi Endowment Established by the Board	(21,880,842)	(20,207,433)
Total Amounts Not Available to be Used Within One Year	(45,501,418)	(40,661,467)
Total Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$ 3,669,731	\$ 3,366,727

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 \$1,152,220 and \$910,687 as of December 31, 2023 and 2022, respectively.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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, 2023

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, 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	\$ -

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 3: FINANCIAL INSTRUMENTS - CONTINUED

Fair Value Measurement of Financial Instruments - Continued

Fair values of assets measured on a recurring basis at December 31, 2022, 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	\$ 696,017	\$ 696,017	\$ -	\$ -
Mutual Funds				
Domestic Blended Equities	366,945	366,945	-	-
Domestic Small/Mid Cap Equities	5,939,199	5,939,199	-	-
Domestic Large Cap Equities	2,595,699	2,595,699	-	-
Fixed Income	6,617,215	6,617,215	-	-
Real Estate	1,658,957	1,658,957	-	-
International Equities				
Developed	3,066,360	3,066,360	-	-
Emerging Markets	1,462,129	1,462,129	-	-
Total Investments Measured at Fair Value	22,402,521	22,402,521	-	-
Investment Measured at Net Asset Value				
Investment in Limited Partnership	9,068,820	N/A	N/A	N/A
Total Investments	<u>\$ 31,471,341</u>	<u>\$ 22,402,521</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interest in Perpetual Trust	<u>\$ 10,373,727</u>	<u>\$ -</u>	<u>\$ 10,373,727</u>	<u>\$ -</u>

NOTE 4: PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	2023	2022
Receivable in Less Than One Year	\$ 14,739	\$ 75,172
Receivable in One to Five Years	-	-
Receivable in Greater Than Five Years	-	-
Total Pledges	14,739	75,172
Less: Discounts to Net Present Value	-	-
	<u>\$ 14,739</u>	<u>\$ 75,172</u>

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 5: INVESTMENTS

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

	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	\$ 27,145,425	\$ 34,156,653	\$ 7,011,228

	2022		
	Cost	Fair Value	Unrealized Appreciation
Cash Management Fund	\$ 696,017	\$ 696,017	\$ -
Mutual Funds	20,026,565	21,706,504	1,679,939
Investment in Limited Partnerships	7,051,510	9,068,820	2,017,310
Total Investments	\$ 27,774,092	\$ 31,471,341	\$ 3,697,249

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

	2023	2022
Interest and Dividends	\$ 642,765	\$ 591,261
Partnership Income	229,122	193,788
Fees and Other Expenses	(92,295)	(96,854)
	\$ 779,592	\$ 688,195

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, 2023

NOTE 6: BONDS PAYABLE - CONTINUED

Bonds payable totaled \$3,907,965 and \$4,185,333 as of December 31, 2023 and 2022, respectively. The first \$3,250,000 of the bond issue bears interest at 4.70% until December 23, 2035. The second \$3,250,000 of the bond issue bears interest at 3.65% until December 23, 2035. Payments of interest and principal are due in accordance with the schedule outlined in the bond issue through December 2035.

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

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

Components of bonds payable are as follows for the year ended December 31, 2022:

	<u>Bonds Payable</u>	<u>Unamortized Loan Costs</u>	<u>Net</u>
Current Portion	\$ 279,585	\$ 2,218	\$ 277,367
Long-Term Portion	<u>3,944,542</u>	<u>36,576</u>	<u>3,907,966</u>
Total	<u>\$ 4,224,127</u>	<u>\$ 38,794</u>	<u>\$ 4,185,333</u>

Components of interest expense on the bonds payable for the years ended December 31, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Interest Expense	\$ 176,633	\$ 188,242
Amortization of Loan Cost	<u>2,218</u>	<u>2,116</u>
Total	<u>\$ 178,851</u>	<u>\$ 190,358</u>

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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:

2024	\$	285,892
2025		292,501
2026		336,615
2027		336,615
2028		336,615
Thereafter		2,356,303
	\$	3,944,541

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, 2023 and 2022.

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 three years are as follows:

2024	\$	5,227
2025		5,280
2026		3,444
	\$	13,951

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Subject to Expenditure of a Specified Purpose		
Research Programs	\$ 603,725	\$ 556,844
Education/Public Programs	195,594	152,829
Watershed Restoration Programs	1,345,055	1,045,072
Other Programs	71,931	58,335
	2,216,305	1,813,080
Endowment Assets		
Subject to Appropriation and Expenditure in Accordance with Spending Policy		
New Building	547,638	495,995
Executive Director	2,893,319	2,615,413
Assistant Director	303,813	275,163
Research Programs	1,106,464	992,205
Restoration Programs	3,836,777	3,378,291
Education Programs	599,193	518,234
Original Gifts to Endowment Funds	2,988,607	2,988,607
Beneficial Interest in Perpetual Trusts	11,226,133	10,373,727
	23,501,944	21,637,635
Donor-Restricted Pledges for the Future of Fresh Water Initiative		
New Building	406	489
Executive Director	3,699	3,782
Assistant Director	406	489
Research Programs	1,293	1,375
Restoration Programs	1,032	61,239
Education Programs	704	514
	7,540	67,888
Total Net Assets with Donor Restrictions	\$ 25,725,789	\$ 23,518,603

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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:

	2023	2022
Research Programs	\$ 270,704	\$ 506,737
Education/Public Programs	107,241	85,834
Watershed Restoration	547,684	471,244
Other Programs	8,638	10,539
Executive Director	181,090	166,456
Assistant Director	19,052	20,184
New Building	34,342	36,883
	\$ 1,168,751	\$ 1,297,877

NOTE 10: REVENUE CONCENTRATIONS

During the years ended December 31, 2023 and 2022, approximately 69% and 68%, 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, 2023

NOTE 11: PENSION PLAN - CONTINUED

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

Pension Plan Obligations and Funded Status:

	<u>2023</u>	<u>2022</u>
Projected Benefit Obligation	\$ 11,788,562	\$ 10,695,111
Fair Value of Plan Assets	<u>10,079,724</u>	<u>8,936,446</u>
Funded Status	<u>\$ (1,708,838)</u>	<u>\$ (1,758,665)</u>
Accumulated Benefit Obligation	\$ 10,442,333	\$ 9,566,511
Employer Contributions	518,500	400,000
Administrative Expenses	978	-
Benefits Paid	408,908	403,357

Amounts Recognized in the Statements of Financial Position:

	<u>2023</u>	<u>2022</u>
Pension Benefit Obligation	<u>\$ 1,708,838</u>	<u>\$ 1,758,665</u>

Amounts Recognized in the Statements of Activities:

	<u>2023</u>	<u>2022</u>
Components of Net Periodic Benefit Cost		
Service Cost	\$ 415,886	\$ 666,141
Interest Cost	546,222	391,190
Amortization of Net Loss	-	91,173
Expected Return on Plan Assets	<u>(536,825)</u>	<u>(603,671)</u>
Net Periodic Benefit Cost	<u>425,283</u>	<u>544,833</u>
Changes in Plan Assets and Benefit Obligations		
Recognized in Other Changes in Net Assets		
Without Donor Restrictions		
Net Gain	43,391	(2,124,723)
Amortization of Actuarial Gain	<u>-</u>	<u>(91,173)</u>
Total Recognized in Other Changes in Net Assets		
Without Donor Restrictions	<u>43,391</u>	<u>(2,215,896)</u>
Total Recognized in Net Periodic Benefit Costs and		
Other Changes in Net Assets Without Donor Restrictions	<u>\$ 468,674</u>	<u>\$ (1,671,063)</u>

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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>2023</u>	<u>2022</u>
Discount Rate	5.05%	5.25%
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>2023</u>	<u>2022</u>
Discount Rate	5.25%	2.85%
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, 2023, all other methods, actuarial assumptions and plan provisions are unchanged from those used as of December 31, 2021.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 11: PENSION PLAN - CONTINUED

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 fair values of the Plan's assets as of December 31, 2022, 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	\$ 101,072	\$ 101,072	\$ -	\$ -
Mutual Funds				
Domestic Equities	2,823,974	2,823,974	-	-
Fixed Income	3,543,418	3,543,418	-	-
Real Estate Investment Trust	876,533	876,533	-	-
International Equities				
Developed	969,766	969,766	-	-
Emerging Markets	621,683	621,683	-	-
	<u>\$ 8,936,446</u>	<u>\$ 8,936,446</u>	<u>\$ -</u>	<u>\$ -</u>

The Corporation expects to contribute approximately \$518,500 to the pension plan in the year ending December 31, 2023. No plan assets are expected to be returned to the Corporation during the year ending December 31, 2023.

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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:

2024	\$	557,560
2025		548,446
2026		626,410
2027		614,360
2028		650,749
2029 - 2032		3,778,709

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:

2024	\$	14,077
2025		14,077
2026		13,609
2027		12,205
2028		<u>3,053</u>
Total Future Minimum Lease Payments		57,021
Less: Amounts Representing Interest		<u>(3,904)</u>
Present Value of Future Minimum Lease Payments		53,117
Less: Current Maturities		<u>(12,469)</u>
Lease Obligations - Net of Current Maturities	\$	<u><u>40,648</u></u>

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

	<u>2023</u>	<u>2022</u>
Cash Paid for Amounts in the Measurement of Lease Liabilities		
Operating Cash Flows for Operating Leases	<u>\$ 14,326</u>	<u>\$ 15,072</u>
Operating Lease Cost	<u>\$ 14,326</u>	<u>\$ 15,072</u>
Weighted Average Remaining Lease Term - Operating Leases	4.11 Years	1.29 Years
Weighted Average Discount Rate - Operating Leases	3.34%	2.05%

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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, 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>
<u>As of December 31, 2022</u>			
Investments	\$ 20,207,433	\$ 11,263,908	\$ 31,471,341
Beneficial Interest in Perpetual Trust	-	10,373,727	10,373,727
	<u>\$ 20,207,433</u>	<u>\$ 21,637,635</u>	<u>\$ 41,845,068</u>

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	<u>\$ 20,207,433</u>	<u>\$ 21,637,635</u>	<u>\$ 41,845,068</u>
Investment Return			
Investment Income Net of Fees	500,567	279,025	779,592
Net Gains on Investments	<u>2,073,083</u>	<u>2,007,971</u>	<u>4,081,054</u>
Total Investment Return	<u>2,573,650</u>	<u>2,286,996</u>	<u>4,860,646</u>
Contributions Transferred into Endowment	<u>127,680</u>	<u>150,289</u>	<u>277,969</u>
Appropriation of Assets for Expenditure	<u>(1,027,921)</u>	<u>(572,976)</u>	<u>(1,600,897)</u>
Endowment Net Assets, December 31, 2023	<u>\$ 21,880,842</u>	<u>\$ 23,501,944</u>	<u>\$ 45,382,786</u>

STROUD WATER RESEARCH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 13: ENDOWMENT ASSETS - CONTINUED

Changes in endowment net assets for the year ended December 31, 2022, were as follows:

	Without Donor Restrictions (Board Designated)	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2022	\$ 24,681,166	\$ 24,982,108	\$ 49,663,274
Investment Return			
Investment Income Net of Fees	449,108	239,087	688,195
Net (Losses) on Investments	<u>(4,065,911)</u>	<u>(3,633,407)</u>	<u>(7,699,318)</u>
Total Investment Return	<u>(3,616,803)</u>	<u>(3,394,320)</u>	<u>(7,011,123)</u>
Contributions and Transfers into Endowment	<u>235,653</u>	<u>631,492</u>	<u>867,145</u>
Appropriation of Assets for Expenditure	<u>(1,092,583)</u>	<u>(581,645)</u>	<u>(1,674,228)</u>
Endowment Net Assets, December 31, 2022	<u>\$ 20,207,433</u>	<u>\$ 21,637,635</u>	<u>\$ 41,845,068</u>

SUPPLEMENTARY INFORMATION

STROUD WATER RESEARCH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

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	-	\$ 29,720	\$ -
Agriculture and Food Research Initiative (AFRI)	10.310		87,523	87,523
University of Delaware		58354	112,424	-
University of Delaware		UDR0000423	4,321	-
William & Mary			10,259	-
The Pennsylvania State University		S000181-USDA	27,450	-
Total Program	10.310		241,977	87,523
Soil and Water Conservation				
National Fish and Wildlife Foundation*	10.902		254,212	-
Conservation Innovation Fund	10.937		63,028	-
Sea Grant Support				
The Pennsylvania State University	11.417	S002053-NOAA	7,184	-
Chesapeake Bay Studies				
University of Delaware	11.457	-	122,473	68,526
The Chesapeake Bay Trust		2026	15,440	-
			494	-
Total Program	11.457		138,407	68,526
U.S. Department of the Interior National Park Service				
NFWF-USFWS Conservation Partnership				
National Fish and Wildlife Foundation	15.663		35,443	35,443
Adaptive Science				
Caesar Rodney School District	15.670	-	2,897	-
Cooperative Research and Training Programs				
Resources of the National Park System	15.945		183,360	-
National Park Service Conservation, Protection, Outreach, and Education				
White Clay Watershed Association	15.954		18,180	-
National Wild and Scenic Rivers System				
National Park Trust	15.962	S14141	15,547	-
Geosciences				
National Science Foundation	47.050	-	172,799	98,000

STROUD WATER RESEARCH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

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			
National Science Foundation		-	94,168	-
Education and Human Resources	47.076			
National Science Foundation		-	26,482	-
U.S. Environmental Protection Agency				
Chesapeake Bay Program	66.466			
James River Association		-	\$ 13,225	\$ -
Chesapeake Bay Trust		-	28,087	-
National Fish and Wildlife Foundation*		-	<u>343,501</u>	<u>343,501</u>
Total Program	66.466		384,813	343,501
COVID-19 Chesapeake Bay Program	66.964			
Pennsylvania Department of Conservation and Natural Resources*		-	36,262	-
Geographic Programs - Chesapeake Bay Program Implementation		-	<u>230,471</u>	<u>-</u>
Total Program	66.964		<u>266,733</u>	<u>-</u>
Total Research and Development Cluster			<u>1,668,217</u>	<u>632,993</u>
U.S Department of Agriculture				
Pennsylvania Department of Agriculture	21.019	-	24,178	-
U.S Department of Education				
Elementary and Secondary School Emergency Relief Fund				
The School District of Philadelphia	84.425	3053	<u>173,146</u>	<u>46,925</u>
			<u>\$ 2,132,274</u>	<u>\$ 679,918</u>

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

STROUD WATER RESEARCH CENTER, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2023

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, 2023. 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, 2023, funds totaling \$597,713 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 10.902/10.912/10.924/10.678), 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.

During the year ended December 31, 2023, funds totaling \$36,262 were received from the Pennsylvania Department of Conservation and Natural Resources. While the grant agreements indicate that the source of the funds includes federal (Assistance Listing numbers #27.027/66.964), the Pennsylvania Department of Conservation and Natural

STROUD WATER RESEARCH CENTER, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
DECEMBER 31, 2023

**NOTE D: NATIONAL FISH AND WILDLIFE FOUNDATION (NFWF) - CHESAPEAKE BAY
PROGRAM AND SOIL AND WATER CONSERVATION - CONTINUED**

Resources has not provided the Corporation with the amount reimbursed by funding source. Because the amount by Assistance Listing 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, 2023, 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 September 24, 2024.

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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

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*.

Stroud Water Research Center, Inc.'s Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Stroud Water Research Center, Inc.'s response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Stroud Water Research Center, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

September 24, 2024
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, 2023. 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, 2023.

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Stroud Water Research Center, Inc.'s response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Stroud Water Research Center, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item of 2023-002 to be a significant deficiency.

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.

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

Government Auditing Standards require the auditor to perform limited procedures on Stroud Water Research Center, Inc.'s response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Stroud Water Research Center, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

September 24, 2024

Wilmington, Delaware

STROUD WATER RESEARCH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2023

I. SUMMARY OF AUDITORS' 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? x Yes _____ 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? x Yes _____ 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)? x Yes _____ No

Identification of Major Programs

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

Research and Development Cluster
 10.170, 10.310, 10.902, 10.937, 11.417, 11.457, 15.663, 15.670, 15.945,
 15.954, 15.962, 47.050, 47.074, 47.076, 66.466, 66.964

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, 2023

II. Financial Statement Findings

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.

Criteria: In accordance with United States generally accepted accounting principles, grant revenue is recognized when the Corporation has satisfied the grant conditions. Assets received before the Corporation has satisfied the grant conditions are required to be reported as deferred revenue.

Cause: During the year ended December 31, 2023, the Corporation received an advance of federal grant funds. The grant agreement requires the Corporation to return funds that are not expended on specified activities. The Corporation recorded the grant receipts as restricted grant revenue.

Effect: A material adjustment was required to correct the misstatement.

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.

Views of Responsible Officials and Planned Corrective Actions: Refer to the attached Corrective Action Plan.

STROUD WATER RESEARCH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2023

III. 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.

Criteria: Uniform Guidance, 2 CFR § 200.305(b) - *Cash Management*, requires a recipient that receives an advance of federal funds to maintain the funds in a separate interest-bearing account. Furthermore, recipients must limit the use of the advanced federal funds to only those purposes outlined in the award agreement, and the funds must not be used for general operations or other non-compliant purposes.

Cause: The Corporation's endowment draw was delayed by the investment manager resulting in a period of time where grant funds were used for non-grant expenditures.

Effect: The delay in receipt of the requested endowment draw resulted in the Corporation's total unrestricted cash balance falling below unspent grant funds for a period of time from mid-December 2023 through January 2, 2024. This indicates that grants funds were temporarily used for general operations.

Questioned Costs: As of December 31, 2023, \$119,984 was utilized to fund general operations. Those grant funds were reimbursed on January 2, 2024.

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

UNAUDITED

**STROUD WATER RESEARCH CENTER, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2023**

Financial Statement Findings

None

Federal Award Findings

None

UNAUDITED

**STROUD WATER RESEARCH CENTER, INC.
970 SPENCER ROAD
AVONDALE, PENNSYLVANIA 19311**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2023**

Reference Number: 2023-001

Corrective action planned: With respect to future advances on sponsored awards, specifically those funded by the federal government, unexpended funds will be properly recorded at years end as deferred revenue.

Contact person responsible for corrective action: John D. Pepe, Controller.

Anticipated or actual completion date: Immediate.

Reference Number: 2023-002

Corrective action planned: Cash flow requirements to fund daily operations will be reviewed more thoroughly so that awarded funds are expended consistent with the terms of their respective agreements. Projects presently on quarterly cost reimbursement schedules will be changed to monthly cost reimbursement requests.

Contact person responsible for corrective action: John D. Pepe, Controller.

Anticipated or actual completion date: October 1, 2024.