



FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024**

ARUNDEL RIVERS FEDERATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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Independent Auditor's Report

To the Board of Directors of
Arundel Rivers Federation, Inc.

Opinion

We have audited the accompanying financial statements of Arundel Rivers Federation, Inc. (a nonprofit Federation), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arundel Rivers Federation, 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 audits in accordance with auditing standards generally accepted in the United States of America. 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 Arundel Rivers Federation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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.

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 Arundel Rivers Federation, 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 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, 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 Arundel Rivers Federation, 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 Arundel Rivers Federation, 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.

Alta CPA Group, LLC

Annapolis, MD
March 27, 2026

ARUNDEL RIVERS FEDERATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

| | 2025 | 2024 |
|---|--------------|--------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 695,795 | \$ 508,740 |
| Accounts and Grants Receivable | 162,255 | 526,700 |
| Prepaid Expenses | 12,363 | 9,514 |
| Total Current Assets | 870,413 | 1,044,954 |
| Property and Equipment, Net | 79,972 | 101,182 |
| Other Assets: | | |
| Right of Use Asset - Operating Lease | 60,187 | - |
| Security Deposit | 2,425 | 2,425 |
| Investments | 1,654,565 | 1,481,168 |
| Total Other Assets | 1,717,177 | 1,483,593 |
| Total Assets | \$ 2,667,562 | \$ 2,629,729 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 107,888 | \$ 261,398 |
| Accrued Expenses | 97,401 | 103,024 |
| Deferred Revenue and Refundable Advances | 19,586 | 44,565 |
| Operating Lease Liability, Current Portion | 29,556 | - |
| Total Current Liabilities | 254,431 | 408,987 |
| Operating Lease Liability, Noncurrent Portion | 31,549 | - |
| Total Liabilities | 285,980 | 408,987 |
| Net Assets: | | |
| Without Donor Restrictions | 1,069,770 | 1,011,193 |
| With Donor Restrictions | 1,311,812 | 1,209,549 |
| Total Net Assets | 2,381,582 | 2,220,742 |
| Total Liabilities and Net Assets | \$ 2,667,562 | \$ 2,629,729 |

See auditor's report and accompanying notes to financial statements.

ARUNDEL RIVERS FEDERATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

| | 2025 | | | 2024 | | |
|--|-------------------------------|----------------------------|---------------|-------------------------------|----------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUE | | | | | | |
| Individual Contributions | \$ 366,498 | \$ - | \$ 366,498 | \$ 323,584 | \$ - | \$ 323,584 |
| Grants | 1,913,607 | 974,741 | 2,888,348 | 2,308,675 | 624,182 | 2,932,857 |
| Fee Income | 28,895 | - | 28,895 | 40,038 | - | 40,038 |
| In Kind Contributions | 2,500 | - | 2,500 | 13,146 | - | 13,146 |
| Investment Income (Loss) | 73,308 | 98,803 | 172,111 | 69,348 | 88,271 | 157,619 |
| Other Income | 1,337 | - | 1,337 | 1,175 | - | 1,175 |
| Gross Special Events Income | | | | | | |
| Ticket Sales, Sponsorships, and Auction | 108,601 | - | 108,601 | 113,490 | - | 113,490 |
| Less Cost of Direct Benefits to Donors | (22,367) | - | (22,367) | (14,390) | - | (14,390) |
| Net Special Events Revenue | 86,234 | - | 86,234 | 99,100 | - | 99,100 |
| Net Assets Released from Restrictions | 971,281 | (971,281) | - | 618,629 | (618,629) | - |
| Total Revenue and Support | 3,443,660 | 102,263 | 3,545,923 | 3,473,695 | 93,824 | 3,567,519 |
| EXPENSES | | | | | | |
| Program Services | 2,892,405 | - | 2,892,405 | 2,919,134 | - | 2,919,134 |
| Management and General | 281,686 | - | 281,686 | 260,180 | - | 260,180 |
| Fundraising | 210,992 | - | 210,992 | 191,265 | - | 191,265 |
| Total Expenses | 3,385,083 | - | 3,385,083 | 3,370,579 | - | 3,370,579 |
| CHANGE IN NET ASSETS | 58,577 | 102,263 | 160,840 | 103,116 | 93,824 | 196,940 |
| Net Assets, Beginning of Year | 1,011,193 | 1,209,549 | 2,220,742 | 908,077 | 1,115,725 | 2,023,802 |
| Net Assets, End of Year | \$ 1,069,770 | \$ 1,311,812 | \$ 2,381,582 | \$ 1,011,193 | \$ 1,209,549 | \$ 2,220,742 |

See auditor's report and accompanying notes to financial statements.

ARUNDEL RIVERS FEDERATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025

| | Program Services | Management and General | Fundraising | Cost of Direct Benefits to Donors | Total Expenses |
|---|---------------------|------------------------------|-------------------|--------------------------------------|---------------------|
| Accounting and Auditing | \$ - | \$ 92,078 | \$ - | \$ - | \$ 92,078 |
| Advertising | - | 946 | 5,178 | - | 6,124 |
| Bank and Merchant Charges | - | 1,025 | 5,059 | - | 6,084 |
| Conferences and Meetings | 17,009 | 10,433 | 4,134 | - | 31,576 |
| Depreciation | 19,986 | 554 | 670 | - | 21,210 |
| Employee Benefits | 86,585 | 7,397 | 53,711 | - | 147,693 |
| Equipment Rental | 2,568 | 514 | 574 | - | 3,656 |
| Equipment Repairs and Maintenance | 11,943 | 3,101 | - | - | 15,044 |
| Information Technology | 10,457 | 1,311 | 6,518 | - | 18,286 |
| Insurance | 19,172 | 3,760 | 3,816 | - | 26,748 |
| Memberships | 695 | 694 | 102 | - | 1,491 |
| Occupancy | 30,714 | 3,704 | 2,549 | - | 36,967 |
| Office Expenses | 2,109 | 1,577 | 8,662 | - | 12,348 |
| Payroll Taxes | 30,030 | 9,501 | 7,568 | - | 47,099 |
| Professional Fees | 2,190,822 | 4,756 | 9,244 | - | 2,204,822 |
| Program Supplies | 67,359 | 276 | 302 | 22,367 | 90,304 |
| Salaries and Wages | 389,654 | 139,545 | 98,283 | - | 627,482 |
| Supplies | 1,177 | 293 | 4,622 | - | 6,092 |
| Travel and Accommodations | 12,125 | 221 | - | - | 12,346 |
| | | | | | |
| Total Expenses by Function | 2,892,405 | 281,686 | 210,992 | 22,367 | 3,407,450 |
| | | | | | |
| Less Expenses included with Revenues on the Statement of Activities | | | | | |
| Cost of Direct Benefit to Donors | - | - | - | (22,367) | (22,367) |
| | | | | | |
| Total Expenses included with Expenses on the Statement of Activities | \$ <u>2,892,405</u> | \$ <u>281,686</u> | \$ <u>210,992</u> | \$ <u>-</u> | \$ <u>3,385,083</u> |

See auditor's report and accompanying notes to financial statements.

ARUNDEL RIVERS FEDERATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

| | Program Services | Management and General | Fundraising | Cost of Direct Benefits to Donors | Total Expenses |
|---|---------------------|------------------------------|-------------------|--------------------------------------|---------------------|
| Accounting and Auditing | \$ - | \$ 98,106 | \$ - | \$ - | \$ 98,106 |
| Advertising | - | 543 | 2,972 | - | 3,515 |
| Bank and Merchant Charges | - | 1,274 | 6,285 | - | 7,559 |
| Conferences and Meetings | 6,225 | 3,818 | 1,513 | - | 11,556 |
| Depreciation | 22,765 | 631 | 764 | - | 24,160 |
| Employee Benefits | 78,379 | 6,696 | 48,621 | - | 133,696 |
| Equipment Rental | 1,340 | 268 | 300 | - | 1,908 |
| Equipment Repairs and Maintenance | 6,420 | 1,667 | - | - | 8,087 |
| Information Technology | 8,708 | 1,091 | 5,428 | - | 15,227 |
| Insurance | 15,421 | 3,024 | 3,069 | - | 21,514 |
| Memberships | 764 | 763 | 112 | - | 1,639 |
| Occupancy | 15,331 | 1,849 | 1,272 | - | 18,452 |
| Office Expenses | 1,954 | 1,461 | 8,025 | - | 11,440 |
| Payroll Taxes | 27,830 | 8,805 | 7,014 | - | 43,649 |
| Professional Fees | 2,329,471 | 5,057 | 9,829 | - | 2,344,357 |
| Program Supplies | 48,076 | 148 | 162 | 14,390 | 62,776 |
| Salaries and Wages | 347,142 | 124,320 | 87,560 | - | 559,022 |
| Supplies | 2,124 | 528 | 8,339 | - | 10,991 |
| Travel and Accommodations | 7,184 | 131 | - | - | 7,315 |
| | | | | | |
| Total Expenses by Function | 2,919,134 | 260,180 | 191,265 | 14,390 | 3,384,969 |
| | | | | | |
| Less Expenses included with Revenues on the Statement of Activities | | | | | |
| Cost of Direct Benefit to Donors | - | - | - | (14,390) | (14,390) |
| | | | | | |
| Total Expenses included with Expenses on the Statement of Activities | \$ <u>2,919,134</u> | \$ <u>260,180</u> | \$ <u>191,265</u> | \$ <u>-</u> | \$ <u>3,370,579</u> |

See auditor's report and accompanying notes to financial statements.

ARUNDEL RIVERS FEDERATION, 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 | \$ 160,840 | \$ 196,940 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Unrealized (Gain) Loss on Investments | (40,853) | (41,994) |
| Realized (Gain) Loss on Investments | (91,705) | (72,650) |
| Depreciation | 21,210 | 24,160 |
| Donated Vehicle | - | (8,465) |
| Donated Stock | (50,600) | - |
| Change in Operating Assets and Liabilities: | | |
| Accounts and Grants Receivable | 364,445 | (186,378) |
| Prepaid Expenses | (2,849) | 767 |
| Accounts Payable | (153,510) | 164,154 |
| Accrued Expenses | (5,623) | 28,811 |
| Deferred Revenue and Refundable Advances | (24,979) | 44,565 |
| Operating Lease Assets and Liabilities | 918 | - |
| Net Cash Provided by Operating Activities | 177,294 | 149,910 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | - | (26,264) |
| Purchase of Investments | (473,068) | (372,437) |
| Payment of Security Deposit | - | (1,253) |
| Proceeds from Sale of Investments | 482,829 | 336,530 |
| Net Cash Provided by (Used for) Investing Activities | 9,761 | (63,424) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| | - | - |
| Net Increase in Cash and Cash Equivalents | 187,055 | 86,486 |
| Cash and Cash Equivalents, Beginning of Year | 508,740 | 422,254 |
| Cash and Cash Equivalents, End of Year | \$ 695,795 | \$ 508,740 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash Paid During the Year for: | | |
| Income Taxes | \$ - | \$ - |
| Interest | \$ - | \$ - |
| NON CASH INVESTING AND FINANCING TRANSACTION: | | |
| Additions to Right of Use Assets | \$ 86,494 | \$ - |

See auditor's report and accompanying notes to financial statements.

ARUNDEL RIVERS FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Federation

Arundel Rivers Federation, Inc. (the Federation) was established in 2000. The Federation is a nonprofit Federation under Internal Revenue Code Section 501(c)(3). Deeply rooted in the South, West, and Rhode Rivers, the Federation heals and protects our waterways and champions clean water across Maryland. The Federation has a vision of delivering clean waterways for all.

Basis of Accounting

The Federation maintains its accounts and prepares its financial statements on the accrual basis of accounting.

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.

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 are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

ARUNDEL RIVERS FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of all monies in banks and highly liquid investments with maturity dates of less than ninety days.

Accounts Receivable

Receivables primarily include revenues due under cost reimbursement grants. All receivables are expected to be collected within one year. No interest income or late fees are charged on past due balances. Receivables are written off when management deems them uncollectible. The Federation uses the allowance method based on management's analysis of specific receivables to determine uncollectible amounts. At December 31, 2025 and 2024, all amounts are considered fully collectible.

Property and Equipment

Property and equipment are carried at cost if purchased or fair market value at the time of donation if donated. Items are capitalized if the amount is greater than \$1,000 and the expected useful life exceeds one year. Depreciation is computed using the straight line method over the estimated useful lives of the assets. Estimated useful lives range from three to fifteen years for property and equipment.

Revenue and Revenue Recognition

The Federation is primarily supported by grants, contributions received from government and other Federations.

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

Program Service Revenue

We determine revenue recognition through the five-step model prescribed by Topic 606 as follows:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract;
- Recognition of revenue when, or as, performance obligations are satisfied.

ARUNDEL RIVERS FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Program service revenue includes fees for Educational and Outreach service revenue. Program service revenue is recognized when earned. Program service revenue is recorded net of discounts and allowances.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service in the contract and recognized as revenue when, or as, the performance obligation is satisfied. The primary method used to estimate the standalone selling price is the adjusted market assessment approach, under which the Federation evaluates the market and estimates a price that a customer would be willing to pay for the goods and services the Federation provides.

The Federation's performance obligations are primarily satisfied when service is provided. Transaction price is determined based on gross price, net of discounts or refunds.

The Federation has elected the optional exemption to not disclose amounts where the performance obligation is part of a contract which has an original expected duration of one year or less. The Federation expects to recognize substantially all revenue on these remaining performance obligations over the next 12 months.

Contract Balances

The timing of billings, cash collections, and revenue recognition results in accounts receivable (contract assets) and deferred revenue (contract liabilities) on the statements of financial position. Receivables are only recognized to the extent that it is probable that the Federation will collect substantially all of the consideration to which it is entitled in exchange for the goods and services that will be transferred. The Federation receives advance payments of deposits from customers before revenue is recognized, which are recorded as contract liabilities in deferred revenue.

Costs to Obtain a Contract

The Federation has elected the practical expedient available in ASC 340-40, in which any incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

ARUNDEL RIVERS FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

The expenses that are allocated include rent and utilities, which are allocated based on an estimate of usage by functional area. Salaries, benefits, depreciation, copier rental, general insurances, and office supplies, are allocated based on time and effort.

Investments

Investments consist of mutual funds and equities. These investments are recorded at estimated fair value. Investment income, which consists of interest and dividend income earned, realized gains or losses, and unrealized appreciation (depreciation) on those investments, is included in the statements of activities and changes in net assets. All investment income is reported as operating income.

Fair Value Measurement

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. For certain long term debt, the fair value was based on present value techniques using inputs derived principally or corroborated from market data. Financial assets and liabilities using level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability.

Valuation techniques utilized to determine fair value are consistently applied. All assets have been valued using a market approach. The Federation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

ARUNDEL RIVERS FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Risks

The Federation's investment portfolios are professionally managed and may contain bonds of publicly traded companies, corporate bonds, U.S. government obligations, mutual funds, and equities. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that market conditions would materially affect investment balances and the amounts reported in the financial statements.

Donated Services, Materials and Facilities

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Donations of materials are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless a donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Federation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Federation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Cash Concentration

Total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of December 31, 2025, the Federation had funds of approximately \$422,000 that were in excess of the FDIC insurance coverage. The Federation has not experienced any losses in such accounts. The Federation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Advertising

All advertising costs are expensed as incurred.

ARUNDEL RIVERS FEDERATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Federation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). The Federal Form 990, Return of Federation Exempt from Income Tax, is subject to examination by the Internal Revenue Service, generally for the three years after it is filed.

Reclassification

Certain amounts in 2024 financial statements have been reclassified for comparative purposes to conform with the presentation in 2025 financial statements. These changes have had no effect on the net income for the year ended December 31, 2024.

Subsequent Events

The Federation evaluated subsequent events through March 27, 2026, the date the financial statements were available to be issued, and is not aware of any significant events that occurred subsequent to the statement of financial position date that would have a material impact on the financial statements.

NOTE 2 - LAND, BUILDINGS, AND EQUIPMENT

The following is a summary of equipment and furniture, at cost as of December 31:

| | <u>2025</u> | <u>2024</u> |
|-------------------------------|------------------|-------------------|
| Program Equipment | \$ 94,350 | \$ 94,350 |
| Boat | 83,984 | 83,984 |
| Vehicle | <u>22,655</u> | <u>22,655</u> |
| Total Cost | 200,989 | 200,989 |
| Less Accumulated Depreciation | <u>(121,017)</u> | <u>(99,807)</u> |
| Net Property and Equipment | \$ <u>79,972</u> | \$ <u>101,182</u> |

Depreciation expense for the years ending December 31, 2025 and 2024 was \$21,210 and \$24,160, respectively.

ARUNDEL RIVERS FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 3 - INVESTMENTS

The following table presents the Federation's fair value hierarchy for the above assets and liabilities measured at fair value on a recurring basis as of December 31, 2025:

| | Quoted Market Prices in Active Markets (<u>Level 1</u>) | Other Observable Inputs (<u>Level 2</u>) | Unobservable Inputs (<u>Level 3</u>) | <u>Total</u> |
|--|--|---|--|---------------------|
| Mutual Funds: | | | | |
| Equity – Diversifying Emerging Mkts | \$ 81,142 | \$ --- | \$ --- | \$ 81,142 |
| High Yield Bond | 312,510 | --- | --- | 312,510 |
| Money Market Funds | 304,272 | --- | --- | 304,272 |
| Multi Growth | 83,030 | --- | --- | 83,030 |
| Large Growth | 598,636 | --- | --- | 598,636 |
| Mid-Cap Blend | 230,675 | --- | --- | 230,675 |
| Small Growth | <u>44,300</u> | <u>---</u> | <u>---</u> | <u>44,300</u> |
| Total Investments | \$ <u>1,654,565</u> | \$ <u>---</u> | \$ <u>---</u> | \$ <u>1,654,565</u> |

The following table presents the Federation's fair value hierarchy for the above assets and liabilities measured at fair value on a recurring basis as of December 31, 2024:

| | Quoted Market Prices in Active Markets (<u>Level 1</u>) | Other Observable Inputs (<u>Level 2</u>) | Unobservable Inputs (<u>Level 3</u>) | <u>Total</u> |
|--|--|---|--|---------------------|
| Mutual Funds: | | | | |
| Equity – Diversifying Emerging Mkts | \$ 21,980 | \$ --- | \$ --- | \$ 21,980 |
| High Yield Bond | 224,066 | --- | --- | 224,066 |
| Money Market Funds | 278,303 | --- | --- | 278,303 |
| Multi Growth | 70,811 | --- | --- | 70,811 |
| Large Growth | 616,787 | --- | --- | 616,787 |
| Mid-Cap Blend | 159,607 | --- | --- | 159,607 |
| Commodities Broad Basket | 73,400 | --- | --- | 73,400 |
| Small Growth | <u>36,214</u> | <u>---</u> | <u>---</u> | <u>36,214</u> |
| Total Investments | \$ <u>1,481,168</u> | \$ <u>---</u> | \$ <u>---</u> | \$ <u>1,481,168</u> |

ARUNDEL RIVERS FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 4 - LIQUIDITY AND AVAILABILITY

The following represents Arundel Rivers Federation's financial assets at December 31, 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|--|-------------------|-------------------|
| Financial Assets at Year End: | | |
| Cash and Cash Equivalents | \$ 695,795 | \$ 508,740 |
| Accounts Receivable, Net | 162,255 | 526,700 |
| Operating Investments | <u>278,682</u> | <u>268,311</u> |
| Total Financial Assets Available Within One Year | 1,136,732 | 1,303,751 |
| Less Amounts Not Available to be Used Within One Year, Due to: | | |
| Net Assets with Donor Restrictions | 1,311,812 | 1,209,549 |
| Less: Net Assets with Purpose Restrictions to be Met Within One Year | <u>(477,777)</u> | <u>(474,317)</u> |
| Total Amounts Not Available for General Expenditure: | | |
| Within One Year | <u>834,035</u> | <u>735,232</u> |
| Total Financial Assets Available to Meet General Expenditures Over the Next Twelve Months | \$ <u>302,697</u> | \$ <u>568,519</u> |

As part of Arundel Rivers Federation's liquidity management plan, financial assets are available as its general expenditures, liabilities, and other obligations come due. Any cash in excess of operating needs is transferred to an income generating investment account. Additionally, Arundel Rivers Federation has board designated net assets that could be made available for current operations, if necessary.

NOTE 5 - BOARD DESIGNATED NET ASSETS

During 2008, the Board of Directors designated net assets to be used as an endowment fund. The Board did not make any contributions to the endowment in either 2025 or 2024. Board designated net assets as of December 31, 2025 and 2024 were \$533,645 and \$470,427, respectively.

ARUNDEL RIVERS FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

At December 31, net assets with donor restrictions are available for the following purposes:

| | <u>2025</u> | <u>2024</u> |
|-----------------------------|-------------------------|-------------------------|
| Restoration | \$ 391,117 | \$ 301,404 |
| Monitoring | 8,297 | 50,294 |
| Endowment Earnings | 367,744 | 415,267 |
| Outreach & Education | 78,363 | 122,619 |
| Perpetuity Donor Restricted | <u>466,291</u> | <u>319,965</u> |
| Total | \$ <u>1,311,812</u> | \$ <u>1,209,549</u> |

NOTE 7 - ENDOWMENT

The Board of Directors of the Federation has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. Accordingly, the Federation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts required by the donor to be maintained in perpetuity. However, any income (including interest, dividends, and net realized and unrealized gains and losses) generated by these donor-restricted endowment funds is not required to be maintained in perpetuity and may be appropriated for expenditure by the Federation for Board-approved purposes, subject to any donor-imposed purpose restrictions.

In making decisions to appropriate or accumulate donor-restricted endowment funds, the Federation considers the duration and preservation of the fund, the purposes of the donor-restricted endowment funds, general economic conditions, the possible effects of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Federation, and the Federation's investment and spending policies, consistent with the prudence standards of MPMIFA and the disclosure framework of ASC 958.

The Federation's endowment consists of donor-restricted permanent endowment funds and Board-designated endowment funds. Donor-restricted endowment funds are classified as net assets with donor restrictions, while Board-designated endowment funds are classified as net assets without donor restrictions because they are established by actions of the Board rather than donor stipulations.

ARUNDEL RIVERS FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 7 - ENDOWMENT (CONTINUED)

The donor-restricted permanent endowment consists of gifts given with the explicit purpose of being held in perpetuity for the Federation's long-term activities, with principal to be kept intact and invested so that, at a minimum, it grows at approximately the rate of inflation over time. Board-designated endowment funds consist of unrestricted resources that the Board has set aside for long-term investment; both principal and income from these Board-designated funds may be used at the discretion of the Board for special purposes.

Income (interest, capital gains, and dividends) and distributions from both donor-restricted and Board-designated endowment funds are recorded in a separate Income and Distributions account and are made available, subject to donor restrictions where applicable, to support the Federation's operating budget and other Board-approved purposes; unused amounts may be carried forward for future years. The Executive Director is authorized under Board policy to utilize funds in the Income and Distributions account as part of the Federation's operating budget, consistent with the Board-approved annual budget.

The Federation also maintains a cash reserve account to help manage short-term cash shortfalls arising from the timing of program expenditures and revenue. Use of funds from the cash reserve must be recommended by the Executive Director and approved by the Finance Committee, with the Executive Director notifying the Treasurer and Board Chair if use of the reserve becomes necessary.

Lump-sum distributions from the Board-designated endowment (beyond amounts incorporated in the Board-approved annual budget) require approval by a simple majority of the Board of Directors. Distributions from the principal of the donor-restricted permanent endowment are permitted only in extraordinary circumstances when all other reasonably available funding sources have been exhausted and the Federation faces a going-concern situation, and such distributions require unanimous approval of the Board of Directors.

For investment purposes, the permanent endowment is invested for long-term income and capital preservation with a target allocation of approximately 50% equity securities (with emphasis on dividend-yielding investments) and 50% fixed-income securities. The Board-designated endowment is invested primarily for long-term growth with a target allocation of approximately 80% equity securities and 20% fixed-income securities. The Federation's cash reserve and Income and Distributions accounts are invested in money market funds or similar short-term instruments to preserve principal and provide liquidity. These investment objectives and strategies are intended to support the Federation's spending policies over the long term.

ARUNDEL RIVERS FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 7 - ENDOWMENT (CONTINUED)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MPMIFA requires the Federation to retain as a fund of perpetual duration. In accordance with ASC 958, any such deficiencies are reported within net assets with donor restrictions, and the Federation's policy is to continue to appropriate for expenditure from such funds in a manner consistent with the standards of prudence prescribed by MPMIFA and its overall spending and investment policies.

Endowment net asset composition by type of fund as of December 31, 2025 is as follows:

| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Total</u> |
|--|---|--------------------------------------|---------------------|
| Board-Designated Endowment Funds | \$ 533,645 | \$ --- | \$ 533,645 |
| Donor Restricted Endowment Funds: | | | |
| Original Donor Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor | --- | 466,291 | 466,291 |
| Accumulated Investment Gains | <u>---</u> | <u>367,744</u> | <u>367,744</u> |
| Total | \$ <u>533,645</u> | \$ <u>834,035</u> | \$ <u>1,367,680</u> |
| | | | |
| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Total</u> |
| Endowment, Beginning of Year | \$ 470,427 | \$ 735,232 | \$ 1,205,659 |
| Contributions | --- | --- | --- |
| Investment Income | 63,218 | 107,124 | 170,342 |
| Net Appreciation | --- | --- | --- |
| Amounts Appropriated For Expenditure | <u>---</u> | <u>(8,321)</u> | <u>(8,321)</u> |
| Endowment, End of Year | \$ <u>533,645</u> | \$ <u>834,035</u> | \$ <u>1,367,680</u> |

ARUNDEL RIVERS FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 7 - ENDOWMENT (CONTINUED)

Endowment net asset composition by type of fund as of December 31, 2024 is as follows:

| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Total</u> |
|--|---|--------------------------------------|---------------------|
| Board-Designated Endowment Funds | \$ 470,427 | \$ --- | \$ 470,427 |
| Donor Restricted Endowment Funds: | | | |
| Original Donor Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor | --- | 319,965 | 319,965 |
| Accumulated Investment Gains | <u>---</u> | <u>415,267</u> | <u>415,267</u> |
| Total | \$ <u>470,427</u> | \$ <u>735,232</u> | \$ <u>1,205,659</u> |
| | | | |
| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Total</u> |
| Endowment, Beginning of Year | \$ 416,884 | \$ 651,549 | \$ 1,068,433 |
| Contributions | --- | --- | --- |
| Investment Income | 56,479 | 88,271 | 144,750 |
| Net Appreciation | --- | --- | --- |
| Amounts Appropriated For Expenditure | <u>(2,936)</u> | <u>(4,588)</u> | <u>(7,524)</u> |
| Endowment, End of Year | \$ <u>470,427</u> | \$ <u>735,232</u> | \$ <u>1,205,659</u> |

ARUNDEL RIVERS FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 8 - DONATED SERVICES AND FACILITIES

The Federation received donated facilities, assets and supplies at their location during the years ended December 31, 2025 and 2024. The value of donated facilities, assets and supplies included as contributions in the financial statements and the corresponding expenses for the years ended December 31, 2025 and 2024 are as follows:

| <u>2025</u> | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------|-----------------------------|-----------------------------------|--------------------|-----------------|
| Occupancy | \$ <u>2,077</u> | \$ <u>251</u> | \$ <u>172</u> | \$ <u>2,500</u> |
| Total | \$ <u>2,077</u> | \$ <u>251</u> | \$ <u>172</u> | \$ <u>2,500</u> |
| | | | | |
| <u>2024</u> | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
| Supplies | \$ <u>---</u> | \$ <u>---</u> | \$ <u>4,681</u> | \$ <u>4,681</u> |
| Total | \$ <u>---</u> | \$ <u>---</u> | \$ <u>4,681</u> | \$ <u>4,681</u> |

During 2025 and 2024, the Federation received donated vehicles valued at \$0 and \$8,465, respectively. The donated vehicle has been capitalized and included in property and equipment on the statement of financial position.

NOTE 9 - RETIREMENT PLAN

The Federation provides retirement benefits to its employees through a defined contribution plan covering all full-time employees. Employees are eligible immediately upon hire. The Federation contributes up to 3% of gross wages as a matching contribution. Contributions to the plan for the years ended December 31, 2025 and 2024 were \$16,559 and \$15,570, respectively.

NOTE 10 - LEASE COMMITMENTS

The Federation entered into an operating lease agreement during 2024 for office space, commencing January 1, 2025 and expiring December 31, 2027. The lease requires a base monthly payment of \$2,525, with a 3% annual increase. At the lease commencement date, the Federation recognized a right-of-use asset of \$89,018 and a corresponding lease liability of \$86,494 on the statement of financial position.

ARUNDEL RIVERS FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 10 - LEASE COMMITMENTS (CONTINUED)

In accordance with the Federation’s accounting policy and guidance received, the lease was recognized at its commencement date. As such, no right-of-use asset or lease liability has been recorded in the financial statements as of December 31, 2024.

The Federation has elected the short-term lease practical expedient related to leases of various rentals used for programming activities.

The Federation has elected the practical expedient not to separate lease and non-lease components for the operating lease for its office space.

During the years ended December 31, 2025 and 2024, the Federation recognized rent expense associated with its leases as follows:

| | <u>2025</u> | <u>2024</u> |
|------------------------|------------------|------------------|
| Operating Lease Cost: | | |
| Fixed Rent Expense | \$ 27,775 | \$ 14,064 |
| Variable Lease Expense | <u>9,192</u> | <u>4,388</u> |
| Total Lease Cost | \$ <u>36,967</u> | \$ <u>18,452</u> |

During the years ended December 31, 2025 and 2024, the Federation had the following cash and non-cash activities associated with its leases:

| | <u>2025</u> | <u>2024</u> |
|--|------------------|------------------|
| Cash Paid for Amounts Included in the Measurement Of Lease Liabilities: | | |
| Operating Cash Flows from Operating Leases | \$ <u>27,775</u> | \$ <u>14,064</u> |
| ROU Assets Obtained in Exchange for New Operating Lease Liabilities | \$ <u>86,494</u> | \$ <u>---</u> |
| Weighted-Average Remaining Lease Term in Years for Operating Leases | <u>2.00</u> | <u>0.00</u> |
| Weighted-Average Discount Rate for Operating Leases | <u>3.47%</u> | <u>0.00%</u> |

ARUNDEL RIVERS FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 10 - LEASE COMMITMENTS (CONTINUED)

Future minimum lease payments under operating leases as of December 31, 2025:

| | | |
|-------------------------------|----|----------------------|
| 2026 | \$ | 31,209 |
| 2027 | | <u>32,145</u> |
| Total undiscounted cash flows | | 63,354 |
| Less present value discount | | <u>(2,249)</u> |
| Total lease liabilities | \$ | <u><u>61,105</u></u> |

Because the Federation does not have access to the rate implicit in the lease, the Federation has used the Treasury bill risk-free rate as of the commencement date of the leases to determine the applicable lease discount rate.