

**AUDITED FINANCIAL STATEMENTS**

**CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND SUBSIDIARY**

*Greenfield, Massachusetts*

**JUNE 30, 2012**

***Boisselle, Morton & Associates, LLP***  
*Certified Public Accountants*

**CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND SUBSIDIARY**

Table of Contents

	Page
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-12
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13-14
Schedule of Findings	15

BOISSELLE, MORTON & ASSOCIATES, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
**Connecticut River Watershed Council, Inc. and Subsidiary**  
Greenfield, Massachusetts

**Independent Auditors' Report**

We have audited the accompanying statement of financial position of Connecticut River Watershed Council, Inc. and Subsidiary (a non-profit organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connecticut River Watershed Council, Inc. and Subsidiary as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2013, on our consideration of Connecticut River Watershed Council, Inc. and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Boisselle, Morton & Associates, LLP*

Hadley, Massachusetts  
January 25, 2013

**CONNECTICUT RIVER WATERSHED, INC. AND SUBSIDIARY**

Statement of Financial Position

June 30, 2012

Assets

Current assets	
Cash and cash equivalents	\$ 133,470
Contributions and grants receivable	198,255
Accounts and other receivable	13,497
Inventory	6,897
Prepaid expenses	2,046
Total current assets	<u>354,165</u>
Property and equipment, net	<u>543,635</u>
Other assets	
Investments	1,683,545
Due from unrestricted net assets	434,375
Total other assets	<u>2,117,920</u>
Total assets	<u>\$ 3,015,720</u>

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued liabilities	\$ 23,940
Security deposit payable	2,500
Current portion of long-term debt	10,754
Current portion of annuities payable	8,690
Total current liabilities	<u>45,884</u>
Long-term liabilities	
Long-term debt, less current portion	134,547
Annuities payable, less current portion	66,385
Due to restricted net assets	434,375
Total long-term liabilities	<u>635,307</u>
Net assets	
Unrestricted	131,280
Temporarily restricted	1,048,782
Permanently restricted	1,154,467
Total net assets	<u>2,334,529</u>
Total liabilities and net assets	<u>\$ 3,015,720</u>

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

**CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND SUBSIDIARY**

Statement of Activities  
Year Ended June 30, 2012

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Support and other revenue				
Contributions and grants	\$ 309,339	\$ 74,515		\$ 383,854
Membership dues	78,834			78,834
Rental income	30,000			30,000
Special projects and fees	17,058			17,058
In-kind contributions	6,213			6,213
Sale of publications and merchandise	1,632			1,632
Net assets released from restrictions	<u>160,562</u>	<u>(103,685)</u>	\$ <u>(56,877)</u>	
Total support and other revenue	<u>603,638</u>	<u>(29,170)</u>	<u>(56,877)</u>	<u>517,591</u>
Expenses				
Program	546,593			546,593
Administration	148,196			148,196
Fundraising	<u>132,513</u>			<u>132,513</u>
Total expenses	<u>827,302</u>			<u>827,302</u>
Change in net assets before investment activity	<u>(223,664)</u>	<u>(29,170)</u>	<u>(56,877)</u>	<u>(309,711)</u>
Investment activity				
Interest and dividends	9,729	17,068	20,027	46,824
Net realized losses on sales of investments	(22,079)	(2,515)	(29,829)	(54,423)
Net unrealized gains in market value	<u>29,275</u>	<u>(23,390)</u>	<u>3,864</u>	<u>9,749</u>
Total investment activity	<u>16,925</u>	<u>(8,837)</u>	<u>(5,938)</u>	<u>2,150</u>
Change in net assets before sale of land	(206,739)	(38,007)	(62,815)	(307,561)
Gain on sale of land	<u>184,773</u>			<u>184,773</u>
Change in net assets	(21,966)	(38,007)	(62,815)	(122,788)
Net assets, beginning of year	<u>153,246</u>	<u>1,086,789</u>	<u>1,217,282</u>	<u>2,457,317</u>
Net assets, end of year	\$ <u><u>131,280</u></u>	\$ <u><u>1,048,782</u></u>	\$ <u><u>1,154,467</u></u>	\$ <u><u>2,334,529</u></u>

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

**CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND SUBSIDIARY**

Statement of Functional Expenses

Year Ended June 30, 2012

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Employee-related costs				
Salaries	\$ 246,663	\$ 97,766	\$ 91,509	\$ 435,938
Fringe benefits	18,558	3,901	2,235	24,694
Payroll taxes	24,568	5,762	10,361	40,691
Total employee-related costs	<u>289,789</u>	<u>107,429</u>	<u>104,105</u>	<u>501,323</u>
Grant and contract expenses	128,188			128,188
Spaulding Pond expense	24,309			24,309
Professional fees	3,974	6,696	8,520	19,190
Occupancy	10,454		5,709	16,163
Printing, copying and media	12,347	537	2,043	14,927
Travel	13,266	77	1,127	14,470
Office supplies and expense	10,703	988	2,624	14,315
Insurance	7,716	3,965	1,391	13,072
Telephone	8,802	1,014	1,398	11,214
Investment fees		17,064		17,064
Repairs and maintenance	8,958			8,958
Postage	2,517	222	5,174	7,913
Interest		6,332		6,332
Taxes, license and fees	2,663	1,301		3,964
Staff meetings and training	478	1,563	286	2,327
Temporary staff	1,800			1,800
Dues and subscriptions	1,140	64	136	1,340
Publicity and outreach	1,224			1,224
Total expenses before depreciation	<u>528,328</u>	<u>147,252</u>	<u>132,513</u>	<u>808,093</u>
Depreciation	<u>18,265</u>	<u>944</u>		<u>19,209</u>
Total expenses	<u>\$ 546,593</u>	<u>\$ 148,196</u>	<u>\$ 132,513</u>	<u>\$ 827,302</u>

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

**CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND SUBSIDIARY**

Statement of Cash Flows

Year Ended June 30, 2012

Cash flows from operating activities	
Change in net assets	\$ (122,788)
Adjustments to reconcile decrease in net assets to net cash used by operating activities	
Depreciation	19,209
Gain on sale of land	(184,773)
Other changes in assets and liabilities	
Net unrealized gains in market value of investments	(9,749)
Net realized losses on sales of investments	54,423
Contributions and grants receivable	(34,981)
Accounts and other receivable	11,277
Inventory	(933)
Prepaid expenses	1,734
Deposits	35
Accounts payable and accrued liabilities	1,981
Annuities payable	75,075
Security deposit payable	2,500
Net cash used by operating activities	<u>(186,990)</u>
Cash flows from investing activities	
Proceeds from sale of investments	685,971
Purchase of investments	(834,614)
Proceeds from sale of land held for investment	227,773
Net cash provided by investing activities	<u>79,130</u>
Cash flows from financing activities	
Payments on note payable	<u>(10,515)</u>
Net cash used by financing activities	<u>(10,515)</u>
Net decrease in cash and cash equivalents	(118,375)
Cash and cash equivalents - beginning of year	<u>251,845</u>
Cash and cash equivalents - end of year	<u>\$ 133,470</u>

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

# CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND SUBSIDIARY

## Notes to Financial Statements

June 30, 2012

### 1. Summary of Significant Accounting Policies

- a. *Nature of Business:* Connecticut River Watershed Council, Inc. and Subsidiary, the “Council,” is a membership supported, nonprofit, conservation Council dealing with land and water related environmental issues in the four state drainage area of the Connecticut River.
- b. *Principles of Consolidation:* The Council consists of Connecticut River Watershed Council, Inc., a not-for-profit corporation, and its wholly owned subsidiary, Connecticut River Watershed Council of Connecticut, Inc. The subsidiary, which is a not-for-profit corporation, was established to own land in Connecticut. All intercompany transactions have been eliminated in consolidation.
- c. *Tax Status:* Connecticut River Watershed Council, Inc. and Subsidiary are both exempt from federal and state corporate income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, both qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations under Section 509(a)(2). Both organizations file separate annual information returns with the Internal Revenue Service.
- d. *Uncertain Tax Positions:* Professional accounting standards provide detailed guidance for the financial statement recognition, measurement, classification and disclosure of uncertain tax positions. They require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. A tax position is deemed to include such things as the Council’s tax exempt status.

Management has not identified any uncertain tax positions and, therefore, no liability has been recorded in the financial statements. The Council’s income tax filings are subject to audit by the Internal Revenue Service. The Council’s open audit periods are 2009-2011.

- e. *Basis of Presentation:* The financial statements of the Council have been prepared on the accrual basis of accounting. The net assets of the Council are reported in each of the following three classes when applicable: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets are unrestricted and are reported as part of the unrestricted class.
- f. *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 revenues and expenses during the reporting period. Actual results could differ from those estimates.
- g. *Cash and Cash Equivalents:* The Council considers money market accounts and short-term investments with a maturity of less than three months to be cash equivalents.
- h. *Contributions and Grants Receivable:* Contributions and grants receivable are stated at the amount management expects to collect from outstanding balances. Management believes all the contributions and grants receivable at June 30, 2012, are collectible. Therefore, there was no allowance for doubtful contributions and grants receivable at June 30, 2012.



**CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND SUBSIDIARY**

Notes to Financial Statements (Continued)

June 30, 2012

**1. Summary of Significant Accounting Policies (Continued)**

- i. Inventory:* Inventory consists of books, maps, posters, and other small merchandise related to the Council's exempt function, and is valued at cost on the statement of financial position.
- j. Property and Equipment:* The cost, if purchased, and fair value, if donated, of property and equipment is capitalized. The Council follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Depreciation is computed by the straight-line method over the following useful lives:

Buildings and improvements	39 years
Boating equipment	10-15 years
Office equipment	3-5 years

- k. Investments:* Investments are stated at market value. Money market accounts and other cash equivalents that are included in the Council's investment accounts are presented as investments in these financial statements. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.
- l. Fair Value Measurements:* Accounting standards have established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Inputs to the valuation methodology for the three levels of the fair value hierarchy are described below:

Level 1	Unadjusted quoted prices for identical assets or liabilities in active markets. Market price is generally obtained from exchange or dealer markets.
Level 2	Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3	Unobservable and significant to the fair value measurement.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND SUBSIDIARY**

Notes to Financial Statements (Continued)

June 30, 2012

1. Summary of Significant Accounting Policies (Continued)

*m. Resource Recognition:* Contributions and grants are recognized when the donor makes an unconditional promise to give to the Council. Contributions and grants that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Membership dues are recognized when received and not adjusted for deferred memberships. The affect of not adjusting this is not considered material by management as membership revenue from year to year is fairly consistent.

Rental income is from the renting of space in the building the Council owns and operates in Greenfield, Massachusetts.

Special projects and fees are recognized when the Council does laboratory tests or other administrative services.

In-kind contributions are recorded at estimated fair value when received.

Sales of publications and merchandise are recognized when inventory is sold.

*n. Expense Allocation:* Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Administration and other supporting services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Council.

2. Contributions and Grants Receivable

Contributions and Grants receivable consisted of the following at June 30, 2012:

National Oceanic and Atmospheric Administration	\$ 85,027
FishAmerica Foundation	50,442
National Fish and Wildlife Foundation	52,786
Other contributions and grants	<u>10,000</u>
Total contributions and grants receivable	<u>\$198,255</u>

**CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND SUBSIDIARY**  
Notes to Financial Statements (Continued)  
June 30, 2012

3. Property and Equipment

Property and equipment consisted of the following at June 30, 2012:

Building and improvements	\$747,644
Boating equipment	1,945
Office equipment	<u>5,765</u>
	755,354
Less accumulated depreciation	<u>211,719</u>
Total property and equipment	<u>\$543,635</u>

Depreciation expense was \$19,209 for the year ended June 30, 2012.

4. Fee Interest and Conservation Easements

The Council holds fee interest or conservation easements on 3,420.7 acres of land in Connecticut, Massachusetts, Vermont, and New Hampshire as follows:

<u>Location</u>	<u>Acreage</u>
Fee interest – 1,047.7 acres	
Gill, MA	10.0
Shutesbury, MA	2.5
Holyoke, MA	26.0
Bath, NH	0.5
East Corinth, VT	14.5
Putney, VT	10.2
Norfolk, CT	803.0
East Hartford	3.0
Haddam, CT	50.0
Hebron, CT	128.0
Conservation easements – 2,373 acres	
East Hampton, CT	70.0
Hebron, CT	10.3
Marlborough & Hebron, CT	1,349.0
Gill, MA	29.0
Holyoke, MA	104.5
Plainfield, MA	42.0
South Hadley, MA	16.0
Barre, MA	44.0
Dalton, NH	18.0
East Lempster, NH	36.0
Lyme, NH	565.3
North Charlestown, NH	40.4
Bondville, VT	18.5
Strafford, VT	30.0

# CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND SUBSIDIARY

Notes to Financial Statements (Continued)

June 30, 2012

## 4. Fee Interest and Conservation Easements (Continued)

These properties are held by the Council for either conservation purposes to protect habitat and open space or for future sale to realize revenue for the Council's operations. These properties were donated many years ago to the Council and are not recorded in these financial statements because the fair value is not readily determinable.

One property in Lyme, New Hampshire, which was recorded in prior year's financial statements for \$43,000 as land held for investment, was sold for \$227,773 during the year ended June 30, 2012. The sale resulted in a gain of \$184,773, which is recorded on the statement of activities for the year ended June 30, 2012.

The Council also transferred one parcel to the Town of South Hadley, Massachusetts, during the year ended June 30, 2012. This transaction did not affect these financial statements.

## 5. Investments

Investments stated at Level 1 market value consisted of the following at June 30, 2012:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Money market accounts	\$ 46,564	\$ 46,564	
Large capital equity mutual funds	41,223	45,959	\$ 4,736
Large capital exchange traded funds	145,473	155,111	9,638
Large capital equity	654,185	750,236	96,051
International exchange traded funds	41,129	37,643	(3,486)
International mutual funds	6,214	6,138	(76)
Fixed income mutual funds	597,498	607,221	9,723
Master limited partnerships	<u>25,566</u>	<u>34,672</u>	<u>9,106</u>
Total	<u>\$1,557,852</u>	<u>\$1,683,544</u>	<u>\$125,692</u>

Investment activity for the year ended June 30, 2012 was:

Interest and dividends	\$ 45,203
Net realized losses on sales of investments	\$(54,423)
Change in net unrealized gains in market value	\$ 9,749

Fair values for investments were determined by reference to quoted market prices and other relevant information generated by market transactions.

**CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND SUBSIDIARY**

Notes to Financial Statements (Continued)

June 30, 2012

6. Charitable Gift Annuities

The Council administers gift annuities. A gift annuity provides for regular annuity payments to the grantor for a specific period of years. The portion of the annuity attributable to the present value of the future benefits to be received by the grantor is recorded as a liability by the Council. The amount of this liability was \$75,075, of which \$8,690 was current as of as of June 30, 2012, and \$66,385 was long term. Future payments are \$11,737, with the principal amortization of \$8,690 for the year ended June 30, 2013.

7. Long-Term Debt

Long-term debt consisted of the following at June 30:

Note payable to a bank, due in monthly installments of \$1,335, including interest at 3.25%, through July 2023, secured by a first mortgage on the Council's building in Greenfield, Massachusetts.	\$145,301
Less amount due within one year	<u>10,754</u>
Long-term debt	<u>\$134,547</u>

Estimated maturities of long-term debt are as follows for the years ending June 30:

2013	\$ 10,754
2014	11,165
2015	11,591
2016	12,033
2017	12,608
Thereafter	<u>87,150</u>
	<u>\$145,301</u>

8. Line of Credit

The Council has a commercial line-of-credit arrangement with a bank which provides for borrowing up to \$100,000; interest rate is at the bank's Base or Prime lending rate (3.25% at June 30, 2012). There were no amounts outstanding on the line of credit at June 30, 2012.

9. Restrictions on Net Assets

Temporarily restricted net assets consisted of \$667,410 in the Spaulding Pond Trust fund and \$381,372 in various contributions and grants that were restricted to a specific purpose by the donor or grantor and were not completed as of June 30, 2012.

Permanently restricted net assets consisted of \$720,092 in the Mary S. Shaub Fund (land conservation) investments to be held indefinitely, the income from which can be used by the Council, and \$434,375 owed to the fund from unrestricted net assets (see Note 10).

**CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND SUBSIDIARY**

Notes to Financial Statements (Continued)

June 30, 2012

10. Due to / Due from Funds

In a prior fiscal year, the Board of Directors of the Council voted to reinvest a portion of the permanently restricted Mary S. Shaub Fund to pay general expenses and general maintenance expenses of the Council. The total due to permanently restricted funds was \$434,375 at June 30, 2012.

11. Subsequent Events

Management has evaluated subsequent events after the statement of financial position date of June 30, 2012, and through January 25, 2013, the date on which the financial statements were available to be issued, and concluded that no additional disclosures are required, except for the following.

Subsequent to June 30, 2012, the Council was in the process of releasing restrictions of \$298,717 of temporarily restricted funds after research about the actual intent of the donor.

**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  
**Connecticut River Watershed Council, Inc. and Subsidiary**  
Greenfield, Massachusetts

We have audited the financial statements of Connecticut River Watershed Council, Inc. and Subsidiary (a not-for-profit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated January 25, 2013. 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.

Internal Control Over Financial Reporting

Management of Connecticut River Watershed Council, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Connecticut River Watershed Council, Inc. and Subsidiary's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Connecticut River Watershed Council, Inc. and Subsidiary's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Connecticut River Watershed Council, Inc. and Subsidiary's internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified a deficiency in internal control over financial reporting, detailed in the accompanying schedule of findings, that we consider to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Connecticut River Watershed Council, Inc. and Subsidiary's financial statements are free of 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 determination of financial statement amounts. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings.

The Council's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Council's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Boisselle, Morton & Associates, LLP*

Hadley, Massachusetts  
January 25, 2013



# CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND SUBSIDIARY

## Schedule of Findings

June 30, 2012

### Internal Control Over Financial Reporting

#### 2012-1

*Criteria:* The Council did not document personnel costs through the use of timesheets for the entire fiscal year.

*Condition:* The Council allocated personnel costs in the financial statements based on timesheets for only part of the fiscal year.

*Effect:* The Council's allocation of personnel costs on the financial statements do not reflect the personnel time spent throughout the fiscal year.

*Recommendation:* We recommend the Council require employees to prepare timesheets for the entire fiscal year and allocate costs based on these timesheets.

*Management's response:* Beginning in September 2011 the Council implemented a new time and attendance system for all staff for the biweekly submission of timesheets that allocated time within the different functional groups according to the source of funds (grants or general operating funds). Prior to this date there was not a requirement for the tracking of time by staff using a uniform or consistent system. Given that there has been a requirement since September 2011 this finding has already been addressed.

### Compliance and Other Matters

#### 2012-2

*Criteria:* The Council did not document personnel costs through the use of timesheets for the entire fiscal year, as required by their federal Indirect Cost Negotiation Agreement.

*Condition:* The Council has an Indirect Cost Negotiation Agreement with the United States Department of Commerce. The Council is required to support the costs that it considers indirect and direct. The Council did not properly document personnel costs by requiring employees to document their time for the entire fiscal year.

*Effect:* The Council did not properly support personnel costs that were treated as indirect to support their federally granted indirect rate.

*Recommendation:* We recommend the Council document their indirect costs more accurately by requiring employees to prepare timesheets for the entire fiscal year and determine indirect personnel costs based on these timesheets.

*Management's response:* As stated in Management's response in 2012-1, there is now a functioning time and attendance system in place which all staff now use. The time and attendance system reflects the functional groupings of the Council and so allows for clear documentation on which personnel costs are associated with the direct and indirect cost pools.