

**CONNECTICUT RIVER WATERSHED COUNCIL, INC.**

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2011 and 2010**



*James Lowe CPA, Inc.*

CERTIFIED PUBLIC ACCOUNTANT

**CONNECTICUT RIVER WATERSHED  
COUNCIL, INC.**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Connecticut River Watershed Council, Inc.

I have audited the accompanying statements of financial position of Connecticut River Watershed Council, Inc. (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits. The prior year summarized comparative information has been derived from the Organization's June 30, 2010 financial statements and, in my report dated September 27, 2010, I expressed an unqualified opinion on those financial statements.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audits provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly in all material respects, the financial position of Connecticut River Watershed Council, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

*James Lowe CPA, Inc.*  
Chicopee, Ma  
September 26, 2011

**CONNECTICUT RIVER WATERSHED COUNCIL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2011 and 2010

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 251,845	\$ 275,248
Accounts receivable	24,774	2,832
Inventory	5,964	6,242
Grants receivable	163,274	384,178
Prepaid expenses	3,780	3,442
Deposits	35	35
Total Current Assets	449,672	671,977
<b>NONCURRENT ASSETS</b>		
Investments (note 2)	850,986	854,254
Investments - land (note 2)	43,000	43,000
Due from unrestricted fund	439,399	364,830
Property and equipment - net (note 6)	562,844	582,457
Total Noncurrent Assets	1,896,229	1,844,540
<b>TOTAL ASSETS</b>	<b>\$ 2,345,900</b>	<b>\$ 2,516,517</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 19,312	\$ 39,762
Accrued liabilities	2,646	5,049
Current portion of long-term debt	9,802	9,348
Total Current Liabilities	31,760	54,159
<b>LONG-TERM DEBT, less current portion</b>	146,014	156,332
Due to restricted fund	439,399	364,830
Total Long-term Liabilities	585,413	521,162
<b>NET ASSETS</b>		
Unrestricted	153,246	163,371
Temporarily restricted	358,199	628,939
Restricted	1,217,282	1,148,886
Total Net Assets	1,728,727	1,941,196
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,345,900</b>	<b>\$ 2,516,517</b>

See accompanying notes and accountant's report  
James Lowe CPA, Inc.

**CONNECTICUT RIVER WATERSHED COUNCIL, INC.**  
**STATEMENT OF ACTIVITY**  
Year ended June 30, 2011  
(With comparative totals for 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
<b>REVENUE</b>					
Fundraising	\$ 173,736	\$ 6,747	\$	\$ 180,483	\$ 85,548
Special projects and fees	18,383			18,383	15,450
Rental income	30,000			30,000	31,800
Grants	14,000	135,904		149,904	585,278
Sale of publications and merchandise	2,128			2,128	12,630
Management fee	31,429			31,429	20,187
Miscellaneous Revenue	1,168			1,168	
<b>Total Revenue</b>	<b>270,844</b>	<b>142,651</b>		<b>413,495</b>	<b>750,893</b>
<b>OTHER REVENUE</b>					
In-kind contributions	2,067	500		2,567	11,860
Investment income	39,662			39,662	10,282
Realized gain (loss) on sale of investments	790		9,719	10,509	2,637
Unrealized gain (loss) on long-term investments	11,638		74,516	86,154	16,123
<b>Total Other Revenue</b>	<b>54,157</b>	<b>500</b>	<b>84,235</b>	<b>138,892</b>	<b>40,902</b>
<b>Total Revenue</b>	<b>325,000</b>	<b>143,151</b>	<b>84,235</b>	<b>552,386</b>	<b>791,796</b>
<b>EXPENSES</b>					
Program	228,255	344,436		572,691	448,272
General and administrative	78,182			78,182	72,683
Fundraising	100,905			100,905	78,768
<b>Total Expenses</b>	<b>407,342</b>	<b>344,436</b>		<b>751,778</b>	<b>599,722</b>
<b>CHANGE IN NET ASSETS</b>	<b>(82,342)</b>	<b>(201,285)</b>	<b>84,235</b>	<b>(199,392)</b>	<b>192,074</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>163,371</b>	<b>628,939</b>	<b>1,148,886</b>	<b>1,941,196</b>	<b>1,749,122</b>
Prior period adjustments	(13,077)			(13,077)	
<b>NET ASSETS AT BEGINNING OF YEAR, as restated</b>	<b>150,294</b>	<b>628,939</b>	<b>1,148,886</b>	<b>1,928,119</b>	
<b>TRANSFERS</b>	<b>85,294</b>	<b>(69,455)</b>	<b>(15,839)</b>		
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 153,246</b>	<b>\$ 358,199</b>	<b>\$ 1,217,282</b>	<b>\$ 1,728,727</b>	<b>\$ 1,941,196</b>

See accompanying notes and accountant's report  
James Lowe CPA, Inc.

**CONNECTICUT RIVER WATERSHED COUNCIL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2011  
(With comparative totals for 2010)

	UNRESTRICTED			UNRESTRICTED	TEMPORARILY	PERMANENTLY	2011 Total	2010 Total
	General and Administrative	Fundraising	Total	Program	RESTRICTED Program	RESTRICTED Program		
<b>PERSONNEL</b>								
Payroll	\$ 30,026	\$ 69,945	\$ 99,971	\$ 119,716	\$ 110,723	\$	\$ 330,410	\$ 289,243
Payroll taxes	2,495	6,375	8,870	13,868	8,877		31,615	25,204
Employee benefits	684	1,140	1,824	3,719	806		6,349	6,561
<b>GENERAL OPERATIONS</b>								
Occupancy	14,090	4,500	18,590	18,588	711		37,889	31,331
Depreciation		3,653	3,653	15,960			19,613	19,826
Equipment Rental, Maintenance	607	1,012	1,619	4,320	847		6,786	4,150
Insurance	931	1,465	2,396	7,236	195		9,827	8,081
Interest expense	18,379	1,283	19,662	4,363			24,026	15,569
Office supplies	3,911	75	3,986	3,116	5,298		12,400	6,669
Telephone	653	1,089	1,742	7,167	829		9,738	9,598
Postage	260	4,763	5,022	1,790	441		7,253	5,678
Bank charges	1,190		1,190				1,190	1,014
Taxes, license and fees	60	100	160	2,652			2,812	2,682
Professional fees	909	1,516	2,425	6,203	333		8,961	10,147
Travel	1,690	810	2,500	8,208	2,311		13,019	13,355
Dues and subscriptions		103	103				103	389
Grant & Contract Expenses	393		393	2,856	208,399		211,648	134,372
Printing and copying	30	1,275	1,305	1,579	2,251		5,135	4,515
Advertising	260		260	907	500		1,667	4,636
Miscellaneous	1,612	1,802	3,414	6,008	1,915		11,337	6,700
	<u>\$ 78,182</u>	<u>\$ 100,905</u>	<u>\$ 179,087</u>	<u>\$ 228,255</u>	<u>\$ 344,436</u>	<u>\$ -</u>	<u>\$ 751,778</u>	<u>\$ 599,722</u>

See accompanying notes and accountant's report  
James Lowe CPA, Inc.

**CONNECTICUT RIVER WATERSHED COUNCIL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years ended June 30, 2011 and 2010**

<b>CASH FLOWS USED FOR OPERATING ACTIVITIES</b>	<u>2011</u>	<u>2010</u>
Change in Net Assets	\$ (199,392)	\$ 192,074
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	19,613	19,826
Prior period adjustments	13,077	13,066
Unrealized (gains) losses on long-term investments	(86,154)	(16,123)
Realized (gains) losses on long-term investments	(10,509)	(2,637)
(Increase) Decrease in accounts receivable	(21,942)	9,109
(Increase) Decrease in inventory	278	65
(Increase) Decrease in grants receivable	220,903	(216,521)
(Increase) Decrease in prepaid expenses	(337)	170
Increase (Decrease) in accounts payable	(20,450)	(10,737)
Increase (Decrease) in accrued liabilities	<u>(2,404)</u>	<u>(10,550)</u>
Net Cash Provided (Used) By Operating Activities	(87,316)	(22,257)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	651,428	972,163
Purchase of investments	<u>(577,651)</u>	<u>(932,438)</u>
Net Cash Provided (Used) By Investing Activities	73,777	39,725
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on notes payable	<u>(9,864)</u>	<u>(8,695)</u>
Net Cash Provided (Used) By Financing Activities	(9,864)	(8,695)
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(23,403)	8,773
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>275,248</u>	<u>266,475</u>
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 251,845</u>	<u>\$ 275,248</u>

Supplemental disclosure:

Interest paid for the years ended June 30, 2011 and 2010 was \$8,439 and \$15,569, respectively.

See accompanying notes and accountant's report  
James Lowe CPA, Inc.

**CONNECTICUT RIVER WATERSHED COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies of Connecticut River Watershed Council, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Organization

Connecticut River Watershed Council, Inc. is a nonprofit corporation organized under Chapter 180 of the laws of the Commonwealth of Massachusetts and is exempt from federal and state taxes under Section 501 (c) (3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509 (a) (2).

Connecticut River Watershed Council, Inc. is a membership supported, nonprofit, conservation organization dealing with land and water related environmental issues in the four state drainage area of the Connecticut River.

Accounting Method

The books of the Organization are maintained on the accrual basis.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, The organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



**CONNECTICUT RIVER WATERSHED COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions 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.

Investments

Investments are stated at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are carried at cost. Depreciation is calculated using the straight-line method.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**CONNECTICUT RIVER WATERSHED COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Organization's financial instruments include cash, cash equivalents, program services receivable, investments, accounts payable, accrued expenses and notes payable. For cash, cash equivalents, program services receivable, investments, accounts payable, accrued expenses and notes payable, the carrying amounts approximate fair value because of the short term maturity of these items. Investments are reflected at their estimated fair values.

2. INVESTMENTS

Purchased marketable securities are stated at fair value, land is stated at cost. Securities and land received as gifts are stated at fair value at the date of the gift. Fair values and unrealized appreciation at June 30, 2011, are summarized as follows:

	<u>Cost</u>	<u>Market</u>	<u>Excess of Market Over (Under) Cost</u>
Cash and equivalents	\$ 62,974	\$ 62,974	\$ -0-
Marketable securities	<u>728,819</u>	<u>788,015</u>	<u>59,196</u>
Balance at end of year	<u>\$ 791,793</u>	<u>\$ 850,989</u>	<u>\$ 59,196</u>
Balance at beginning of year	<u>\$ 881,212</u>	<u>\$ 854,254</u>	<u>\$ (26,958)</u>
Increase (Decrease) in unrealized appreciation for the year			<u>\$ 86,154</u>

Investments in land at June 30, 2011 consisted of the following:

<u>Location</u>	<u>Acreage</u>	<u>Cost Basis</u>	<u>* Estimated Fair Market Value</u>
East Corinth, VT	14.2		14,000
East Hartford, CT	3.0		Unknown
South Hadley, MA	6.0		Unknown
Holyoke, MA	26.0		18,600
Gill, MA	10.0		7,000
Lyme, NH	145.0	43,000	72,500
Putney, VT	10.2		18,000
Shutesbury, MA	2.5		4,700

\* Estimated Fair Market Value as indicated by management.

**CONNECTICUT RIVER WATERSHED COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

3. LONG-TERM DEBT

Long-term debt consists of the following:

A mortgage payable to the bank in monthly installments of \$1,335, including interest at 3.75%, through July 2023. Secured by the asset.

\$ 155,816

Less amount due within one year

9,802

Long-term debt

\$ 146,014

Maturities of long-term debt is as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2012	\$ 9,802
2013	10,754
2014	11,165
2015	11,591
2016	12,033
Thereafter	<u>100,471</u>
	<u>\$ 155,816</u>

Interest expense for the years ended June 30, 2011 and 2010 was \$8,439 and \$15,569, respectively.

4. RESTRICTIONS ON NET ASSETS

Permanently restricted net assets consist of Land Conservation fund investments to be held indefinitely, the income from which is retained in permanently restricted net assets. Temporarily restricted net assets consist of a variety of contributions designated for specific purpose by the various donors.

5. COMPENSATED ABSENCES

The Organization has not accrued compensated absences because the amount cannot be reasonably estimated.

**CONNECTICUT RIVER WATERSHED COUNCIL, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2011 AND 2010**

6. PROPERTY AND EQUIPMENT

Property and equipment, together with estimated useful lives, consisted of the following:

	<u>Amount</u>	<u>Estimated Life</u>
Property	\$127,364	39 years
Leasehold improvements	613,005	39 years
Capitalized interest	4,965	39 years
Boating equipment	1,945	14 years
Office equipment	5,764	5 years
Closing costs	<u>2,311</u>	5 years
	\$755,354	
Less Accumulated Depreciation	<u>192,510</u>	
	<u>\$562,844</u>	

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000.

Depreciation expense for the years ended June 30, 2011 and 2010 was \$19,613 and \$19,826, respectively.

7. RELATED PARTY TRANSACTIONS

The Connecticut River Watershed Council of Connecticut, Inc. is a wholly owned subsidiary of the Council. The Council manages the landholding of the Connecticut corporation. The Council received \$31,429 and \$20,187 for this service for the years ended June 30, 2011 and 2010, respectively.

8. DONATED SERVICES

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under SFAS No. 116 were not met.

**CONNECTICUT RIVER WATERSHED COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

9. SHORT TERM BORROWINGS

The Organization has a commercial line of credit arrangement with a bank which provides for borrowing up to \$100,000, interest rate at the banks Base or Prime lending rate. Amounts borrowed pursuant to the line of credit were \$-0- and \$-0- as of June 30, 2011 and 2010, respectively.

10. DUE TO / DUE FROM FUNDS

Amounts were transferred from the restricted fund to the unrestricted fund. The amounts transferred as of June 30, 2011 and 2010 were \$74,570 and \$-0-, respectively. The executive committee voted to reinvest a portion of the Mary S. Shaub Fund to pay general expenses/general maintenance expenses of the Organization. Interest was paid based on the balance transferred at the end of month and earnings by the Mary S. Shaub Fund for the month. Interest expense related to these amounts was \$15,587 and \$14,593 for the years ended June 30, 2011 and 2010, respectively.

11. PRIOR PERIOD ADJUSTMENT

The Organization has made an adjustment for accounts payable to actual. The adjustment results in a decrease to net assets in the amount of \$13,077.

**CONNECTICUT RIVER WATERSHED COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

12. FAIR VALUE MEASUREMENT

FASB Statement No. 157, Fair Value Measurements, establishes a framework for measuring 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 the active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statements No. 157 are described as follows.

Basis of Fair Value Measurement

Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2            Inputs to the valuation methodology include

- a)            Quoted prices for similar assets or liabilities in active markets;
- b)            Quoted prices for identical or similar assets or liabilities in inactive markets;
- c)            Inputs other than quoted prices that are observable for the assets or liability;
- d)            Inputs that are derived principally from or corroborated by observable markets by correlation or other means;

If the assets or liabilities have a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3            Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The assets or liability's fair value 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 and minimize the use of unobservable inputs.

All assets and liabilities are of the Organization are measured at Level 1.

13. SUBSEQUENT EVENTS

The Organization has performed an evaluation of subsequent events through September 26, 2011, which is the date the Organization's financial statements were issued. No material subsequent events have occurred since June 30, 2011 that required recognition or disclosure in these financial statements.