

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2010 and 2009

**CONNECTICUT RIVER WATERSHED
COUNCIL, INC.**

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

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James Lowe CPA, Inc.

CERTIFIED PUBLIC ACCOUNTANT

377 MONTGOMERY STREET
CHICOPEE, MA 01020

(413) 594-9900
(413) 594-9966 Fax

FINANCIAL CONSULTANT

Member of: American Institute of
Certified Public Accountants

Massachusetts Society of
Certified Public Accountants

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, 2010 and 2009, 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, 2009 financial statements and, in my report dated October 12, 2009, 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, 2010 and 2009, 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 27, 2010

CONNECTICUT RIVER WATERSHED COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2010

(With comparative totals for 2009)

	UNRESTRICTED		UNRESTRICTED	TEMPORARILY RESTRICTED		PERMANENTLY RESTRICTED		2009 Total
	General and Administrative	Fundraising		Program	Program	Program	Program	
PERSONNEL								
Payroll	\$ 37,722	50,547	\$ 88,269	\$ 77,866	123,108	\$	\$ 289,243	\$ 314,791
Payroll taxes	4,008	4,188	8,196	16,993	15		25,204	29,193
Employee benefits	2,353	0	2,353	1,872	2,336		6,561	23,431
GENERAL OPERATIONS								
Occupancy	3,760	5,639	9,399	20,679	1,253		31,331	40,050
Depreciation	2,379	3,569	5,948	13,085	793		19,826	19,843
Equipment Rental, Maintenance	498	747	1,245	2,656	249		4,150	10,257
Insurance	3,027	1,286	4,313	794	2,974		8,081	7,800
Interest expense	200	281	481	300	195	14,593	15,569	14,673
Office supplies	1,292	1,816	3,108	3,158	403		6,669	12,076
Telephone	2,031	3,046	5,077	3,942	579		9,598	6,806
Postage	1,653	2,331	3,984	1,000	694		5,678	6,300
Bank charges	446		446	568			1,014	2,369
Taxes, license and fees	172	258	430		2,252		2,682	2,609
Professional fees	1,881	2,822	4,703	4,704	740		10,147	23,796
Travel	5,256	1,294	6,550	4,213	2,592		13,355	8,553
Dues and subscriptions	125	50	175	214			389	2,951
Grant & Contract Expenses	1,446		1,446		132,926		134,372	128,644
Printing and copying	1,194	894	2,088	1,357	1,070		4,515	16,586
Advertising			0		524		4,636	125
Miscellaneous	3,239		3,239	1,891	1,570		6,700	0
	\$ 72,683	\$ 78,768	\$ 151,451	\$ 155,292	\$ 274,275	\$ 18,705	\$ 599,722	\$ 670,853

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

CONNECTICUT RIVER WATERSHED COUNCIL, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 275,248	\$ 266,475
Accounts receivable	2,832	11,941
Inventory	6,242	6,307
Grants receivable	384,178	167,657
Prepaid expenses	3,442	3,612
Deposits	<u>35</u>	<u>35</u>
Total Current Assets	671,977	456,027
NONCURRENT ASSETS		
Investments (note 2)	854,254	884,937
Investments - land (note 2)	43,000	43,000
Due from unrestricted fund	364,830	364,830
Property and equipment - net (note 6)	<u>582,457</u>	<u>592,565</u>
Total Noncurrent Assets	<u>1,844,540</u>	<u>1,885,332</u>
TOTAL ASSETS	<u>\$ 2,516,517</u>	<u>\$ 2,341,359</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 39,762	\$ 50,498
Accrued liabilities	5,049	15,600
Current portion of long-term debt	<u>9,348</u>	<u>8,302</u>
Total Current Liabilities	54,159	74,400
LONG-TERM DEBT, less current portion	156,332	166,073
Due to restricted fund	<u>364,830</u>	<u>364,830</u>
Total Long-term Liabilities	521,162	530,903
NET ASSETS		
Unrestricted	163,371	343,416
Temporarily restricted	628,939	311,091
Restricted	<u>1,148,886</u>	<u>1,081,548</u>
Total Net Assets	<u>1,941,196</u>	<u>1,736,056</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,516,517</u>	<u>\$ 2,341,359</u>

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

CONNECTICUT RIVER WATERSHED COUNCIL, INC.
STATEMENT OF ACTIVITY
Year ended June 30, 2010
(With comparative totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
REVENUE					
Fundraising	\$ 78,448	\$ 7,100	\$	\$ 85,548	\$ 272,839
Special projects and fees	14,450	1,000		15,450	67,760
Rental income	31,800			31,800	32,620
Earned revenues				0	790
Grants		585,278		585,278	202,673
Sale of publications and merchandise	9,586	3,044		12,630	4,344
Management fee	20,187			20,187	21,783
Miscellaneous Revenue				0	1,927
Total Revenue	<u>154,471</u>	<u>596,422</u>	<u>0</u>	<u>750,893</u>	<u>604,737</u>
OTHER REVENUE					
In-kind contributions	11,265	595		11,860	15,076
Investment income	8,009	73	2,200	10,282	23,626
Realized gain (loss) on sale of investments	79	(24)	2,582	2,637	(506)
Unrealized gain (loss) on long-term investments	18,958	(3)	(2,832)	16,123	(25,549)
Total Other Revenue	<u>38,311</u>	<u>46</u>	<u>1,950</u>	<u>40,902</u>	<u>12,647</u>
Total Revenue	<u>192,782</u>	<u>596,468</u>	<u>1,950</u>	<u>791,796</u>	<u>617,383</u>
EXPENSES					
Program	155,292	274,275	18,705	448,272	554,993
General and administrative	72,683			72,683	61,735
Fundraising	78,768			78,768	54,125
Total Expenses	<u>306,743</u>	<u>274,275</u>	<u>18,705</u>	<u>599,722</u>	<u>670,853</u>
CHANGE IN NET ASSETS	(113,960)	322,194	(16,755)	192,074	(53,470)
NET ASSETS AT BEGINNING OF YEAR	343,416	311,091	1,081,548	1,736,056	1,789,526
TRANSFERS	(66,085)	(4,346)	84,092	13,661	0
NET ASSETS AT END OF YEAR	<u>\$ 163,371</u>	<u>\$ 628,939</u>	<u>\$ 1,148,886</u>	<u>\$ 1,941,791</u>	<u>\$ 1,736,056</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, 2010 and 2009

CASH FLOWS USED FOR OPERATING ACTIVITIES	<u>2010</u>	<u>2009</u>
Change in Net Assets	\$ 192,074	\$ (53,470)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	19,826	19,843
Prior period adjustments	13,066	
Unrealized (gains) losses on long-term investments	(16,123)	25,549
Realized (gains) losses on long-term investments	(2,637)	506
(Increase) Decrease in accounts receivable	9,109	(11,695)
(Increase) Decrease in inventory	65	786
(Increase) Decrease in grants receivable	(216,521)	(18,584)
(Increase) Decrease in prepaid expenses	170	695
Increase (Decrease) in accounts payable	(10,737)	18,535
Increase (Decrease) in accrued liabilities	<u>(10,550)</u>	<u>(5,215)</u>
Net Cash Provided (Used) By Operating Activities	(22,257)	(23,050)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	972,163	609,496
Purchase of investments	<u>(932,438)</u>	<u>(377,354)</u>
Net Cash Provided (Used) By Investing Activities	39,725	232,142
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	<u>(8,695)</u>	<u>(7,595)</u>
Net Cash Provided (Used) By Financing Activities	(8,695)	(7,595)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 8,773	 201,497
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>266,475</u>	 <u>64,978</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 \$ <u><u>275,248</u></u>	 \$ <u><u>266,475</u></u>

Supplemental disclosure:

Interest paid for the years ended June 30, 2010 and 2009 was \$15,569 and \$14,673, respectively.

CONNECTICUT RIVER WATERSHED COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

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, 2010 AND 2009

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, 2010 AND 2009

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.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 157, *Fair Value Measurements*, (FASB No. 157) which establishes a framework for reporting fair value and expands disclosures about fair value measurements. The Organization adopted FASB No. 157 on July 1, 2008 for its financial assets and liabilities and made the required disclosures in Note 11.

In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which permits a one-year deferral until January 1, 2009, for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The adoption of the remaining provisions of SFAS No. 157 is not expected to have a material impact on the Organization's financial position, results of operations, or cash flows.

In August 2008, the FASB issued FASB Staff Position (FSP) FAS 117-1, *Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds, (UPMIFA)*. The FSP provided guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the UPMIFA. It also established disclosure requirements for donor-restricted and board-designated endowment funds in states which had not yet adopted UPMIFA and remained under the Uniform Management of Institutional Funds Act (UMIFA).

CONNECTICUT RIVER WATERSHED COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

On July 2, 2009, Massachusetts enacted UPMIFA effective June 30, 2009. For endowment funds existing on June 30, 2010, UPMIFA governs decisions related to endowment funds made or taken on or after June 30, 2009. The Organization adopted FSP 117-1 for the year ended June 30, 2009. No adjustments were made to the financial statement as a result of the adoption. As of July 1, 2008, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," (FIN 48). Fin 48 prescribes a comprehensive model for how an entity should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the Organization has taken or expect to take on a tax return. As a result of this adoption at this time, no amount was recognized as a liability, see note on *Income Taxes* above.

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, 2010, are summarized as follows:

	<u>Cost</u>	<u>Market</u>	<u>Excess of Market Over (Under) Cost</u>
Cash and equivalents	\$ 149,013	\$ 149,013	\$ -0-
Marketable securities	<u>731,132</u>	<u>705,241</u>	<u>(25,891)</u>
Balance at end of year	<u>\$ 880,145</u>	<u>\$ 854,254</u>	<u>\$ (25,891)</u>
Balance at beginning of year	<u>\$ 933,817</u>	<u>\$ 884,937</u>	<u>\$ (48,880)</u>
Increase (Decrease) in unrealized appreciation for the year			<u>\$ 22,989</u>

CONNECTICUT RIVER WATERSHED COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

2. INVESTMENTS (Continued)

Investments in land at June 30, 2010 consisted of the following:

<u>Location</u>	<u>Acreage</u>	<u>Cost Basis</u>	<u>* Estimated Fair Market Value</u>
Bath, NH	.5		Unknown
East Corinth, VT	14.2		14,000
East Hartford, CT	3.0		Unknown
Haddam, CT	50.0		Unknown
Hebron, CT	128.0		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.

3. LONG-TERM DEBT

Long-term debt consists of the following:

A mortgage payable to the bank in monthly installments of \$1,418, including interest at 4.75%, through August 2023. Secured by the asset.

	\$ 156,332
Less amount due within one year	<u>9,348</u>
Long-term debt	<u>\$ 165,681</u>

Maturities of long-term debt is as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2011	\$ 9,348
2012	9,802
2013	10,278
2014	10,777
2015	11,300
Thereafter	<u>114,176</u>
	<u>\$ 165,681</u>

CONNECTICUT RIVER WATERSHED COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

3. LONG-TERM DEBT (Continued)

Interest expense for the years ended June 30, 2010 and 2009 was \$15,569 and \$14,673, 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.

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>172,897</u>	
	<u>\$582,457</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, 2010 and 2009 was \$19,826 and \$19,843, respectively.

CONNECTICUT RIVER WATERSHED COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

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 \$20,187 and \$21,783 for this service for the years ended June 30, 2010 and 2009, 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.

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, 2010 and 2009, 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, 2010 and 2009 were \$-0- 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 \$14,593 and \$14,593 for the years ended June 30, 2010 and 2009, respectively.

CONNECTICUT RIVER WATERSHED COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

11. 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.

12. SUBSEQUENT EVENTS

The Organization has performed an evaluation of subsequent events through October 7, 2010, which is the date the Organization's financial statements were issued. No material subsequent events have occurred since June 30, 2010 that required recognition or disclosure in these financial statements.