

AUDITED COMBINED FINANCIAL STATEMENTS

CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND AFFILIATE

Greenfield, Massachusetts

JUNE 30, 2013

Boisselle, Morton & Associates, LLP
Certified Public Accountants

CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND AFFILIATE

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BOISSELLE, MORTON & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Connecticut River Watershed Council, Inc. and Affiliate (a non-profit organization), which comprise the combined statement of financial position as of June 30, 2013, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the combined financial statements 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 the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Connecticut River Watershed Council, Inc. and Affiliate as of June 30, 2013, and the combined changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Connecticut River Watershed Council, Inc. and Affiliate's June 30, 2012 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated January 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013, on our consideration of Connecticut River Watershed Council, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* in considering Connecticut River Watershed Council, Inc. and Affiliate's internal control over financial reporting and compliance.

Boisselle, Morton & Associates, LLP

Hadley, Massachusetts
November 8, 2013

CONNECTICUT RIVER WATERSHED, INC. AND AFFILIATE

Combined Statement of Financial Position

June 30, 2013 and 2012

(with comparative totals for June 30, 2012)

	2013	2012
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 244,671	\$ 133,470
Contributions and grants receivable	289,029	198,255
Accounts and other receivable	173	13,497
Inventory	6,980	6,897
Prepaid expenses	3,500	2,046
Total current assets	544,353	354,165
Property and equipment, net	527,666	543,635
Other assets		
Investments	1,618,338	1,683,545
Due from unrestricted net assets	413,015	434,375
Total other assets	2,031,353	2,117,920
Total assets	\$ 3,103,372	\$ 3,015,720
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 38,223	\$ 23,940
Security deposit payable	2,500	2,500
Current portion of long-term debt	11,165	10,754
Current portion of annuities payable	9,763	8,690
Total current liabilities	61,651	45,884
Long-term liabilities		
Long-term debt, less current portion	123,192	134,547
Annuities payable, less current portion	55,549	66,385
Due to restricted net assets	413,015	434,375
Total long-term liabilities	591,756	635,307
Net assets		
Unrestricted	117,736	131,280
Temporarily restricted	1,127,566	1,048,782
Permanently restricted	1,204,663	1,154,467
Total net assets	2,449,965	2,334,529
Total liabilities and net assets	\$ 3,103,372	\$ 3,015,720

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

CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND AFFILIATE

Combined Statement of Activities

Year Ended June 30, 2013

(with comparative totals for the year ended June 30, 2012)

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
Support and other revenue					
Contributions and grants	\$ 12,029	\$ 502,887		\$ 514,916	\$ 383,854
Membership dues	88,077			88,077	78,834
Rental income	30,900			30,900	30,000
Special projects and fees	29,485			29,485	17,058
In-kind contributions	26,047			26,047	6,213
Management fee income	890			890	
Sale of publications and merchandise	1,462			1,462	1,632
Net assets released from restrictions	<u>502,311</u>	<u>(471,260)</u>	\$ <u>(31,051)</u>	<u>691,777</u>	<u>517,591</u>
Total support and other revenue	<u>691,201</u>	<u>31,627</u>	<u>(31,051)</u>	<u>691,777</u>	<u>517,591</u>
Expenses					
Program	531,857			531,857	546,593
Administration	152,492			152,492	131,132
Fundraising	110,142			110,142	132,513
Total expenses	<u>794,491</u>			<u>794,491</u>	<u>810,238</u>
Change in net assets before investment activity	<u>(103,290)</u>	<u>31,627</u>	<u>(31,051)</u>	<u>(102,714)</u>	<u>(292,647)</u>
Investment activity					
Interest and dividends	12,683	12,620	22,917	48,220	46,824
Investment fees	(3,705)	(4,189)	(7,307)	(15,201)	(17,064)
Net realized gains (losses) on sales of investments	51,241	9,364	36,801	97,406	(54,423)
Net unrealized gains (losses) in market value	<u>(9,423)</u>	<u>29,362</u>	<u>28,836</u>	<u>48,775</u>	<u>9,749</u>
Total investment activity	<u>50,796</u>	<u>47,157</u>	<u>81,247</u>	<u>179,200</u>	<u>(14,914)</u>
Change in net assets before sale of land	(52,494)	78,784	50,196	76,486	(307,561)
Gain on sale of land	<u>38,950</u>			<u>38,950</u>	<u>184,773</u>
Change in net assets	(13,544)	78,784	50,196	115,436	(122,788)
Net assets, beginning of year	<u>131,280</u>	<u>1,048,782</u>	<u>1,154,467</u>	<u>2,334,529</u>	<u>2,457,317</u>
Net assets, end of year	\$ <u><u>117,736</u></u>	\$ <u><u>1,127,566</u></u>	\$ <u><u>1,204,663</u></u>	\$ <u><u>2,449,965</u></u>	\$ <u><u>2,334,529</u></u>

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

CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND AFFILIATE

Statement of Functional Expenses

Year Ended June 30, 2013

(with comparative totals for the year ended June 30, 2012)

	2013			Total	2012
	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>		<u>Total</u>
Employee-related costs					
Salaries	\$ 249,342	\$ 57,027	\$ 88,150	\$ 394,519	\$ 435,938
Fringe benefits	31,721	17,009	940	49,670	24,694
Payroll taxes	23,711	5,423	8,383	37,517	40,691
Total employee-related costs	<u>304,774</u>	<u>79,459</u>	<u>97,473</u>	<u>481,706</u>	<u>501,323</u>
Grant and contract expenses	117,337	7,902	5,672	130,911	128,188
Spaulding Pond expense					24,309
Professional fees	8,448	10,528	400	19,376	19,190
Occupancy	3,901	15,602		19,503	16,163
Printing, copying and media	9,984	1,513	1,011	12,508	14,927
Travel	16,278	234	1,216	17,728	14,470
Office supplies and expense	23,509	10,524	757	34,790	14,315
Insurance	5,563	3,499		9,062	13,072
Telephone	4,032	5,198		9,230	11,214
Repairs and maintenance	6,288	3,613		9,901	8,958
Postage	634	2,427	3,256	6,317	7,913
Interest		7,009		7,009	6,332
Taxes, license and fees	997	3,940	32	4,969	3,964
Staff meetings and training	2,185		240	2,425	2,327
Temporary staff	6,922			6,922	1,800
Dues and subscriptions	1,247	100	85	1,432	1,340
Publicity and outreach	1,133			1,133	1,224
Total expenses before depreciation	<u>513,232</u>	<u>151,548</u>	<u>110,142</u>	<u>774,922</u>	<u>791,029</u>
Depreciation	<u>18,625</u>	<u>944</u>		<u>19,569</u>	<u>19,209</u>
Total expenses	<u>\$ 531,857</u>	<u>\$ 152,492</u>	<u>\$ 110,142</u>	<u>\$ 794,491</u>	<u>\$ 810,238</u>

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

CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND AFFILIATE

Statement of Cash Flows

Year Ended June 30, 2013

(with comparative totals for the year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 115,436	\$ (122,788)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities		
Depreciation	19,569	19,209
Gain on sale of land	(38,950)	(184,773)
Net unrealized gains in market value of investments	(48,775)	(9,749)
Net realized losses on sales of investments	(97,406)	54,423
Other changes in assets and liabilities		
Contributions and grants receivable	(90,774)	(34,981)
Accounts and other receivable	13,324	11,277
Inventory	(83)	(933)
Prepaid expenses	(1,454)	1,734
Deposits		35
Accounts payable and accrued liabilities	14,283	1,981
Annuities payable	(9,763)	75,075
Security deposit payable		2,500
Net cash used by operating activities	<u>(124,593)</u>	<u>(186,990)</u>
Cash flows from investing activities		
Proceeds from sale of investments	909,390	685,971
Purchase of investments	(698,002)	(834,614)
Proceeds from sale of land held for investment	38,950	227,773
Purchases of property and equipment	(3,600)	
Net cash provided by investing activities	<u>246,738</u>	<u>79,130</u>
Cash flows from financing activities		
Payments on note payable	(10,944)	(10,515)
Net cash used by financing activities	<u>(10,944)</u>	<u>(10,515)</u>
Net increase (decrease) in cash and cash equivalents	111,201	(118,375)
Cash and cash equivalents - beginning of year	<u>133,470</u>	<u>251,845</u>
Cash and cash equivalents - end of year	\$ <u><u>244,671</u></u>	\$ <u><u>133,470</u></u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ <u><u>7,009</u></u>	\$ <u><u>6,332</u></u>

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

CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND AFFILIATE

Notes to Combined Financial Statements

June 30, 2013

1. Summary of Significant Accounting Policies

- a. *Nature of Business:* Connecticut River Watershed Council, Inc. 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. Connecticut River Watershed Council of Connecticut, Inc., the “affiliate” is a not-for-profit corporation established to own land in Connecticut. Connecticut River Watershed Council, Inc. and Connecticut River Watershed Council of Connecticut, Inc., are collectively referred to herein as the “Council.”
- b. *Principles of Combination:* The combined financial statements include the accounts of Connecticut River Watershed Council, Inc. and Connecticut River Watershed Council of Connecticut, Inc., because of common control and management, as required by accounting standards generally accepted in the United States of America. All significant intercompany transactions have been eliminated.
- c. *Tax Status:* Connecticut River Watershed Council, Inc. and Affiliate 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 combined financial statements. The Council’s income tax filings are subject to audit by the Internal Revenue Service. The Council’s open audit periods are 2010-2012.

- e. *Basis of Presentation:* The combined 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, 2013 and 2012, are collectible. Therefore, there was no allowance for doubtful contributions and grants receivable at June 30, 2013 and 2012.

CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND AFFILIATE

Notes to Combined Financial Statements (Continued)

June 30, 2013

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 AFFILIATE
Notes to Combined Financial Statements (Continued)
June 30, 2013

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.

o. Comparative 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 Council's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

p. Reclassifications: Certain reclassifications have been made to the year ended June 30, 2012 comparative totals to conform to the year ended June 30, 2013 presentation. These reclassifications have no effect on the previously reported change in net assets for the year ended June 30, 2012.

2. Contributions and Grants Receivable

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

	<u>2013</u>	<u>2012</u>
National Oceanic and Atmospheric Administration	\$ 76,309	\$ 85,027
FishAmerica Foundation	19,065	50,442
National Fish and Wildlife Foundation	136,284	52,786
Other contributions and grants	<u>57,371</u>	<u>10,000</u>
Total contributions and grants receivable	<u>\$289,029</u>	<u>\$198,255</u>

CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND AFFILIATE
Notes to Combined Financial Statements (Continued)
June 30, 2013

3. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Building and improvements	\$747,644	\$747,644
Boating equipment	1,945	1,945
Office equipment	<u>9,365</u>	<u>5,765</u>
	758,954	755,354
Less accumulated depreciation	<u>231,288</u>	<u>211,719</u>
Total property and equipment	<u>\$527,666</u>	<u>\$543,635</u>

Depreciation expense was \$19,569 and \$19,209 for the years ended June 30, 2013 and 2012, respectively.

4. Fee Interest and Conservation Easements

The Council holds fee interest or conservation easements on 3,417.7 acres of land in Connecticut, Massachusetts, Vermont, and New Hampshire as follows:

<u>Location</u>	<u>Acreage</u>
Fee interest – 1,044.7 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
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 AFFILIATE
Notes to Combined Financial Statements (Continued)
June 30, 2013

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 combined financial statements because the fair value is not readily determinable.

One property in Putney, Vermont, which was never recorded in the financial statements was sold for \$42,500 during the year ended June 30, 2013. A gain on the sale was recorded as \$38,950 (proceeds net of settlement charges paid at closing of \$3,780).

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 combined 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 combined financial statements.

5. Investments

Investments stated at Level 1 market value consisted of the following at June 30, 2013:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Money market accounts	\$ 98,427	\$ 98,427	
Large capital equity mutual funds	509,414	671,618	\$162,204
Large capital exchange traded funds	277,415	297,601	20,186
Small/Mid capital exchange traded funds	30,733	29,987	(746)
International exchange traded funds	56,965	57,081	116
International mutual funds	6,214	7,418	1,204
Fixed income mutual funds	<u>450,950</u>	<u>456,206</u>	<u>5,256</u>
Total	<u>\$1,430,118</u>	<u>\$1,618,338</u>	<u>\$188,220</u>

Investment activity for the year ended June 30, 2013 was:

Interest and dividends	\$47,102
Net realized gain on sales of investments	\$97,406
Change in net unrealized gains in market value	\$48,775

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 AFFILIATE
Notes to Combined Financial Statements (Continued)
June 30, 2013

5. Investments (Continued)

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.

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 \$65,312 and \$75,075, of which \$9,763 and \$8,690 was current and \$55,549 and \$66,385 was long term as of June 30, 2013 and 2012, respectively. Future payments are \$11,737, with the principal amortization of \$9,763 for the year ended June 30, 2014.

7. Long-Term Debt

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

	<u>2013</u>	<u>2012</u>
Note payable to a bank, due in monthly installments of \$1,297, including interest at 3.25%, through July 2023, secured by a first mortgage on the Council's building in Greenfield, Massachusetts.	\$134,357	\$145,301
Less amount due within one year	<u>11,165</u>	<u>10,754</u>
Long-term debt	<u>\$123,192</u>	<u>\$134,547</u>

CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND AFFILIATE
Notes to Combined Financial Statements (Continued)
June 30, 2013

7. Long-Term Debt (Continued)

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

2013	\$ 11,165
2014	11,591
2015	12,033
2016	12,608
2017	13,087
Thereafter	<u>73,873</u>
	<u>\$134,357</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, 2013). There were no amounts outstanding on the line of credit at June 30, 2013 and 2012.

9. Restrictions on Net Assets

Temporarily restricted net assets consisted of \$388,490 and \$667,410 in the Spaulding Pond Trust fund and \$743,265 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, 2013 and 2012, respectively.

Permanently restricted net assets at June 30, 2013 and 2012 consisted of \$770,288 and \$720,092, respectively, in the Mary S. Shaub Fund (land conservation) investments to be held indefinitely, the income from which can be used by the Council, and \$413,015 and \$434,375 for the years ended June 30, 2013 and 2012, respectively, owed to the fund from unrestricted net assets (see Note 10).

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 Council reduces the amount due to permanently restricted funds annually by the excess of net reinvested earnings over the withdrawals done that fiscal year. The total due to permanently restricted funds was \$413,015 and \$434,375 at June 30, 2013 and 2012, respectively.

11. Subsequent Events

Management has evaluated subsequent events after the combined statement of financial position date of June 30, 2013, and through November 8, 2013, the date on which the combined financial statements were available to be issued, and concluded that no additional disclosures are required.

BOISSELLE, MORTON & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

**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***

Independent Auditors' Report

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

We have audited, 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, the combined financial statements of Connecticut River Watershed Council, Inc. and Affiliate (a nonprofit organization), which comprise the combined statement of financial position as of June 30, 2013, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated November 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Connecticut River Watershed Council, Inc. and Affiliate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Connecticut River Watershed Council, Inc. and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of the Connecticut River Watershed Council, Inc. and Affiliate's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Connecticut River Watershed Council, Inc. and Affiliate's combined 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 combined 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boisselle, Morton & Associates, LLP

Hadley, Massachusetts
November 8, 2013

CONNECTICUT RIVER WATERSHED COUNCIL, INC. AND AFFILIATE
Schedule of Findings
June 30, 2013

Internal Control Over Financial Reporting

No findings.

Compliance and Other Matters

No findings.

Status of Prior Year Findings

2012-1

The Council did not document personnel costs through the use of timesheets for the entire prior fiscal year. This was corrected for the year ended June 30, 2013.

2012-2

The Council did not document personnel costs through the use of timesheets for the entire prior fiscal year, as required by their federal Indirect Cost Negotiation Agreement. This was corrected for the year ended June 30, 2013.