

AUDITED FINANCIAL STATEMENTS

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

Greenfield, Massachusetts

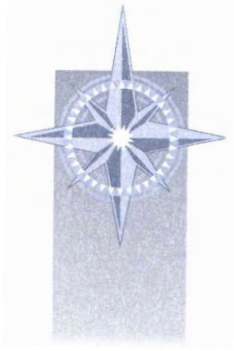
JUNE 30, 2021

Boisselle, Morton & Wolkowicz, LLP
Certified Public Accountants

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Connecticut River Watershed Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connecticut River Watershed Council, Inc. as of June 30, 2021, and the 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Connecticut River Watershed Council, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Connecticut River Watershed Council, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Connecticut River Watershed Council, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Connecticut River Watershed Council, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Connecticut River Watershed Council, Inc.'s June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited 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 January 28, 2022, on our consideration of Connecticut River Watershed Council, Inc.'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 effectiveness of Connecticut River Watershed Council, Inc.'s 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.'s internal control over financial reporting and compliance.

Boisselle, Morton & Walkowicz, LLP

Hadley, Massachusetts
January 28, 2022

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

Statement of Financial Position

June 30, 2021

(with comparative totals for June 30, 2020)

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 1,247,109	\$ 1,131,422
Contributions and grants receivable	632,544	1,023,935
Inventory	6,887	7,202
Prepaid expenses	26,524	19,006
Total current assets	<u>1,913,064</u>	<u>2,181,565</u>
Property and equipment, net	<u>709,156</u>	<u>634,709</u>
Other assets		
Assets held for sale	19,200	19,200
Investments	<u>2,654,427</u>	<u>1,829,654</u>
Total other assets	<u>2,673,627</u>	<u>1,848,854</u>
Total assets	<u>\$ 5,295,847</u>	<u>\$ 4,665,128</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 249,697	\$ 171,612
Security deposit payable	3,075	3,075
Line of credit		14,739
Current portion of long-term debt	15,023	217,569
Current portion of annuities payable	<u>1,110</u>	<u>2,960</u>
Total current liabilities	<u>268,905</u>	<u>409,955</u>
Long-term liabilities		
Long-term debt, less current portion	18,424	33,637
Annuities payable, less current portion	<u>11,061</u>	<u>10,321</u>
Total long-term liabilities	<u>29,485</u>	<u>43,958</u>
Net assets		
Without donor restrictions	2,122,615	1,297,735
With donor restrictions	<u>2,874,842</u>	<u>2,913,480</u>
Total net assets	<u>4,997,457</u>	<u>4,211,215</u>
Total liabilities and net assets	<u>\$ 5,295,847</u>	<u>\$ 4,665,128</u>

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

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

Statement of Activities

Year Ended June 30, 2021

(with comparative totals for the year ended June 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and other revenue				
Contributions and grants	\$ 989,454	\$ 1,368,559	\$ 2,358,013	\$ 2,598,750
Special projects and fees	984,886		984,886	219,856
In-kind contributions	52,000		52,000	
Rental income	24,300		24,300	26,100
Management fee income	10,807		10,807	10,682
Other income	1,999		1,999	4,124
Net assets released from restrictions	1,814,189	(1,814,189)		
Total support and other revenue	<u>3,877,635</u>	<u>(445,630)</u>	<u>3,432,005</u>	<u>2,859,512</u>
Expenses				
Program	2,552,119		2,552,119	1,845,456
Administration	378,902		378,902	261,072
Fundraising	223,442		223,442	279,056
Total expenses	<u>3,154,463</u>		<u>3,154,463</u>	<u>2,385,584</u>
Change in net assets before investment activity	<u>723,172</u>	<u>(445,630)</u>	<u>277,542</u>	<u>473,928</u>
Investment activity				
Investment income, net	15,666	10,138	25,804	12,480
Net realized gains on sales of investments	14,844	67,600	82,444	49,384
Net unrealized gains in market value	71,198	329,254	400,452	44,539
Total investment activity	<u>101,708</u>	<u>406,992</u>	<u>508,700</u>	<u>106,403</u>
Change in net assets	824,880	(38,638)	786,242	580,331
Net assets, beginning of year	<u>1,297,735</u>	<u>2,913,480</u>	<u>4,211,215</u>	<u>3,630,884</u>
Net assets, end of year	<u>\$ 2,122,615</u>	<u>\$ 2,874,842</u>	<u>\$ 4,997,457</u>	<u>\$ 4,211,215</u>

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

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

Statement of Functional Expenses

Year Ended June 30, 2021

(with comparative totals for the year ended June 30, 2020)

	2021				2020
	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Employee-related costs	\$ 642,085	\$ 211,294	\$ 180,739	\$ 1,034,118	\$ 978,940
Professional fees	1,567,338	54,986	900	1,623,224	570,926
Office supplies and expense	224,518	79,340	15,794	319,652	155,969
Repairs and maintenance	12,943	4,260	3,644	20,847	10,984
Postage	7,826	2,643	10,273	20,742	18,670
Occupancy	11,416	3,757	3,214	18,387	16,701
Printing, copying and media	11,219	970	5,188	17,377	25,639
Travel	13,565	918	1,161	15,644	26,400
Telephone	8,858	2,915	2,494	14,267	10,805
Publicity and outreach	12,460			12,460	4,334
Insurance	12,395			12,395	12,032
Taxes, license and fees		8,149		8,149	8,225
Dues and subscriptions	25	5,542		5,567	1,296
Interest		2,195		2,195	10,147
Staff meetings and training	140	495	35	670	1,627
Grant and contract expenses					509,181
Total expenses before depreciation	<u>2,524,788</u>	<u>377,464</u>	<u>223,442</u>	<u>3,125,694</u>	<u>2,361,876</u>
Depreciation	<u>27,331</u>	<u>1,438</u>		<u>28,769</u>	<u>23,708</u>
Total expenses	<u>\$ 2,552,119</u>	<u>\$ 378,902</u>	<u>\$ 223,442</u>	<u>\$ 3,154,463</u>	<u>\$ 2,385,584</u>

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

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

Statement of Cash Flows

Year Ended June 30, 2021

(with comparative totals for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 786,242	\$ 580,331
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	28,769	23,708
PPP loan forgiveness	(170,000)	
Net unrealized gains in market value of investments	(400,452)	(44,539)
Net realized gains on sales of investments	(82,444)	(49,384)
Other changes in assets and liabilities		
Contributions and grants receivable	391,391	(572)
Inventory	315	(870)
Prepaid expenses	(7,518)	297
Accounts payable and accrued liabilities	78,085	13,710
Annuities payable	<u>(1,110)</u>	<u>(2,962)</u>
Net cash provided by operating activities	<u>623,278</u>	<u>519,719</u>
Cash flows from investing activities		
Proceeds from sale of investments	852,033	1,292,906
Purchases of investments	(1,193,910)	(1,223,883)
Purchases of property and equipment	<u>(103,216)</u>	<u>(178,230)</u>
Net cash used by investing activities	<u>(445,093)</u>	<u>(109,207)</u>
Cash flows from financing activities		
Proceeds from line of credit		195,339
Proceeds from note payable		170,000
Payments on line of credit	(14,739)	(180,600)
Payments on note payable	<u>(47,759)</u>	<u>(30,098)</u>
Net cash (used) provided by financing activities	<u>(62,498)</u>	<u>154,641</u>
Net increase in cash and cash equivalents	115,687	565,153
Cash and cash equivalents - beginning of year	<u>1,131,422</u>	<u>566,269</u>
Cash and cash equivalents - end of year	\$ <u><u>1,247,109</u></u>	\$ <u><u>1,131,422</u></u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ <u><u>2,195</u></u>	\$ <u><u>10,147</u></u>

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

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

Notes to Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies

- a. *Nature of Business:* Connecticut River Watershed Council, Inc., doing business as, Connecticut River Conservancy, herein as the "Council," 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.
- b. *Tax Status:* The Council is exempt from federal and state corporate income taxes under Section 501(c)(3) of the Internal Revenue Code. The Council 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).
- c. *Basis of Accounting:* The financial statements of the Council are prepared on the accrual basis.
- d. *Financial Statement Presentation:* The net assets of the Council are reported in two classes based upon the presence or absence of donor restrictions. Net assets restricted by donors can be temporary in nature by being subject to stipulations imposed by donors and grantors or by being restricted by time of receipt of promises to give. These net assets will be released into net assets without donor restrictions when the Council carries out the donor or grantor stipulations or by the passage of time. Net assets restricted by donors are also due to endowments created by donors that restrict the corpus in perpetuity and allow only the earnings to be used by Council. All other net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Council.
- e. *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.
- f. *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.
- g. *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, 2021 and 2020, are collectible. Therefore, there was no allowance for doubtful contributions and grants receivable at June 30, 2021 and 2020.
- h. *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.

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

Notes to Financial Statements (Continued)

June 30, 2021

1. Summary of Significant Accounting Policies (Continued)

- i. *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

- j. *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.

- k. *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 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.

Notes to Financial Statements (Continued)

June 30, 2021

1. Summary of Significant Accounting Policies (Continued)

- l. Resource Recognition:* Contributions and grants are recognized when the donor makes an unconditional promise to give to the Council. Contributions and grants with a right of return and measurable performance or other barriers are not recognized until the conditions on which they depend have been met. Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases net assets with donor restrictions. When the Council satisfies the donor restriction, or the time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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

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

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

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

Other income, consisting mostly of sales of publications and merchandise, is recognized when inventory is sold.

- m. 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.
- n. 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, 2020, from which the summarized information was derived.
- o. Reclassifications:* Certain reclassifications have been made to the June 30, 2020, summarized comparative information to be in conformity with the current year presentation. These reclassifications had no effect on the previously reported change in net assets or ending net assets.

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

Notes to Financial Statements (Continued)

June 30, 2021

2. Contributions and Grants Receivable

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

	<u>2021</u>	<u>2020</u>
National Fish and Wildlife Foundation	\$ 110,885	\$ 341,021
U.S. Fish and Wildlife Service	202,399	244,903
Vermont Agency of Natural Resources		43,844
Connecticut Council on Soil & Water Conservation	100,000	
Massachusetts Department of Environmental Protection		12,282
John T. and Jane A. Wiederhold Foundation		150,000
Other contributions and grants	<u>219,260</u>	<u>231,885</u>
Total contributions and grants receivable	<u>\$632,544</u>	<u>\$1,023,935</u>

3. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Building and improvements	\$1,098,315	\$ 995,099
Boating equipment	1,945	1,945
Office equipment	<u>11,707</u>	<u>11,707</u>
	1,111,967	1,008,751
Less accumulated depreciation	<u>402,811</u>	<u>374,042</u>
Total property and equipment	<u>\$ 709,156</u>	<u>\$ 634,709</u>

Depreciation expense was \$28,769 and \$23,708 for the years ended June 30, 2021 and 2020, respectively.

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

Notes to Financial Statements (Continued)

June 30, 2021

4. Fee Interest and Conservation Easements

The Council holds fee interests or conservation easements on 3,336 acres of land in Connecticut, Massachusetts, Vermont, and New Hampshire as follows:

<u>Location</u>	<u>Acreage</u>
Fee interests – 991 acres	
Gill, MA	10.0
Norfolk, CT	990.0
Haddam, CT	50.0
Hebron, CT	128.0
Conservation easements – 2,345 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
Barre, MA	44.0
Dalton, NH	18.0
East Lempster, NH	36.0
Lyme, NH	553.3
North Charlestown, NH	40.4
Bondville, VT	18.5
Strafford, VT	30.0

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.

5. Investments

Investments stated at Level 1 market value consisted of the following at June 30, 2021:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Money market accounts	\$ 272,243	\$ 272,243	
Corporate bonds	149,421	150,115	\$ 694
Stocks	962,492	1,716,349	753,857
Government securities	<u>521,660</u>	<u>515,720</u>	<u>(5,940)</u>
Total	<u>\$1,905,816</u>	<u>\$2,654,427</u>	<u>\$748,611</u>

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

Notes to Financial Statements (Continued)

June 30, 2021

5. Investments (Continued)

Investments stated at Level 1 market value consisted of the following at June 30, 2020:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Money market accounts	\$ 394,848	\$ 394,848	
Corporate bonds	44,696	43,228	\$ (1,468)
Stocks	785,370	1,126,161	340,791
Government securities	<u>264,494</u>	<u>265,417</u>	<u>923</u>
Total	<u>\$1,489,408</u>	<u>\$1,829,654</u>	<u>\$340,246</u>

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 \$12,171 and \$13,281 at June 30, 2021 and 2020, respectively.

7. Line of Credit

The Council has a commercial line-of-credit arrangement with a bank which provides for borrowing up to \$250,000; interest rate is at the bank's Base or Prime lending rate (3.25% at June 30, 2021). There was \$-0- and \$14,739, outstanding on the line of credit at June 30, 2021 and 2020, respectively.

8. Long-Term Debt

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

	<u>2021</u>	<u>2020</u>
Note payable to a bank, due in monthly installments of \$1,376 including interest equal to the bank's prime rate (4.50% and 5.50% at June 30, 2021 and 2020, respectively), until August 2023. This note is secured by a first mortgage on the Council's building in Greenfield, Massachusetts.	\$ 33,447	\$ 47,873

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

Notes to Financial Statements (Continued)

June 30, 2021

8. Long-Term Debt (Continued)

During the year ended June 30, 2020, the Council received a loan for \$170,000 from the Small Business Administration's Paycheck Protection Program (PPP), which offered federal funding to businesses and nonprofits affected by COVID-19. The full amount of this loan was forgiven and recognized as grant revenue during the year ended June 30, 2021.

170,000

Note payable to individuals, due in two installments on August 15, 2020 and November 15, 2020, with no interest and unsecured.

 - 33,333

Subtotal

33,447 251,206

Less amount due within one year

15,023 217,569

Long-term debt

\$18,424 \$ 33,637

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

2022	15,023
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2023	16,287
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2024	<u>2,137</u>
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\$33,447

9. Restrictions on Net Assets

Net assets with donor restrictions consisted of \$502,995 and \$452,822 in the Spaulding Pond Trust fund and \$851,620 and \$1,221,142 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, 2021 and 2020, respectively.

Net assets restricted by donors by creating an endowment, consisted of \$1,520,227 and \$1,239,516 at June 30, 2021 and 2020, respectively, in the Mary S. Shaub Fund investments to be held indefinitely, the income from which can be used by the Council.

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

Notes to Financial Statements (Continued)

June 30, 2021

10. Contingencies

The Council receives support from government contracts. The contracts permit the contractor to audit both the financial operation of the contract and compliance with terms of the contract agreements. Such audits could result in the disallowance of some costs. Liabilities resulting from these audits, if any, will be recorded in the period in which the amount of the liability is ascertained.

In early March 2020, there was a global outbreak of the COVID-19 virus that has resulted in significant changes in the global economy. As a result of a potential economic downturn, and any potential resulting direct or indirect negative impact to the Council cannot be determined, however it could have a prospective material impact on Council's business, cash flows, and liquidity.

11. Available Resources and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$1,247,109	\$1,131,422
Contributions and grants receivable	632,544	1,023,935
Less donor restrictions	<u>(851,620)</u>	<u>(1,221,142)</u>
Total financials assets available for general expenditures within one year	<u>\$1,028,033</u>	<u>\$ 934,215</u>

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Council also has a \$250,000 line of credit from a bank that is available, if needed, to meet short-term liquidity needs.

12. Subsequent Events

Management has evaluated subsequent events after the statement of financial position date of June 30, 2021, through January 28, 2022, the date on which the financial Statements were available to be issued, and concluded that no additional disclosures were required.



**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.
Greenfield, Massachusetts

We have audited, in accordance with the 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 financial statements of Connecticut River Watershed Council, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Connecticut River Watershed Council, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Connecticut River Watershed Council, Inc.'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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-01 and 2021-02 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Connecticut River Watershed Council, Inc.'s financial statements are free from 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 statements. 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*.

Connecticut River Watershed Council, Inc's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Connecticut River Watershed Council, Inc's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Connecticut River Watershed Council, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 & Wolkowicz, LLP

Hadley, Massachusetts
January 28, 2022

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

Schedule of Findings and Responses

Year Ended June 30, 2021

Financial Statement Findings

Item 2021-01 – Revenue Recognition

Criteria – 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 *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. In fiscal year 2021, management did not review revenue accounts in a timely manner.

Statement of condition – During fiscal year 2021, the Organization did not have proper internal controls in place to review their account balances in a timely manner. Due to the lack of controls, the Organization was unable to perform timely review and analysis of account balances.

Cause

1. During fiscal year 2021, the Organization made a change to a new general ledger system.
2. Staffing changes within the fiscal department.
3. Controls were not in place to ensure timely review and analysis of revenue accounts.

Effect – Corrections to general ledger accounts were not identified until after year end, requiring a significant number of journal entries post audit fieldwork.

Recommendation – We recommend that management develop a written fiscal policies and procedures manual including detailed and timely reconciliation and review procedures and other internal controls to ensure proper reporting of financial information. The Organization should then ensure that these procedures are performed on a monthly basis.

Management response – In light of the above-mentioned recommendations, management has adopted a system of monthly reconciliation of all balancing accounts. Management will develop written policies and procedures to adopt and implement these controls. As of now, the team is trained to make sure that they follow the system and procedures to reconcile the balance of all accounts. Management is making sure that there are effective controls in place and the team is trained to follow them. Management will continue to make improvements and put in place more controls over financial activities.

CONNECTICUT RIVER WATERSHED COUNCIL, INC.

Schedule of Findings and Responses (Continued)

Year Ended June 30, 2021

Item 2021-02 – Duplicated Transactions

Criteria – 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 *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. In fiscal year 2021, management did not review the general ledger conversion in a timely manner.

Statement of condition – During fiscal year 2021, the Organization did not timely review the effects of a general ledger conversion. Due to the lack of controls, the Organization did not discover duplicated amounts in a timely manner.

Cause

1. During fiscal year 2021, the Organization made a change to a new general ledger system.
2. Staffing changes within the fiscal department.
3. Controls were not in place to ensure timely review of the general ledger conversion.

Effect – Corrections to general ledger accounts were not identified until after year end, requiring a significant number of journal entries post audit fieldwork.

Recommendation – We recommend that management develop a written fiscal policies and procedures manual including detailed and timely reconciliation and review procedures and other internal controls to ensure proper reporting of financial information. The Organization should ensure that these procedures are performed whenever there is a significant change in the design of the accounting system.

Management response – In light of the above-mentioned recommendations, management has adopted a system of monthly reconciliation of all balancing accounts. Management will develop written policies and procedures to adopt and implement these controls. As of now, the team is trained to make sure that they follow the system and procedures to reconcile the balance of all accounts. Management is making sure that there are effective controls in place and the team is trained to follow them. Management will continue to make improvements and put in place more controls over financial activities.