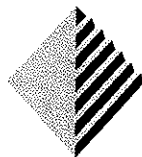


**WOOD-PAWCATUCK WATERSHED ASSOCIATION**  
**(A NON-PROFIT ORGANIZATION)**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**WITH**  
**INDEPENDENT AUDITORS' REPORT**



**YKSM**

YARLAS, KAPLAN, SANTILLI, MORAN, LTD.

Certified Public Accountants & Business Consultants

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**WOOD-PAWCATUCK WATERSHED ASSOCIATION**  
**(A NON-PROFIT ORGANIZATION)**  
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**December 31, 2011 and 2010**

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# YKSM

YARLAS, KAPLAN, SANTILLI, MORAN, LTD.

Certified Public Accountants & Business Consultants

## Independent Auditors' Report

To the Board of Directors  
Wood-Pawcatuck Watershed Association  
Hope Valley, Rhode Island

We have audited the accompanying statements of financial position of Wood-Pawcatuck Watershed Association (a non-profit organization), as of December 31, 2011 and 2010 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wood-Pawcatuck Watershed Association as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2012, on our consideration of Wood-Pawcatuck Watershed Association 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the

financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on pages 13 through 16 is presented for purposes of additional analysis and, is not a required part of the basic financial statements of Wood-Pawcatuck Watershed Association. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

YKSM, L70.

Providence, Rhode Island  
September 1, 2012

**WOOD-PAWCATUCK WATERSHED ASSOCIATION**  
**(A NON-PROFIT ORGANIZATION)**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2011 and 2010**

<b>ASSETS</b>	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 117,063	\$ 369,165
Accounts receivable	441,197	34,656
Inventory	8,051	5,739
Prepaid expenses	<u>8,525</u>	<u>715</u>
<b>Total Current Assets</b>	<u>574,836</u>	<u>410,275</u>
<b>Investments</b>	<u>206,039</u>	<u>201,345</u>
<b>Endowments Held in Trust</b>	<u>54,932</u>	<u>57,309</u>
<b>Property, Plant and Equipment, net</b>	<u>408,541</u>	<u>343,795</u>
<b>Other Assets:</b>		
Land held for conservation	113,000	113,000
Construction in progress	<u>-</u>	<u>8,215</u>
<b>Total Other Assets</b>	<u>113,000</u>	<u>121,215</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,357,348</u></u>	<u><u>\$ 1,133,939</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

**WOOD-PAWCATUCK WATERSHED ASSOCIATION**  
**(A NON-PROFIT ORGANIZATION)**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 207,934	\$ 42,518
Accrued expenses	<u>576</u>	<u>602</u>
<b>Total Current Liabilities</b>	<u>208,510</u>	<u>43,120</u>
<b>Net Assets:</b>		
Unrestricted	978,431	918,044
Temporarily restricted	41,680	43,384
Permanently restricted	<u>128,727</u>	<u>129,391</u>
<b>Total Net Assets</b>	<u>1,148,838</u>	<u>1,090,819</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,357,348</u>	<u>\$ 1,133,939</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

**WOOD-PAWCATUCK WATERSHED ASSOCIATION**  
**(A NON-PROFIT ORGANIZATION)**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Years Ended December 31, 2011 and 2010**

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Support and Revenues:</b>								
Contractual services	186	-	-	186	420	-	-	420
Contributions	38,279	-	-	38,279	20,195	-	-	20,195
Dividend and interest income	8,562	288	-	8,850	10,802	-	-	10,802
Foundation and government grants	1,563,009	-	-	1,563,009	1,195,986	33,000	-	1,228,986
Gain/ (Loss) on sales of securities	(58)	-	-	(58)	6,054	48	444	6,546
Membership dues	20,639	-	-	20,639	18,126	-	-	18,126
Merchandise and guide sales, net	2,020	-	-	2,020	1,604	-	-	1,604
Miscellaneous	800	-	-	800	3,535	-	-	3,535
Outreach	-	-	-	-	1,220	-	-	1,220
Program revenues	13,290	-	-	13,290	9,524	-	-	9,524
Rental income	-	-	-	-	7,200	-	-	7,200
Disposition of assets	(67,403)	-	-	(67,403)	-	-	-	-
Unrealized gain (loss) on investments	(2,479)	-	-	(2,479)	11,610	3,420	1,495	16,525
<b>Net Assets Released from Restrictions</b>								
Satisfaction of program restrictions	2,656	(1,992)	(664)	-	59,987	(58,781)	(1,206)	-
<b>Total Support and Revenues</b>	<u>1,579,501</u>	<u>(1,704)</u>	<u>(664)</u>	<u>1,577,133</u>	<u>1,346,263</u>	<u>(22,313)</u>	<u>733</u>	<u>1,324,683</u>
<b>Expenses:</b>								
<b>Program Expenses:</b>								
Bradford Fish Ladder	-	-	-	-	60,919	-	-	60,919
Shannock Fish Passage	1,332,327	-	-	1,332,327	1,013,929	-	-	1,013,929
	<u>1,332,327</u>	<u>-</u>	<u>-</u>	<u>1,332,327</u>	<u>1,074,848</u>	<u>-</u>	<u>-</u>	<u>1,074,848</u>
<b>Supporting Services:</b>								
Support functions	31,133	-	-	31,133	15,727	-	-	15,727
General and administrative	155,654	-	-	155,654	160,803	-	-	160,803
	<u>186,787</u>	<u>-</u>	<u>-</u>	<u>186,787</u>	<u>176,530</u>	<u>-</u>	<u>-</u>	<u>176,530</u>
<b>Total Expenses</b>	<u>1,519,114</u>	<u>-</u>	<u>-</u>	<u>1,519,114</u>	<u>1,251,378</u>	<u>-</u>	<u>-</u>	<u>1,251,378</u>
<b>Change In Net Assets</b>	60,387	(1,704)	(664)	58,019	94,885	(22,313)	733	73,305
<b>Net assets, beginning of year</b>	<u>918,044</u>	<u>43,384</u>	<u>129,391</u>	<u>1,090,819</u>	<u>823,159</u>	<u>65,697</u>	<u>128,658</u>	<u>1,017,514</u>
<b>Net assets, end of year</b>	<u>\$ 978,431</u>	<u>\$ 41,680</u>	<u>\$ 128,727</u>	<u>\$ 1,148,838</u>	<u>\$ 918,044</u>	<u>\$ 43,384</u>	<u>\$ 129,391</u>	<u>\$ 1,090,819</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

**WOOD-PAWCATUCK WATERSHED ASSOCIATION**  
**(A NON-PROFIT ORGANIZATION)**  
**STATEMENT OF CASH FLOWS**  
**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 58,019	\$ 73,305
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,109	12,198
Realized (gain)loss	58	(6,546)
Unrealized (gain)loss	2,479	(16,525)
Changes in operating assets and liabilities:		
Increase in accounts receivables	(406,541)	(22,990)
Increase in inventory	(2,312)	(4,486)
Increase in prepaid expenses	(7,810)	(715)
Increase in accounts payable	165,416	42,188
Decrease in accrued expenses	<u>(26)</u>	<u>(23,760)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	(179,608)	52,669
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	(73,643)	(8,215)
Investment/endowment activity	<u>1,149</u>	<u>28,335</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>(72,494)</u>	<u>20,120</u>
<b>Net Increase (Decrease) In Cash</b>	(252,102)	72,789
Cash and cash equivalent, beginning of year	<u>369,165</u>	<u>296,376</u>
Cash and cash equivalent, end of year	<u><u>\$ 117,063</u></u>	<u><u>\$ 369,165</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements



**WOOD-PAWCATUCK WATERSHED ASSOCIATION**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**Note 1 – Summary of Significant Accounting Policies**

**Nature of Operations** – Wood-Pawcatuck Watershed Association (the Association) is a non-profit Association whose mission is to promote and protect the integrity of the lands and waters of the Wood and Pawcatuck watersheds. The Association has individual and corporate members that pay annual dues as well as contribute financial support and volunteer services throughout the year in support of the various programs that the Association offers. The Association also receives funding from private foundations, as well as municipal, state and federal government agencies.

**Basis of Accounting** – Wood-Pawcatuck Watershed Association uses the accrual basis of accounting and accordingly reflects all significant receivables, payables and other liabilities.

**Basis of Presentation** - The Association presents financial statements in accordance with Presentation of Financial Statements for Not for Profit Entities Topic of the FASB Accounting Standards Codification. Under this topic, the Association 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.

Unrestricted Net Assets - consist of those amounts that are available for operations and support in carrying out the purpose of the Association.

Temporarily Restricted Net Assets - consist of those resources that are restricted by donors to specific program activities. When the restrictions are met as the activities are performed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted resources that meet the restrictions in the same reporting period are reported as unrestricted support.

Permanently Restricted Net Assets - consist of resources of which the original principal is restricted by the donors for investment in perpetuity, while the income may be either temporarily restricted or unrestricted, according to the donors' wishes.

**Property and Equipment** - Property and equipment are carried at cost. The Association's policy is to capitalize assets which exceed \$1,000. Depreciation is computed using the straight-line method over lives ranging from 5 to 40 years. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected as a change in net assets for the period. The cost of maintenance and repairs are expensed as incurred; significant renewals and betterment are capitalized. A deduction is made for retirements resulting from renewals or betterment.

**Cash Equivalents** - For the statement of cash flows, all investment instruments with original maturities of three months or less are considered cash equivalents.

**WOOD-PAWCATUCK WATERSHED ASSOCIATION**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Compensated Absences** - Employees of the Association are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the Association's financial statements. The Association's policy is to recognize the costs of compensated absences when actually paid to employees.

**Investments** - The Association reports investments in accordance with Presentation of Financial Statements for Not for Profit Entities Topic of the FASB Accounting Standards Codification. Pursuant to this topic, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position with gains and losses included in the statement of activities. Investments in equity securities that do not have a readily determinable fair value are reported at cost.

**Fair Value Measurement** – The Association measures and discloses certain financial assets and liabilities at fair value. The Fair Value Topic of the FASB Accounting Standards Codification defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the most advantageous market in an orderly transaction between market participants on the measurement date. Under this guidance, the Association is also required to classify certain assets and liabilities based on the following fair value hierarchy:

**Level 1** – Quoted prices in active markets for identical assets or liabilities.

**Level 2** – Quoted prices for identical assets and liabilities in markets that are not active; quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly and;

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

The Association utilizes the active market approach to measure the fair value of cash, cash equivalents and trading securities.

**Inventory** – Inventory consists of guide books and other merchandise for sale to the general public. Inventory is valued at the lower of cost or market (based on a first in, first out) or market value.

**WOOD-PAWCATUCK WATERSHED ASSOCIATION**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Construction in Progress** – Construction in progress consists of costs incurred on construction projects that have not been completed for use as of year-end. At December 31, 2010 construction in progress consisted of costs associated with the installation of a new septic system, well and demolition of the rental house. This project was completed in 2011.

**Income Taxes** - The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Rhode Island Division of Taxation has also granted the Association an exemption from state corporate taxes.

**Subsequent Events** - Management has evaluated subsequent events through September 1, 2012, the date which the financial statements were available to be issued. No significant events have been identified that would require adjustment of, or disclosure in the accompanying financial statements.

**Note 2 – Cash Concentrations**

Financial instruments which potentially subject the Association to concentrations of credit risk as required by the Financial Instruments Topic of FASB Accounting Standards Codification consists of cash and cash equivalents. The Association maintains its cash balances at two financial institutions located in Rhode Island, The Washington Trust Company, and The Westerly Community Credit Union. The FDIC and NCUA limit has been temporarily increased to unlimited insurance on all non-interest bearing deposit accounts through December 31, 2012. The FDIC and NCUA limit has been permanently increased to \$250,000 for all other deposit accounts. At December 31, 2011 and 2010 the Association's cash accounts were fully insured.

**Note 3 – Property, Plant and Equipment**

The following is a summary of the major classes of property and equipment as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Buildings and improvements	\$ 343,625	\$ 285,523
Land	117,723	117,723
Vehicles	<u>20,636</u>	<u>20,636</u>
Total Property, Plant and Equipment	481,984	423,882
Less: accumulated depreciation	<u>(73,443)</u>	<u>(80,087)</u>
Net Property, Plant and Equipment	\$ <u>408,451</u>	\$ <u>343,795</u>

Depreciation expense for year ended December 31, 2011 and 2010 was \$11,109 and \$12,198, respectively.

**WOOD-PAWCATUCK WATERSHED ASSOCIATION**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**Note 4 – Related-Party Transactions**

An uncompensated member of the board of directors also is the investment broker for all investments held by the Association.

**Note 5 – Fiscal-Agency Relationships**

During 2011 and 2010, the Association acted as a fiscal agent for the Land and Water Partnership, and an association of local artists known as Hop Arts, receiving contributions and making disbursements in accordance with agreed-to procedures with the respective groups.

**Note 6 – Restricted Assets**

Restricted assets consist of plots of land donated to the Association to be held for conservation as well as endowments held in a trust (Note 8).

**Note 7 - Investments**

As of December 31, 2011 and 2010 investments at fair value consisted of the following:

	<u>2011</u>	<u>2010</u>
Polly Fund	\$ 186,822	\$ 181,476
Philip R. Sisson Memorial Fund	17,717	18,369
Raymond F. Cherenzia Fund	<u>1,500</u>	<u>1,500</u>
Total	\$ <u>206,039</u>	\$ <u>201,345</u>

Generally, for all trading securities, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

The following schedule summarizes investment returns and its classification in the statement of activities as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 8,850	\$ 8,865
Unrealized gain due to market fluctuations	(2,479)	11,610
Realized gain on sale of investment	(58)	6,054
Investment fees	<u>(523)</u>	<u>-</u>
Investment income	\$ <u>5,790</u>	\$ <u>26,529</u>

**WOOD-PAWCATUCK WATERSHED ASSOCIATION  
(A NON-PROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**Note 8 – Endowments Held in Trust**

The Association is a beneficiary of a trust, The Saul B. Saila Fellowship Fund, held by Rhode Island Foundation. Under the terms of the agreement, the Association has the irrevocable right to receive income earned by the trust, dependent on the trust distribution guidelines, but not the assets held in trust. The principal is restricted in perpetuity. In accordance with *Financial Accounting Standards Board Accounting Standards Codification, FASB ASC 958-320-35*, this beneficiary trust has been recorded on the accompanying statement of financial position at its fair value within the permanently restricted class of assets. The funds are pooled with other investments of the Rhode Island Foundation. The investment activities are reported to the Association based on its percentage share of funds in the pool accounts of the Rhode Island Foundation. The net realized and unrealized gains and losses of \$210 and \$1,939 from these investments are recorded as permanently restricted investment gains and losses within the statement of activities for the years ended December 31, 2011 and 2010, respectively.

The Association is also a beneficiary of a trust, The WPWA Mitch and Betty Salomon Fund, held by Community Foundation of Eastern Connecticut. Under the terms of the agreement, the Association has the irrevocable right to receive income earned by the trust, dependent on the trust distribution guidelines, but not the assets held in trust. However, at any time the Association, dependent on board approval by both entities, may withdraw all funds held in the trust less the matching contribution. In accordance with *Financial Accounting Standards Board Accounting Standards Codification, FASB ASC 958-320-35*, this beneficiary trust has been recorded on the accompanying statement of financial position at its fair value within the temporarily restricted class of assets. The funds are pooled with other investments of the Community Foundation of Eastern Connecticut. The investment activities are reported to the Association based on its percentage share of funds in the pool accounts of the Community Foundation of Eastern Connecticut. The net realized and unrealized gains and losses of \$309 and \$3,468 from these investments are recorded as temporarily restricted investment gains and losses within the statement of activities for the years ended December 31, 2011 and 2010, respectively.

**Note 9 – Restatement of Beginning Net Assets**

During prior periods, specific investments and earnings were classified as permanently and temporarily restricted net assets. After further review, the primary purpose of these investments were not restricted by donors for particular use of the Association, and therefore are classified as unrestricted. Net assets as of January 1, 2010 have been restated as follows:

**WOOD-PAWCATUCK WATERSHED ASSOCIATION**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**Note 9 – Restatement of Beginning Net Assets (Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning net assets as of January 1, 2010	\$ 389,483	\$ 228,936	\$ 443,562	\$ 1,061,981
Reclassification of net assets not restricted by donors	<u>385,981</u>	<u>(203,419)</u>	<u>(182,562)</u>	<u>-</u>
Restated beginning net assets as of January 1, 2010	<u>\$ 775,464</u>	<u>\$ 25,517</u>	<u>\$ 261,000</u>	<u>\$ 1,061,981</u>

In addition to restating classifications of net assets, the following restated net assets as of January 1, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Restated beginning net assets as of January 1, 2010	\$ 775,464	\$ 25,517	\$ 261,000	\$ 1,061,981
Record prior year accounts receivable for accrual basis	11,667	-	-	11,667
Record prior year accounts payable for accrual basis	(330)	-	-	(330)
Correct prior year accumulated depreciation	3,008	-	-	3,008
Record fixed assets purchased in prior periods but not recorded	33,350	-	-	33,350
Correct fair market value of land held for conservation donated in prior periods	-	-	(148,000)	(148,000)
Record endowments created in prior years but not recorded	<u>-</u>	<u>40,180</u>	<u>15,658</u>	<u>55,838</u>
Restated beginning net assets as of January 1, 2010	<u>\$ 823,159</u>	<u>\$ 65,697</u>	<u>\$ 128,658</u>	<u>\$ 1,017,514</u>

**WOOD-PAWCATUCK WATERSHED ASSOCIATION**  
**(A NON-PROFIT ORGANIZATION)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
USDoC/NOAA/RI Coastal Resources Management & Trout Unlimited Habitat Conservation	11.463	1,332,327
US Fish & Wildlife/RI Department of Environmental Management Sport Fish Restoration Program	15.605	<u>72,000</u>
Total		<u>\$ 1,404,327</u>

*The schedule of expenditures of federal awards includes the federal grant activity from Wood-Pawcatuck Watershed Association and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.*

**WOOD-PAWCATUCK WATERSHED ASSOCIATION**  
**(A NON-PROFIT ORGANIZATION)**  
**SCHEDULES OF PROGRAM EXPENSES**  
**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Bradford Fish Ladder:		
Construction	\$ -	\$ 54,000
Project oversight, internal	-	6,919
Total Bradford Fish Ladder	<u>-</u>	<u>60,919</u>
Shannock Fish Passage:		
Construction	1,020,697	564,671
Engineering	265,771	361,461
Audit	21,286	-
Permits	275	1,659
Project oversight, internal	22,050	22,652
Project oversight, external	2,248	63,486
Total Shannock Fish Passage	<u>1,332,327</u>	<u>1,013,929</u>
Total Program Expenses	<u>\$ 1,332,327</u>	<u>\$ 1,074,848</u>



**WOOD-PAWCATUCK WATERSHED ASSOCIATION**  
**(A NON-PROFIT ORGANIZATION)**  
**SCHEDULES OF SUPPORT FUNCTIONS EXPENSES**  
**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Educational programs	\$ 15,064	\$ 2,568
Fundraising	1,909	1,702
Grant expenses	2,149	-
Membership and volunteers	521	1,246
Merchandise	1,450	1,488
Outreach	309	-
Recreational programs	422	430
Scientific monitoring	<u>9,309</u>	<u>8,293</u>
Total Support Function Expense	<u>\$ 31,133</u>	<u>\$ 15,727</u>

**WOOD-PAWCATUCK WATERSHED ASSOCIATION**  
**(A NON-PROFIT ORGANIZATION)**  
**SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Accounting	\$ 14,025	\$ 16,875
Bank service charges	827	604
Board of trustees	404	533
Conferences and travel	900	165
Contributions (cash)	50	600
Depreciation	11,109	12,198
Dues	357	328
Endowment mangement fees	523	-
Equipment	1,241	10,654
Flood damage	-	2,274
Insurance	3,066	3,151
Internet/website	1,625	8,107
Miscellaneous	2,509	1,409
Office expense	967	1,532
Outreach	-	418
Outside services	-	2,814
Payroll and benefits, net of project oversight	106,411	88,971
Payroll service	1,003	1,150
Printing and postage	3,606	1,536
Repair and maintenance	1,925	1,946
Training and certifications	1,185	535
Telephone	787	801
Utilities	2,193	2,247
Vehicle	941	1,955
	<hr/>	<hr/>
Total General and Administrative Expense	<u>\$ 155,654</u>	<u>\$ 160,803</u>



# YKSM

YARLAS, KAPLAN, SANTILLI, MORAN, LTD.

Certified Public Accountants & Business Consultants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Wood-Pawcatuck Watershed Association  
Hope Valley, RI

We have audited the financial statements of Wood-Pawcatuck Watershed Association (a non-profit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated September 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Wood-Pawcatuck Watershed Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wood-Pawcatuck Watershed Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (Finding 2011-1).

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wood-Pawcatuck Watershed Association financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Wood-Pawcatuck Watershed Association in a separate letter dated September 1, 2012.

Wood-Pawcatuck Watershed Association's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Wood-Pawcatuck Watershed Association's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Wood-Pawcatuck Watershed Association's board of directors and management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

YKSM, LTO.

Providence, RI  
September 1, 2012



# YKSM

YARLAS, KAPLAN, SANTILLI, MORAN, LTD.

Certified Public Accountants & Business Consultants

**REPORT ON COMPLIANCE WITH REQUIREMENTS**  
**APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL**  
**OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of  
Wood-Pawcatuck Watershed Association  
Hope Valley, RI

Compliance

We have audited the compliance of Wood-Pawcatuck Watershed Association (a nonprofit organization) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Wood-Pawcatuck Watershed Association major federal programs for the year ended December 31, 2011. Wood-Pawcatuck Watershed Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Wood-Pawcatuck Watershed Association's management. Our responsibility is to express an opinion on Wood-Pawcatuck Watershed Association's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wood-Pawcatuck Watershed Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wood-Pawcatuck Watershed Association's compliance with those requirements.

In our opinion, Wood-Pawcatuck Watershed Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

#### Internal Control over Compliance

The management of Wood-Pawcatuck Watershed Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Wood-Pawcatuck Watershed Association's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Wood-Pawcatuck Watershed Association's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Wood-Pawcatuck Watershed's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Wood-Pawcatuck Watershed's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of Wood-Pawcatuck Watershed Association's board of directors and management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

YKSM, LTO.

Providence, RI  
September 1, 2012

**WOOD-PAWCATUCK WATERSHED ASSOCIATION  
(A NON-PROFIT ORGANIZATION)  
SUMMARY SCHEDULE OF THE CURRENT STATUS  
OF THE PRIOR YEAR'S AUDIT COMPLIANCE FINDINGS  
December 31, 2011**

**Section I - Financial Statement Findings**

Material Weaknesses

**2010-1** Preparation of Financial Statements

*Statement of Condition:*

As part of our audit, Wood-Pawcatuck Watershed Association has requested us to prepare a draft of the financial statements, including the related notes and supplementary information. The management of Wood-Pawcatuck Watershed Association plans to review, approve and accept responsibility for those financial statements prior to their issuance; however, management does not usually perform a detailed review of the financial statements. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the organization's internal control.

*Recommendation:*

In order to provide oversight of the financial preparation services at an appropriate level, management should establish effective review policies and procedures, including the performance of the following functions:

Reconcile general ledger amounts to the draft financial statements utilizing grouping schedules provided by us.

Review all supporting documentation and explanations for journal entries we propose and approve the entries.

Review the adequacy of financial statement disclosures by completing a disclosure checklist or reviewing and approving the completed disclosure checklist provided by us.

Review and approve schedules and calculations supporting the amounts included in the notes to the financial statements.

Apply analytical procedures to the draft financial statements.

Perform other procedures as considered necessary by management.

**WOOD-PAWCATUCK WATERSHED ASSOCIATION  
(A NON-PROFIT ORGANIZATION)  
SUMMARY SCHEDULE OF THE CURRENT STATUS  
OF THE PRIOR YEAR'S AUDIT COMPLIANCE FINDINGS  
December 31, 2011**

*Current Status:*

The organization has employed individuals to perform financial reporting duties, including preparing interim financial statements which are reviewed by the organization's treasurer on a monthly basis. This finding has been remedied and is no longer necessary to report.

**2010-2** Segregation of Function

*Statement of Condition:*

A good system of internal control provides for a proper segregation of accounting functions. The Corporation does not have proper segregation of duties over cash receipts. For example, the same person who opens the mail and prepares a check list and deposit slip, deposits checks electronically in the bank. We identified instances of overlap of function by personnel responsible for bookkeeping and recording of transactions.

*Recommendation:*

The management needs to take steps to improve segregation of duties by enlisting another individual to become involved in the receipts process.

*Current Status:*

During 2011, the Association began to implement controls over segregation of duties over the cash receipt process. However, segregation of duties for receipts processing is still a deficiency. See current year finding 2011-1 on the accompanying schedule of findings and questioned costs.

**2010-3** Endowment Activities

*Statement of Condition:*

As part of our audit procedures, we confirm endowment activities with the third party trustee and propose adjustments to record those activities to the general ledger. Management was not aware of the financial reporting requirements for endowments held in a trust.



**WOOD-PAWCATUCK WATERSHED ASSOCIATION  
(A NON-PROFIT ORGANIZATION)  
SUMMARY SCHEDULE OF THE CURRENT STATUS  
OF THE PRIOR YEAR'S AUDIT COMPLIANCE FINDINGS  
December 31, 2011**

*Recommendation:*

The management needs to educate and obtain the knowledge of not for profit accounting of endowments held in a trust.

*Current Status:*

Management and staff took the steps necessary to improve procedures for recording and reporting endowment activities. The organization has remedied this finding and it no longer necessary to report.

**Section II - Single Audit Findings**

Material Weakness

**2010-4** Federal Expenditures

*Statement of Condition:*

As part of our audit procedures, we review selected disbursements and the schedule of expenditures of federal awards to ensure expenditures are in compliance with the applicable federal award and the federal expenditures are separately accountable to the federal reimbursement agency. There were several instances of expenditures that did not identify what federal award program they were affiliated with, creating difficulty in determining if the expenditure was in compliance with the federal award. There was also much difficulty creating a schedule of expenditures of federal awards due to all federal expenditures comingling without specific identification of the federal award reimbursement agency.

*Recommendation:*

The management needs to maintain proper documentation for federal expenditures and hold all federal expenditures accountable to federal reimbursement agency.

*Current Status:*

Management and staff took the steps necessary to improve processes for documenting federal expenditures. Due to federal awards being provided by one federal agency, record keeping and financial reporting are now easier to manage. The organization has remedied the finding and it is no longer necessary to report.

**WOOD-PAWCATUCK WATERSHED ASSOCIATION  
(A NON-PROFIT ORGANIZATION)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
December 31, 2011**

**Section I - Financial Statement Findings**

Material Weakness

**2011-1** Segregation of Function

*Criteria:* Management should improve segregation of duties.

*Statement of Condition:*

A good system of internal control provides for a proper segregation of accounting functions. The Association does not have proper segregation of duties over cash receipts and cash disbursements. For example, the same person who opens the mail and prepares a check list and deposit slip, deposits checks electronically in the bank. Also, disbursements were not properly authorized, classified or documented by the designated personnel. We identified instances of overlap of function by personnel responsible for bookkeeping and recording of transactions.

*Effect of Condition:*

Potential exists that a material misstatement of the financial statements or fraud could occur and not be prevented or detected by the organization's internal control.

*Recommendation:*

The management needs to take steps to improve segregation of duties by enlisting another individual to become involved in the receipts process as well as strengthening the cash disbursement process.

*Response:*

In late 2011 Wood-Pawcatuck Watershed Association management has improved segregation of duties by instituting a three-person system in the processing of receipts. The Association has also strengthened the use of the cash disbursement procedures already implemented.