



**WOONASQUATUCKET RIVER
WATERSHED COUNCIL**

**AUDITED
FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2016**

(with summarized financial information
for the preceding year)

This report is prepared in conformance with
the requirements of U.S. Government
Auditing Standards for the audits of
nonprofit organizations and in conformance with
the requirements of *Uniform Administrative
Requirements, Cost Principles, and
Audit Requirements for Federal Awards*
(Uniform Guidance)

**Aaronson
Lavoie
Streitfeld
Diaz** & CO., PC

Certified Public Accountants

WOONASQUATUCKET RIVER WATERSHED COUNCIL
AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016
(with summarized financial information for the preceding year)

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Independent Auditor's Report

To the Board of Directors
Woonasquatucket River Watershed Council
45 Eagle Street, 2nd Floor
Providence, Rhode Island 02909

Report on the Financial Statements

We have audited the accompanying financial statements of the Woonasquatucket River Watershed Council (a nonprofit organization), hereinafter referred to as the Council, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Woonasquatucket River Watershed Council as of December 31, 2016 and the changes in its net assets and of its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Summarized Comparative Information

The Council's 2015 financial statements were reviewed by us, and our report thereon, dated July 19, 2016, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less than in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Other Matters

Other Information

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, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2018 on our consideration of the Council'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 the Council's internal control over financial reporting and compliance.

Carrollson Lassic Streifeld King & Co., PC

June 4, 2018
Cranston, Rhode Island

WOONASQUATUCKET RIVER WATERSHED COUNCIL
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2016
(with summarized financial information for the preceding year)

	2016 (Audited)			2015 (Reviewed)
	Unrestricted net assets	Temporarily restricted net assets	Total	Total
Assets				
Cash (Note 1)	\$ 111,680	\$ 130,441	\$ 242,121	\$ 98,800
Grants and accounts receivable, net (Note 2)	459,702		459,702	90,436
Prepaid expenses	10,174		10,174	11,227
Property and equipment, net (Note 3)	26,450		26,450	35,034
Total assets	<u>\$ 608,006</u>	<u>\$ 130,441</u>	<u>\$ 738,447</u>	<u>\$ 235,497</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 319,869		\$ 319,869	\$ 8,676
Accrued payroll, payroll taxes and vacation pay	14,122		14,122	8,461
Note payable (Note 4)	30,250		30,250	51,187
Total liabilities	<u>364,241</u>		<u>364,241</u>	<u>68,324</u>
Commitments and contingencies (Note 5)				
Net assets:				
Unrestricted net assets (Note 6)	243,765		243,765	9,879
Temporarily restricted net assets (Note 7)		\$ 130,441	130,441	157,294
Total net assets	<u>243,765</u>	<u>130,441</u>	<u>374,206</u>	<u>167,173</u>
Total liabilities and net assets	<u>\$ 608,006</u>	<u>\$ 130,441</u>	<u>\$ 738,447</u>	<u>\$ 235,497</u>

WOONASQUATUCKET RIVER WATERSHED COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(with summarized financial information for the preceding year)

	2016 (Audited)			2015 (Reviewed)
	Unrestricted net assets	Temporarily restricted net assets	Total	Total
Changes in net assets from:				
Public support and revenue:				
Government grants:	\$ 1,202,086	\$ 110,873	\$ 1,312,959	\$ 444,485
Foundation grants	21,725	66,184	87,909	36,832
Donations	74,769	4,050	78,819	29,811
Program income	10,374		10,374	16,226
Fundraising income, net (Note 8)				
	2016	2015		
Gross revenue	\$ 41,992	\$ 47,225		
Less direct expenses	(12,788)	(10,530)		
	29,204		29,204	36,695
Interest income	830		830	85
Other income	1,489		1,489	1,531
Net assets released from restrictions:				
Satisfaction of program restrictions	207,960	(207,960)		
Total public support and revenue	1,548,437	(26,853)	1,521,584	565,665
Expenses:				
Program services	1,146,872		1,146,872	510,115
Management and general	79,181		79,181	78,493
Development	88,498		88,498	47,504
Total expenses	1,314,551		1,314,551	636,112
Change in net assets	233,886	(26,853)	207,033	(70,447)
Net assets, beginning of year	9,879	157,294	167,173	237,620
Net assets, end of year	\$ 243,765	\$ 130,441	\$ 374,206	\$ 167,173

See accompanying notes to the financial statements.

WOONASQUATUCKET RIVER WATERSHED COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(with summarized financial information for the preceding year)

	2016 (Audited)				2015 (Reviewed)
	Program services	Management and general	Development	Total	Total
Personnel costs:					
Salaries and wages	\$ 365,104	\$ 52,148	\$ 67,044	\$ 484,296	\$ 368,351
Payroll taxes	37,415	5,344	6,871	49,630	38,322
Fringe benefits (Note 9)	39,113	5,587	7,182	51,882	52,550
Total personnel costs	441,632	63,079	81,097	585,808	459,223
Other costs except depreciation and amortization:					
Consultants and professional fees	539,746	7,133		546,879	51,604
Occupancy	14,700	2,100	2,700	19,500	14,182
Education and program materials	97,857			97,857	57,756
Professional development	4,285			4,285	1,544
Insurance	10,715	1,531	1,968	14,214	7,000
Telephone and internet	1,899	271	349	2,519	2,375
Travel	1,338			1,338	1,508
Office supplies	3,150	450	578	4,178	4,668
Printing	1,166	167	214	1,547	2,082
Postage and shipping	766	110	141	1,017	1,057
Dues, fees and memberships	2,040			2,040	1,821
Bank fees		788		788	1,934
Payroll service		1,717		1,717	1,582
Water quality monitoring project	1,300			1,300	1,200
Advertising and promotional	1,678			1,678	1,048
Repairs and maintenance	589			589	828
Small equipment	7,458			7,458	4,770
General fundraising costs			1,451	1,451	1,839
Conferences	696			696	531
Interest expense	2,095			2,095	3,402
Bad debt expense (Note 2)		254		254	130
Miscellaneous	657			657	564
Total other costs except depreciation and amortization	692,135	14,521	7,401	714,057	163,425
Depreciation and amortization	13,105	1,581		14,686	13,464
Total functional expenses	\$ 1,146,872	\$ 79,181	\$ 88,498	\$ 1,314,551	\$ 636,112

WOONASQUATUCKET RIVER WATERSHED COUNCIL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016 (Audited)	2015 (Reviewed)
Net cash flow from (for) operating activities:		
Change in net assets	\$ 207,033	\$ (70,447)
Add items not providing cash:		
Depreciation	14,686	13,464
Change in operating assets and liabilities:		
Grants and accounts receivable, net	(369,266)	143,124
Prepaid expenses	1,053	(1,742)
Accounts payable and accrued expenses	311,193	(38,336)
Accrued payroll, payroll taxes and vacation pay	5,661	1,010
Net cash provided by operating activities	<u>170,360</u>	<u>47,073</u>
Net cash flow for investing activities:		
Purchase office equipment	(6,102)	
Net cash used by investing activities	<u>(6,102)</u>	<u>-</u>
Net cash flow from (for) financing activities:		
New borrowings on construction loan	30,250	
Pay back construction loan borrowings	(51,187)	(25,000)
Net cash used by financing activities	<u>(20,937)</u>	<u>(25,000)</u>
Change in cash during the year	143,321	22,073
Cash balances, beginning of year	<u>98,800</u>	<u>76,727</u>
Cash balances, end of year	<u><u>\$ 242,121</u></u>	<u><u>\$ 98,800</u></u>
Supplementary data:		
Interest paid	<u><u>\$ 2,095</u></u>	<u><u>\$ 3,402</u></u>

WOONASQUATUCKET RIVER WATERSHED COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. Description of organization and summary of significant accounting policies

a) Description of organization:

The Woonasquatucket River Watershed Council (the Council) is a nonprofit Rhode Island corporation exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. The Woonasquatucket River Watershed Council encourages, supports and promotes the restoration and preservation of the Woonasquatucket River Watershed as an environmental, recreational, cultural, and economic asset for the State of Rhode Island. It is headquartered in Providence.

b) Summary of significant policies:

- The financial statements of the Council have been prepared on the accrual basis.
- Basis of presentation: The Council 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. However, the Council has no permanently restricted net assets.

The net assets category definitions are as follows:

Unrestricted net assets - Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that will be met either by actions of the Council and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that must be maintained permanently by the Council. However, as of December 31, 2016 and 2015, there were no permanently restricted net assets.

- Contributions: Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restrictions are not reported on the financial statements if the restriction is met within the year that the support is received.

- Promises to give: Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received and as assets, decreases of liabilities, or as expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. However, as of December 31, 2016 and 2015, there have been no unconditional or conditional promises to give.
- Reclassifications: Certain amounts on the statements of activities and functional expenses from the prior year have been reclassified to be comparative to the current year's presentation.

1. Description of organization and summary of significant accounting policies (continued)

- **Property and equipment:** Property and equipment is recorded at cost if purchased or at fair market value at date of donation if donated. Depreciation is recorded using the straight line method over the estimated useful lives of the assets. The Council capitalizes property and equipment costing over \$500.
- **Donated goods and services:** The Council records donated goods and services at fair market value at date of donation in accordance with accounting profession guidelines. The Council recorded no donated goods or services during 2016 and 2015.
- **Cash and cash equivalents:** Cash is considered to be cash on hand and in banks available for current purposes for the purpose of the presentation of cash on the statements of cash flows.
- **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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- **Contract and grant revenue recognition:** Contract and grant revenue is recognized when earned as the Council fulfills the terms accompanying award of such funds. Revenue received, but not earned, is classified as a liability or as temporarily restricted net assets on the financial statements.
- **Functional allocation of expenses:** The Council allocates expenses between program, development, and management and general cost centers on a specific identification basis where practical and on a percentage allocation method based on management's judgment consistent with the prior year's allocation except when change is warranted when specific identification is not practical.
- **Income taxes:** The Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Council may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Council and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for years ending December 31, 2016 and 2015. The Council is generally no longer subject to examination by the Internal Revenue Service for years before 2014.
- **Subsequent events:** In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through June 4, 2018, the date the financial statements were available to be issued. Through June 4, 2018, there were no subsequent events requiring disclosure.

Woonasquatucket River Watershed Council

Notes to the financial statements

2. Grants and accounts receivable, net

The balance in grants and accounts receivable at December 31, 2016 and 2015 consists of:

	2016	2015
City of Providence	\$8,642	
Donations	12,136	
RI Department of Transportation (4 grants)	103,682	\$83,864
RI Department of Environmental Management	5,000	6,000
United States Department of Agriculture	315,153	572
RI Rivers Council	2,500	
RI Housing	12,589	
Total	<u>\$459,702</u>	<u>\$90,436</u>

The Council uses the specific identification method in estimating for uncollectible accounts. All receivables were considered collectible at December 31, 2016 and 2015. During the year ended December 31, 2016 and 2015, \$254 and \$130, respectively, in miscellaneous receivables were written off as bad debts.

3. Property and equipment

Changes in property and equipment accounts for the year ended December 31, 2016 are as follows:

Category	Balance, start of year	Additions	Deletions	Balance, end of year
Computer and equipment	\$35,863		\$(9,052)	\$26,811
Vehicle	36,510			36,510
Canoe and trailer	6,965		(2,960)	4,005
Donated furniture and equipment	2,625	\$6,102	(2,625)	6,102
Total	81,963	6,102	(14,637)	73,428
Less accumulated depreciation	(46,929)	(14,686)	14,637	(46,978)
Net property and equipment	<u>\$35,034</u>	<u>\$(8,584)</u>	<u>\$-0-</u>	<u>\$26,450</u>

Changes in property and equipment accounts for the year ended December 31, 2015 are as follows:

Category	Balance, start of year	Additions	Deletions	Balance, end of year
Computer and equipment	\$35,863			\$35,863
Vehicle	36,510			36,510
Canoe and trailer	6,965			6,965
Donated furniture and equipment	2,625			2,625
Total	81,963	\$-0-	\$-0-	81,963
Less accumulated depreciation	(33,465)	(13,464)	-0-	(46,929)
Net property and equipment	<u>\$48,498</u>	<u>\$(13,464)</u>	<u>\$-0-</u>	<u>\$35,034</u>

4. Note payable

The Council signed a twenty-four (24) month \$300,000 construction financing note with a Rhode Island non-profit corporation on April 17, 2012. Proceeds have been used to improve and enhance the watershed. There is a six (6) percent interest rate on the unpaid balance. The balance outstanding on the note at December 31, 2016 and 2015 was \$30,250 and \$51,187, respectively.

5. Commitments and contingencies

a) Commitment - Lease for office space

The Council leases office space under an operating lease which expires on August 31, 2020. Monthly rent through August 31, 2017 is \$1,500. Monthly rent from September 1, 2017 through August 31, 2020 is \$1,620. The council is also required to make additional monthly payments of \$125 for utilities. Minimum annual rent due under the lease is:

<u>Year ending December 31,</u>	
2017	\$19,980
2018	20,940
2019	20,940
2020	13,960
Total	<u>\$75,820</u>

b) Commitment – Line of credit

The Council has a line of credit with a local financial institution. This line has maximum borrowings of \$84,000 and an interest rate of 5.5%. There was no balance due on this line at December 31, 2016 and 2015.

c) Contingency - Contract audits

The Council receives governmental funding under contracts whereby the performance of the Council is subject to audit or review by the funding source at the discretion of the funding source. To date, no such audits or reviews have been performed and none are pending.

6. Unrestricted net assets

Unrestricted net assets consist of the following at December 31, 2016 and 2015:

	2016	2015
Operating funds (deficits), available for general activities	\$217,315	\$(25,155)
Invested in property and equipment	26,450	35,034
Total	<u>\$243,765</u>	<u>\$9,879</u>

7. Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2016 and 2015 consist of the following unspent grant funds:

	2016	2015
Coastal Resource Management Council -		
Manton Project (2 grants)	\$69,817	\$118,924
June Rockwell Levy Foundation		10,000
Narragansett Bay Wheelmen Grant	4,050	6,800
Lippitt Endowment	11,283	11,055
River Council	3,640	4,238
Mary Dexter Chaffee Foundation Grant	5,350	5,000
The Rhode Island Foundation	20,000	
Providence Journal Charitable Legacy Fund	15,000	
Banspach Grant	1,301	1,277
Total	<u>\$130,441</u>	<u>\$157,294</u>

Woonasquatucket River Watershed Council

Notes to the financial statements

8. Fundraising activities, net

Fundraising income and expense for the year ended December 31, 2016 are as follows:

<u>Event</u>	<u>Income</u>	<u>Expense</u>	<u>Net</u>
Wooney River Bike Ride	\$25,339	\$(5,529)	\$19,810
Clean Day on the Greenway	16,170	(7,259)	8,911
Various small fundraisers	483	-0-	483
Total	\$41,992	\$(12,788)	\$29,204

Fundraising income and expense for the year ended December 31, 2015 are as follows:

<u>Event</u>	<u>Income</u>	<u>Expense</u>	<u>Net</u>
Wooney River Bike Ride	\$30,101	\$(6,258)	\$23,843
Clean Day on the Greenway	14,479	(3,977)	10,502
Various small fundraisers	2,645	(295)	2,350
Total	\$47,225	\$(10,530)	\$36,695

9. Pension plan

The Council has a SIMPLE IRA pension plan for eligible employees. Participants are 100% vested in contributions to the plan made on their behalf. Pension expense for 2016 and 2015 was \$6,718 and \$4,963, respectively.

10. Endowment funds at Rhode Island Foundation

An endowment fund has been established at Rhode Island Foundation for the support of the Woonasquatucket River Watershed Council. The fund is named the Fred Lippitt Endowment Fund for the Woonasquatucket River Watershed and was established in May 2005 via a gift that was valued at \$200,084 and \$195,149 at December 31, 2016 and 2015, respectively. Grants from Rhode Island Foundation at December 31, 2016 and 2015 were \$8,997 and \$8,812, respectively. The endowment fund corpus is the property of Rhode Island Foundation.

During 2008, the Fred Lippitt Endowment Fund transferred funds to another Fred Lippitt Endowment Fund for the Woonasquatucket River Watershed. The value of the fund at December 31, 2016 and 2015 was \$50,611 and \$49,375, respectively. The endowment fund corpus is the property of Rhode Island Foundation. Grants from Rhode Island Foundation at December 31, 2016 and 2015 were \$2,286 and \$2,243, respectively.

11. Risks and uncertainties**Concentration of funding**

The Council received 10% or more of its public support and revenue from the following sources for the year ended December 31, 2016:

<u>Source</u>	<u>Income received</u>	<u>Percent of total income</u>
RI Department of Transportation	\$680,285	44.71%
US Department of Agriculture	332,139	21.83%
Total	\$1,012,424	66.54%

11. **Risks and uncertainties (continued)**

The Council received 10% or more of its public support and revenue from the following source for the year ended December 31, 2015:

<u>Source</u>	<u>Income received</u>	<u>Percent of total income</u>
RI Department of Transportation	\$334,481	59.13%

12. **Summarized financial information presented as of and for the year ended December 31, 2015**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2015 from which the summarized information was derived.

S U P P L E M E N T A R Y

I N F O R M A T I O N

WOONASQUATUCKET RIVER WATERSHED COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

Federal grantor/Pass-through grantor Program or Cluster title	Grant period	Grant/Pass through number	CFDA number	Award amount	Revenue recognized	Expenditures
<u>US Environmental Protection Agency</u>						
Healthy Communities Grant Program	11/01/2014 - 06/30/2016	96197601	66.110	\$ 26,250	\$ 16,986	\$ 16,986
Passed through RI Department of Transportation Natural Estuary Program	06/09/2015 - 06/30/2016	96184201	66.456	10,000	8,750	8,750
		Total US Environmental Protection Agency		36,250	25,736	25,736
<u>Department of Transportation</u>						
<u>Highway Planning and Construction cluster</u>						
Passed through RI Department of Transportation Highway Planning and Construction	11/18/2011 - 05/02/2022	HPP4844003	20.205	\$ 3,322,400	\$ 523,639	\$ 523,639
Passed through RI Department of Environmental Management Recreational Trails Program	05/17/2016 - 05/17/2017	16-08-04	20.219	5,000	5,000	5,000
		Total Highway Planning and Construction Cluster		3,327,400	528,639	528,639
		Total Department of Transportation		3,327,400	528,639	528,639
<u>US Department of Agriculture</u>						
Soil and Water conservation	09/22/2011 - 12/31/2016	65-1535-11-12	10.902	\$ 151,500	\$ 14,486	\$ 14,486
Soil and Water conservation	09/16/2015 - 12/31/2016	68-1535-15-501	10.902 CTA	2,500	2,500	2,500
Environmental Quality Incentives Program	2015 - 01/17/2018	EQUIP 2008 741106090B6	10.912	298,864	298,864	298,864
Environmental Quality Incentives Program	07/18/2016 - 12/31/2018	EQUIP 2014 741106160F3	10.912	18,052	16,289	16,289
Cooperative Forestry Assistance	09/01/2016 - 08/31/2017	1301.15.048506	10.664	50,000	26,340	26,340
		Total U.S. Department of Agriculture		520,916	358,479	358,479
<u>US Department of Health and Human Services</u>						
Passed through One Neighborhood Builders State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	04/01/2016 - 03/31/2017	U58DP005511	93.757	\$ 15,881	\$ 15,881	\$ 15,881
		Total US Department of Health and Human Services		15,881	15,881	15,881
		Total Federal Awards		\$ 3,900,447	\$ 928,735	\$ 928,735

WOONASQUATUCKET RIVER WATERSHED COUNCIL
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Basis of presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Woonasquatucket River Watershed Council (the Council) under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net assets or cash flows for the Council.

2. Summary of significant accounting policies

- a) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b) Pass-through entity identifying numbers are presented where available.

3. Indirect cost rate

The Council has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Independent Auditor's 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
Woonasquatucket River Watershed Council
45 Eagle Street, 2nd Floor
Providence, Rhode Island 02909

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 financial statements of the Woonasquatucket River Watershed Council (the Council), a nonprofit organization, which comprise the statement of financial position as of December 31, 2016, 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 June 4, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 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, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. See Finding 2016-1.

To the Board of Directors
Woonasquatucket River Watershed Council

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's 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*.

Woonasquatucket River Watershed Council's Response to Findings

Woonasquatucket River Watershed Council's response to the finding identified in our audit is described in the accompanying corrective action plan. Woonasquatucket River Watershed Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arnon Lavin Steinfeld May & Co., PC

Cranston, Rhode Island
June 4, 2018

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors
Woonasquatucket River Watershed Council
45 Eagle Street, 2nd Floor
Providence, Rhode Island 02909

Report on Compliance for Each Major Federal Program

We have audited the Woonasquatucket River Watershed Council's (the Council's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Council's major federal program for the year ended December 31, 2016. The Council's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibilities

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibilities

Our responsibility is to express an opinion on compliance for the Council's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence that the Council'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Woonasquatucket River Watershed Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

To the Board of Directors
Woonasquatucket River Watershed Council

Other Matters

The results of our audit procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-2 and 2016-3. Our opinion on the major program is not modified with respect to those matters.

Woonasquatucket River Watershed Council's responses to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. Woonasquatucket River Watershed Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Council's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-2 and 2016-3 to be significant deficiencies.

Woonasquatucket River Watershed Council's responses to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. Woonasquatucket River Watershed Council's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Arnonson Lavoie Streifeld Hiaz & Co., PC
Cranston, Rhode Island
June 4, 2018

WOONASQUATUCKET RIVER WATERSHED COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Woonasquatucket River Watershed Council.
2. One significant deficiency relating to the audit of the financial statements is reported in the 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.
3. No instances of noncompliance material to the financial statements of the Woonasquatucket River Watershed Council were disclosed during the audit.
4. Two significant deficiencies relating to the audit of the major federal award program are reported in the Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award program expresses an unmodified opinion on the major federal program tested.
6. Audit findings that are required to be reported in accordance with CFR section 200.516 (a) are reported in this schedule.
7. The program tested as a major program was:

Department of Transportation; Highway Planning and Construction Cluster; CFDA No. 20.205 and 20.219.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Woonasquatucket River Watershed Council was not determined to be a low-risk auditee.

WOONASQUATUCKET RIVER WATERSHED COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

A. Findings – Financial Statement Audit

2016-1 Significant deficiency – Segregation of duties

Condition: During our walk-through of internal control procedures, we noted a lack of segregation of duties in payroll, cash disbursements and journal entries. We noted that the same individual approves and records payroll, records expenses and processes checks, as well as performing the bank reconciliation. This individual also records journal entries without a process for reviewing the entries by another individual.

Criteria: Internal control over financial reporting is commonly described within a framework. A commonly used framework is described in a report titled Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO report describes five interrelated components of internal control that are inherent in the way management runs an organization and serve as the criteria for determining whether internal control is effective. The five components are: control environment, risk assessment, information and communication, monitoring, and control activities. Entity level controls (control environment, risk assessment, information and communication and monitoring) many times are pervasive within the system of internal control and serve as the foundation for control activities.

Cause: As a small organization, the Council has limited staffing to adequately segregate duties.

Effect: Material misstatements in the financial statements go undetected and uncorrected without a proper system to segregate duties.

Recommendation: While we recognize that it is difficult in a small organization to have these tasks assigned to separate individuals, we recommend that, at a minimum, another employee or manager be assigned to review and approve transactions, including journal entries, before they are recorded on the general ledger.

*Views of
Responsible
Officials and
Corrective Actions:* See accompanying corrective action plan.

**WOONASQUATUCKET RIVER WATERSHED COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

B.

Findings – Major Federal Award Program

2016-2

Significant deficiency – Identification of federal expenditures in the general ledger

Highway Planning and Construction Cluster; CFDA No. 20.05

Condition:

Expenses charged to the major federal program were not segregated in the general ledger system.

Criteria:

Financial management principles for non-profit organizations receiving federal awards, found in the Code of Federal Regulations (section 200.302), requires that all federal awards received and expended and the federal programs under which they were received be identified in the organization's accounts. This can be accomplished by establishing a separate bank account for the receipt and disbursement of federal funds or by segregating federal funds in distinct accounts within the general ledger.

Cause:

The general ledger system contains a separate class for each grant and grant revenue is recorded by class, but expenses are not segregated by class.

Effect:

Records to report expenses on federal awards are maintained on spreadsheets that are maintained outside the general ledger system.

Recommendation:

We recommend that all expenses, regardless of funding source, be segregated into classes in the general ledger.

*Views of
Responsible
Officials and
Corrective Actions:*

See accompanying corrective action plan.

2016-3

Significant deficiency – Federal audit clearinghouse submission

Condition:

The Data Collection Report for the year ended December 31, 2016 has not been submitted to the Federal Audit Clearinghouse.

Criteria:

Recipients of federal awards are required to submit audited financial statements and the Data Collection Report to the Federal Audit Clearinghouse within nine months of the fiscal year end.

**WOONASQUATUCKET RIVER WATERSHED COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

B.

Findings – Major Federal Award Program (continued)

2016-3

Significant deficiency – Federal audit clearinghouse submission (continued)

Cause:

Management did not become aware of the requirements for an audit under the Uniform Guidance until the deadline for submission had passed.

Effect:

The Data Collection Report for the year ended December 31, 2016 will be submitted after the deadline.

Recommendation:

We recommend that the Council initiate procedures to monitor federal awards and the amount of federal expenditures each year to determine if the Council is required to have an audit performed under the Uniform Guidance.

*Views of Responsible
Officials and
Corrective Actions:*

See accompanying corrective action plan.



Roy Najecki
President
Glocester

Scott Geller
Vice-President

Christopher Riely
Treasurer
Providence

Zane Silva
Secretary
North Providence

Stephen Bautista
Marketing Specialist

Donald T. Burns
Smithfield

John Hake
Fishery Biologist

Lou Lariviere
North Providence

Laureen Ratti
Development Chair

Douglas Stephens
Johnston, RI

Alicia J. Lehrer
Executive Director

Lisa Aurecchia
Director of Projects

Den DeMarinis
Director of
Development

CORRECTIVE ACTION PLAN

June 4, 2018

RI Department of Transportation
Two Capitol Hill
Providence RI 02903

Woonasquatucket River Watershed Council (WRWC) respectfully submits the following corrective action plan for the year ended 2016.

Name and address of independent public accounting firm:
Aaronson, Lavoie, Streitfeld, Diaz & Co, PC
1604 Broad Street
Cranston, RI 02905

Audit period:
January 01, 2016 – December 31, 2016
The findings from the 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

A. FINDINGS-FINANCIAL STATEMENT AUDIT

2016-1 Significant deficiency- segregation of duties

Recommendation: While we recognize that it is difficult in a small organization to have these tasks assigned to separate individuals, we recommend that, at a minimum, another employee or manager be assigned to review and approve transactions, including journal entries, before they are recorded to the general ledger.

Action Taken: A member of the WRWC Finance Committee will review and approve journal entries prior to recording them in the general ledger. A member of the Finance Committee will then check the journal entries for accuracy in the ledger after they have been entered. The Executive Director will now approve payroll



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Director of Projects

Den DeMarinis
Director of
Development

B. FINDINGS-MAJOR FEDERAL AWARD PROGRAM

2016-2 Significant deficiency- identification of federal expenditures in the general ledger

Recommendation: We recommend that all expenses, regardless of funding source, be segregated into classes in the general ledger.

Action Taken: we have addressed the segregation of federal funds and program expenses by going to a QuickBooks payroll program as of March 6th, 2018; this automatically segregates the payroll expenses into classes. The payroll expenses were the only ones that were not segregated previously.

2016-3 Significant deficiency- federal audit clearinghouse submission

Recommendation: We recommend that the Council initiate procedures to monitor federal expenditures each year to determine if the Council is required to have an audit performed under the Uniform Guidance.

Action Taken: We have switched our accounts payable protocol to using the "enter bill" format available in our QuickBooks accounting software. We can now accurately track our accrual of federal expenditures throughout the year so that we can determine immediately if a single audit will be required.

Sincerely,

Alicia J. Lehrer
Executive Director