



STATE OF INDIANA
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January 31, 2014

Board of Directors
St. Joseph River Watershed Initiative, Inc.
3718 New Vision Drive
Fort Wayne, IN 46845

We have reviewed the audit report prepared by Krouse, Kern & Co., Inc., Independent Public Accountants, for the period October 1, 2007 to September 30, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the St. Joseph River Watershed Initiative, Inc., as of September 30, 2009, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

FORT WAYNE, INDIANA

Financial Statements

as of September 30, 2009 and 2008

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

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September 30, 2009

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July 29, 2010

Board of Directors
St. Joseph River Watershed Initiative, Inc.
Fort Wayne, Indiana

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of St. Joseph River Watershed Initiative, Inc., (a nonprofit organization) ("the Organization") Fort Wayne, Indiana, as of September 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 the St. Joseph River Watershed Initiative, Inc., Fort Wayne, Indiana, as of September 30, 2009 and 2008, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Krouse, Kern & Co., Inc.
KROUSE, KERN & CO., INC.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Statements of Financial Position
September 30, 2009 and 2008

ASSETS		
	2009	2008
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 149,637	\$ 21,336
Accounts and grants receivable	50,513	342,605
Total Current Assets	200,150	363,941
<i>EQUIPMENT</i>		
Equipment	19,517	4,746
Less: Accumulated depreciation	(11,243)	(3,013)
Total Equipment (Net)	8,274	1,733
<i>TOTAL ASSETS</i>	\$ 208,424	\$ 365,674
LIABILITIES AND NET ASSETS		
<i>CURRENT LIABILITIES:</i>		
Accounts payable	\$ 82,309	\$ 76,136
Accrued expenses	-	7,993
Total Current Liabilities	82,309	84,129
<i>NET ASSETS:</i>		
Unrestricted	77,741	(30,498)
Temporarily restricted	48,374	312,043
Total Net Assets	126,115	281,545
<i>TOTAL LIABILITIES AND NET ASSETS</i>	\$ 208,424	\$ 365,674

See Notes to Financial Statements.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Statement of Activities
for the year ended September 30, 2009

<i>SUPPORT AND REVENUE:</i>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Grants	\$ 9,000	\$ 21,000	\$ 30,000
Contributions	11,050	-	11,050
Contributions – in kind	20,039	-	20,039
Equipment rental	36,654	-	36,654
Gain on sale of equipment	50,646	-	50,646
Other income	3,269	-	3,269
Net assets released from restriction	284,669	(284,669)	-
Total Support and Revenue	<u>415,327</u>	<u>(263,669)</u>	<u>151,658</u>
<i>EXPENSES:</i>			
Program	291,547	-	291,547
Management and general	7,976	-	7,976
Fundraising	7,565	-	7,565
Total Expenses	<u>307,088</u>	<u>-</u>	<u>307,088</u>
<i>CHANGE IN NET ASSETS</i>	108,239	(263,669)	(155,430)
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>(30,498)</u>	<u>312,043</u>	<u>281,545</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 77,741</u>	<u>\$ 48,374</u>	<u>\$ 126,115</u>

See Notes to Financial Statements.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Statement of Activities
for the year ended September 30, 2008

<i>SUPPORT AND REVENUE:</i>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Grants	\$ 114,493	\$ 57,099	\$ 171,592
Contributions	11,750	-	11,750
Contributions – in kind	113,823	-	113,823
Equipment rental	23,340	-	23,340
Other income	6,324	-	6,324
Net assets released from restriction	207,416	(207,416)	-
Total Support and Revenue	<u>477,146</u>	<u>(150,317)</u>	<u>326,829</u>
<i>FUNCTIONAL EXPENSES:</i>			
Program	495,272	-	495,272
Management and general	12,189	-	12,189
Fundraising	9,452	-	9,452
Total Expenses	<u>516,913</u>	<u>-</u>	<u>516,913</u>
<i>CHANGE IN NET ASSETS</i>	(39,767)	(150,317)	(190,084)
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>9,269</u>	<u>462,360</u>	<u>471,629</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ (30,498)</u>	<u>\$ 312,043</u>	<u>\$ 281,545</u>

See Notes to Financial Statements.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Statements of Functional Expenses
for the year ended September 30, 2009

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
BMP cost share assistance	\$ 155,480	\$ -	\$ -	\$ 155,480
Contract labor	33,501	3,722	-	37,223
Contracted services	24,727	-	-	24,727
Professional fees	-	1,186	-	1,186
Supplies	3,205	28	-	3,233
Postage and shipping	298	-	-	298
Occupancy	4,707	262	262	5,231
Insurance	8,074	449	449	8,972
Equipment rental and maintenance	109	-	-	109
Printing and publications	1,235	585	-	1,820
Travel	126	-	-	126
Depreciation	1,822	950	-	2,772
BMP match	58,263	-	-	58,263
Special event expense	-	-	6,854	6,854
Miscellaneous	-	544	-	544
Web-site	-	250	-	250
	<hr/>	<hr/>	<hr/>	<hr/>
Total Functional Expenses	\$ 291,547	\$ 7,976	\$ 7,565	\$ 307,088
	<hr/>	<hr/>	<hr/>	<hr/>
Functional Percentages	95%	3%	2%	100%
	<hr/>	<hr/>	<hr/>	<hr/>

See Notes to Financial Statements.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Statement of Functional Expenses
for the year ended September 30, 2008

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
BMP cost share assistance	\$ 80,702	\$ -	\$ -	\$ 80,702
BMP incentives	19,045	-	-	19,045
Wages	40,723	2,029	2,029	44,781
Contract labor	116,184	1,722	-	117,906
Contracted services	62,389	1,456	-	63,845
Professional fees	-	2,217	-	2,217
Supplies	13,703	807	-	14,510
Postage and shipping	806	109	-	915
Occupancy	4,958	203	203	5,364
Equipment rental and maintenance	33,508	-	-	33,508
Printing and publications	5,719	19	-	5,738
Travel	1,931	184	-	2,115
Depreciation	-	950	-	950
BMP match	113,403	-	-	113,403
Special event expense	-	-	6,720	6,720
Fees and permits	-	7	-	7
Grant writing fees	-	-	500	500
Strategic planning	-	2,375	-	2,375
Miscellaneous	2,186	111	-	2,297
Web-site	15	-	-	15
Total Functional Expenses	\$ 495,272	\$ 12,189	\$ 9,452	\$ 516,913
Functional Percentages	96%	2%	2%	100%

See Notes to Financial Statements.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Statements of Cash Flows
for the years ended September 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (155,430)	\$ (190,084)
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:		
Depreciation	2,772	950
Gain on sale of equipment	(50,646)	-
Change in Operating Assets and Liabilities:		
Receivables	292,092	118,309
Accounts payable	6,173	35,112
Accrued expenses	(7,993)	(5,321)
Net Cash From Operating Activities	<u>86,968</u>	<u>(41,034)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of equipment	54,743	-
Purchase of equipment	(13,410)	-
Net Cash From Investing Activities	<u>41,333</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	128,301	(41,034)
Cash and cash equivalents at beginning of year	<u>21,336</u>	<u>62,370</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 149,637</u>	<u>\$ 21,336</u>

See Notes to Financial Statements.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Notes to Financial Statements

NOTE 1. NATURE OF ACTIVITIES

St. Joseph River Watershed Initiative, Inc. (the "Organization") is a not-for-profit corporation that is dedicated to develop partnerships and promote economical and environmentally compatible land uses that improve water quality in the St. Joseph River watershed. The Organization receives the majority of its support from federal and state government grants.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING:

The financial statements for the Organization have been prepared on the accrual basis. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

BASIS OF PRESENTATION:

The financial statements have been prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117 (FASB ASC 958-205), *Financial Statements of Not-for-Profit Organizations*. FASB ASC 958-205 requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted and permanently restricted.

The following classes of net assets are maintained:

Unrestricted Net Assets:

The unrestricted net asset class includes general assets and liabilities of the Organization. The unrestricted net assets of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

Temporarily Restricted Net Assets:

The temporarily restricted net asset class includes assets of the Organization related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Notes to Financial Statements (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

CASH AND CASH EQUIVALENTS:

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

PROPERTY AND EQUIPMENT:

Depreciation is computed over the estimated useful life of the assets using the straight-line method. Acquisitions of property and equipment in excess of \$500 are capitalized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

Expenditures for major additions and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

CONTRIBUTIONS:

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, (FASB ASC 958-605), *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC 958-605, contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Notes to Financial Statements (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRIBUTIONS: (Continued)

All donor-restricted contributions are reported as increases 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 of the 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. Restricted contributions received and released in the same year are shown as unrestricted in the statement of activities.

ALLOWANCE FOR BAD DEBT:

The Organization uses the direct write-off method for uncollectible receivables. Management believes this method approximates the allowance method, as no grants or accounts receivable are deemed uncollectible at year-end.

GRANTS:

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. However the Board deems the contingency remote, since by accepting the gifts and their terms, it has accommodated the objectives of the Organizations to the provisions of the gift.

Grants are recorded as contributions to temporarily restricted net assets. If necessary, grants receivable over a period of years are valued at the discounted value of future cash flows using the Organization's latest borrowing rate. As of September 30, 2009 and 2008, the difference between the full amount and the discounted value of grants is considered immaterial and therefore no adjustment has been made.

Management has determined that grants receivable are fully collectible; therefore, no allowance for uncollectible grants is considered necessary as of September 30, 2009 and 2008. If amounts become uncollectible, they are charged to operations when that determination is made. Any difference between this method and the allowance method required under generally accepted accounting principles would be immaterial.

INCOME TAX STATUS AND UNCERTAINTY IN INCOME TAXES:

The St. Joseph River Watershed Initiative, Inc., is classified as a publicly supported organization, qualifies as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes. However, the Organization may be subject to federal and state income taxes on unrelated business income as defined in the Internal Revenue Code.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Notes to Financial Statements (Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAX STATUS AND UNCERTAINTY IN INCOME TAXES:
(Continued)

The Organization adopted the provisions of FASB Interpretation No. 48-3, *Accounting for Uncertainty in Income Taxes* (FASB ASC 740-10), as of January 1, 2009. As a result of the implementation, the Organization has assessed and determined that there are no positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within twelve months as of September 30, 2009.

The Organization files information returns in the U.S. federal jurisdiction and the State of Indiana. The Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for tax years before 2006.

DONATED MATERIALS, EQUIPMENT AND SERVICES:

Donated materials, equipment and services, if any, are reflected in the accompanying statements of activities at their estimated fair value at date of receipt.

The Organization recognizes the fair value of contributed services received if such services a) create or enhance non-financial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition.

NOTE 3. CONCENTRATION OF REVENUE SOURCES

Approximately 76% and 91% of the Organization's revenue for the years ended September 30, 2009 and 2008, respectively, is derived from federal and state agency grants that may be renewed at their discretion. The current level of the Organization's operations and program services may be impacted or segments discontinued if the funding is not renewed.

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Notes to Financial Statements (Continued)

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions specified by grantors.

Purpose restriction accomplished for the year ended September 30:

	<u>2009</u>	<u>2008</u>
Cedar Creek Watershed Management Plan --		
Implementation Phase I	\$ 220,139	\$ 124,756
St Joseph River Sediment, Pesticide, and Nutrient		
Reduction Phase II	25,009	42,370
U.S. Fish and Wildlife Service PSGP	396	22,799
Water Quality Monitoring	26,850	-
Water Quality Monitoring Equipment	9,500	-
Fort Wayne Water Resources	2,617	-
Maumee River RC&D	158	-
Public Education and Outreach Services	-	7,125
The Nature Conservance/St. Joseph River Project	-	6,425
Strengthening Organization Grant	-	3,941
	<u>\$ 284,669</u>	<u>\$ 207,416</u>

Temporarily restricted net assets are available for the following purposes at September 30:

	<u>2009</u>	<u>2008</u>
Cedar Creek Watershed Management Plan --		
Implementation Phase I	\$ 220,139	\$ 124,756
St Joseph River Sediment, Pesticide, and Nutrient		
Reduction Phase II	25,009	42,370
U.S. Fish and Wildlife Service PSGP	396	22,799
Water Quality Monitoring	26,850	-
Water Quality Monitoring Equipment	9,500	-
Fort Wayne Water Resources	2,617	-
Maumee River RC&D	158	-
Public Education and Outreach Services	-	7,125
The Nature Conservance/St. Joseph River Project	-	6,425
Strengthening Organization Grant	-	3,941
	<u>\$ 284,669</u>	<u>\$ 207,416</u>

ST. JOSEPH RIVER WATERSHED INITIATIVE, INC.

Notes to Financial Statements (Continued)

NOTE 5. RELATED PARTY

The Organization has contracted with the Allen County Soil & Water Conservation District (ACSWCD) to provide staffing services (Executive Director, Administrative Assistant and Agriculture Technicians) and use of office space on a month-to-month basis. The Organization paid ACSWCD \$37,223 and \$117,906 for contracted services and \$5,231 and \$5,364 for office space rental, for the years ended September 30, 2009 and 2008, respectively.

NOTE 6. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 29, 2010, the date the financial statements were available to be issued.