

**THE STONY BROOK-MILLSTONE  
WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit  
Corporation)**

**FINANCIAL STATEMENTS**

**For The Year Ended December 31,**  
**2016**



**RAGONE  
LACATENA  
FAIRCHILD  
BEPPEL**

Accountants and Advisors

**THE STONY BROOK-MILLSTONE**  
**WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of  
The Stony Brook-Millstone Watershed Association

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **The Stony Brook-Millstone Watershed Association** (a New Jersey nonprofit corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, 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 misstatements 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.

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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 Stony Brook-Millstone Watershed Association** as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *schedule of expenditures of state 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic 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 May 4, 2017 on our consideration of **The Stony Brook-Millstone Watershed Association'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 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 Stony Brook-Millstone Watershed Association's** internal control over financial reporting and compliance.

Respectfully submitted,



RAGONE, LACATENA, FAIRCHILD & BEPPEL, P.C.  
Certified Public Accountants

Haddonfield, New Jersey  
May 4, 2017

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**  
**Statement of Financial Position**  
**December 31, 2016**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 928,042
Grants and Contributions Receivable	342,247
Prepaid Expenses and Other Current Assets	<u>13,291</u>

Total Current Assets \$ 1,283,580

Property and Equipment, Net of Accumulated  
Depreciation of \$1,379,765

12,197,711

Investments

Beneficial Interest in Assets Held By Princeton Area Community Foundation (Note 2)	693,451
Marketable Securities - Vanguard Funds	<u>1,758,514</u>

Total Investments 2,451,965

Other Assets

Cash Restricted for Capital Campaign	38,333
Cash Restricted for Buttinger Endowment	716,833
Pledges Receivable - Capital Campaign	23,000
Pledges Receivable - Buttinger Endowment	<u>1,394,834</u>

Total Other Assets 2,173,000

Total Assets \$ 18,106,256

See Accompanying Notes to Financial Statements.

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**  
**Statement of Financial Position**  
**December 31, 2016**

**LIABILITIES AND NET ASSETS**

Current Liabilities

Accounts Payable and Accrued Expenses	\$	<u>167,552</u>	
<u>Total Liabilities</u>	\$		167,552

Net Assets

Unrestricted:		
Undesignated	276,897	
Board Designated	2,137,142	
Net Investment in Property and Equipment	<u>1,222,203</u>	
<u>Total Unrestricted Net Assets</u>	3,636,242	

Temporarily Restricted:		
Capital Campaign	61,333	
Other (Note 7)	<u>877,723</u>	
<u>Total Temporarily Restricted Net Assets</u>	939,056	

Permanently Restricted:		
Buttinger Endowment	2,387,898	
Net Investment in Property and Equipment	<u>10,975,508</u>	
<u>Total Permanently Restricted Net Assets</u>	13,363,406	

<u>Total Net Assets</u>		<u>17,938,704</u>
<u>Total Liabilities and Net Assets</u>	\$	<u><u>18,106,256</u></u>

See Accompanying Notes to Financial Statements.

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**

**Statement of Activities**

**For the Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Support and Revenue</u></b>				
Contributions				
Individuals	\$ 650,426	\$ 228,547	\$ 1,077,956	\$ 1,956,929
Corporations	31,298	117,500	-	148,798
Foundations	288,040	415,782	1,250,000	1,953,822
Government Grants	-	109,219	503,400	612,619
Programs	252,129	-	-	252,129
Special Events	212,089	-	-	212,089
Interest and Dividend Income	29,847	75	-	29,922
Rental Income	69,127	-	-	69,127
Gift Shop	19,605	-	-	19,605
Unrealized/Realized Gain (Loss) on Investments	131,948	24,402	(3,313)	153,037
Net Assets Released From Restrictions	680,520	(680,520)	-	-
	<u>2,365,029</u>	<u>215,005</u>	<u>2,828,043</u>	<u>5,408,077</u>
<b><u>Expenses</u></b>				
Program Expenses - General	1,478,920	-	-	1,478,920
Program Expenses - Depreciation	104,172	-	155,423	259,595
Management and General	273,153	-	-	273,153
Fundraising	266,716	-	-	266,716
	<u>2,122,961</u>	<u>-</u>	<u>155,423</u>	<u>2,278,384</u>
<b><u>Change in Net Assets</u></b>	242,068	215,005	2,672,620	3,129,693
<b><u>Net Asset Transfers</u></b>	123,363	(242,665)	119,302	-
<b><u>Net Assets - Beginning of Year</u></b>	3,270,811	966,716	10,571,484	14,809,011
<b><u>Net Assets - End of Year</u></b>	\$ 3,636,242	\$ 939,056	\$ 13,363,406	\$ 17,938,704

See Accompanying Notes to Financial Statements.

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

Cash Flows From Operating Activities

Change in Net Assets	\$ 3,129,693
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:	
Depreciation	259,595
Realized/Unrealized (Gain)/ Loss on Investments	(153,037)
Change in:	
Grants Receivable	(83,797)
Pledges Receivable	(1,356,501)
Prepaid Expenses and Other Current Assets	2,367
Accounts Payable and Accrued Expenses	<u>60,319</u>
Total Adjustments	<u>(1,271,054)</u>
<u>Net Cash Provided (Used) By Operating Activities</u>	1,858,639
<u>Cash Flows From Investing Activities</u>	
Acquisition of Property and Equipment	(612,365)
Net Investment Account Activity	<u>(324,271)</u>
<u>Net Cash Provided (Used) By Investing Activities</u>	<u>(936,636)</u>
<u>Net Change in Cash and Cash Equivalents</u>	922,003
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>761,205</u>
<u>Cash and Cash Equivalents - End of Year</u>	\$ <u><u>1,683,208</u></u>

See Accompanying Notes to Financial Statements.

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2016**

Note 1:      Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION** (the "Association") was incorporated on November 20, 1951 under the laws of the State of New Jersey. Keeping water clean, safe and healthy is the heart of our mission. We work to protect and restore our water and natural environment in central New Jersey through conservation, advocacy, science and education. It addresses key issues affecting water quality and land use, educates area residents about the ecology of the natural environment and preserves open space by maintaining a 950-acre nature reserve and organic farm. The Organization receives most of its funding through program fees and grants and contributions from corporations, foundations and individuals.

Financial Statement Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Accordingly, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Board-designated net assets represent amounts the Organization has set aside for a specific purpose. The Board has established the Watershed Investment Fund reserved for long-term purposes.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time 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".

Permanently Restricted Net Assets

Permanently restricted net assets consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2016**

Note 1:      Nature of Operations and Summary of Significant Accounting Policies (continued)

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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Revenue Recognition

Government grant revenue on cost reimbursement contracts is recognized as expenditures are made for the particular grant.

Contributions are recognized as revenue when the contributions are received or pledged.

Tax-Exempt Status

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION** qualifies as a 501(c)(3) tax-exempt organization under existing provisions of the Internal Revenue Code. Therefore, it is not subject to federal or state income taxes on revenues that are related to the exempt purpose of the organization. The Organization is subject to a tax on income from any unrelated business.

Inventory

The nature shop inventory is valued at cost and is included with prepaid expenses and other current asset.

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2016**

Note 1:      Nature of Operations and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at cost or the fair value of contributed property, less accumulated depreciation. The Association capitalizes asset additions with a cost or fair value greater than \$1,000. Depreciation is recorded over the estimated useful lives as follows:

	<u>Method</u>	<u>Estimated Useful Life</u>
Building and improvements	Straight-line	20 – 50 years
Machinery and equipment	Straight-line	3-5 years
Furniture and fixtures	Straight-line	5-7 years
Automobiles	Straight-line	5 years

Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification 820 "Fair Value Measurements and Disclosures (ASC 820)" establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy under ASC 820 are described below:

Basis of Fair Value Measurement:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for identical assets in markets that are not active, quoted prices for similar assets in active markets, inputs other than quoted market prices, and inputs derived principally from observable market data.

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2016**

Note 1:      Nature of Operations and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31, 2016:

	<u>Assets at Fair Value</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds	469,737	-	-	\$ 469,737
Stocks	1,079,176	-	-	1,079,176
Short-Term Reserve	209,601	-	-	209,601
Beneficial Interest	-	693,451	-	<u>693,451</u>
Total Portfolio Investments at fair value				<u>\$2,451,965</u>

Grants Receivable and Allowance for Doubtful Accounts

All Association receivables are predominately with individuals, corporations, foundations, and government agencies, which are periodically reviewed by management for collectability. Bad debts are provided on the allowance method based on historical experience and management's evaluation of the outstanding receivable. Amounts are written off when deemed uncollectible. No allowance is deemed necessary at December 31, 2016.

Note 2:      Beneficial Interest in Assets Held By Princeton Area Community Foundation

The organization has established a nonprofit fund identified as the "Stony Brook-Millstone Watershed Association Fund" with the Princeton Area Community Foundation (PACF). PACF provides the Organization a valuation of the beneficial interest on a monthly basis. The original investment funded on April 29, 2009 for \$250,000 was valued at \$439,989 as of December 31, 2016.

The organization established a second nonprofit fund identified as the "Stony Brook-Millstone Watershed Association Education Intern Fund" with PACF. The original investments funded on March 31, 2011 for \$100,000 and July 1, 2011 for \$100,000 were valued at \$253,462 as of December 31, 2016.

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2016**

Note 2:      Beneficial Interest in Assets Held By Princeton Area Community Foundation  
(continued)

The organization has completed a Nonprofit Fund Agreement with the foundation whereby the foundation has agreed to

- Manage the invested amount within investment pools of funds of which the foundation has full legal ownership.
- Distribute amounts back to the organization upon request either partially or a distribution of the entire fund.

In accordance with the Nonprofit Fund Agreement the foundation maintains a variance power which states, "so long as a nonprofit maintains its exempt status as a charity under 501(c)(3) of the internal revenue code, and has executed a fund agreement that authorizes a 100% distribution, the nonprofit's board of trustees may direct the expenditure of any or all of the principal or income from the fund, and the principal and accumulated income and interest of the fund may be returned, at any time, to the management and control of the nonprofit".

Note 3:      Marketable Securities – Vanguard Funds

Marketable securities are stated at fair value, as determined by quoted market values for the securities. In accord with the Board of Directors investment policy statement, the finance/investment committee will oversee the management of financial investments. The Board's investment objectives include preservation of purchasing power and obtaining a reasonable rate of return. Investments are intended to be allocated to a diversified portfolio of equity investments, fixed income securities and cash equivalents, while complying with the "prudent person" rule concerning fiduciary oversight of assets. A summary of investments held as of December 31, 2016 is as follows:

	<u>Cost</u>	<u>Fair Market Value</u>
Corporate stock mutual funds	\$ 762,718	\$ 1,079,176
Bond funds	461,221	469,737
Short term reserves	209,601	209,601
	<u>\$ 1,433,540</u>	<u>\$ 1,758,514</u>

Note 4:      Pledges Receivable – Capital Campaign and Endowment Fund

Unconditional promises to give at December 31, 2016 are as follows:

Receivable in less than one year	\$ 655,167
Receivable in one to five years	762,667
	<u>\$ 1,417,834</u>

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2016**

Note 5:      Concentration of Credit Risk

The Association maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits.

Note 6:      Property and Equipment

Land	\$ 4,144,050
Building and improvements	8,247,401
Machinery and equipment	229,029
Furniture and fixtures	927,136
Automobiles	<u>29,860</u>
	13,577,476
Less-accumulated depreciation	<u>1,379,765</u>
Net property and equipment	<u>\$12,197,711</u>

Note 7:      Board Designated and Restricted Net Assets

Board Designated Net Assets

Unrestricted net assets held in the Watershed Investment Fund were designated by the board for the following purposes at December 31, 2016:

General operations support	<u>\$ 2,137,142</u>
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Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2016:

Educational and grant programs	\$ 877,723
Capital campaign	<u>61,633</u>
Total temporarily restricted net assets	<u>\$ 939,056</u>

Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes at December 31, 2016:

Land, property and equipment to be held in perpetuity	\$ 10,975,508
Buttinger endowment	<u>2,387,898</u>
Total permanently restricted net assets	<u>\$ 13,363,406</u>

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2016**

Note 7:      Board Designated and Restricted Net Assets (continued)

Capital Campaign

Temporarily restricted net assets include \$38,333 of capital campaign cash funds and \$23,000 of capital campaign pledges receivable reflected in other assets in the Statement of Financial Position. The purpose of the capital campaign drive was to raise funds to create a new environmental center. This new facility opened in 2015 and demonstrates responsible technologies as it provides classrooms, exhibit halls, a laboratory, computer learning center, conference rooms, gift shop, a kitchen and staff offices.

Buttinger Endowment Fund

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION** established a permanent endowment, named the Buttinger Endowment Fund, to provide an ongoing source of support, to enhance its stability and prestige, to fund its program expansion, to provide financial independence from outside sources, and to offer flexibility for its management. The Fund's investment objectives are to preserve and grow their real purchasing power over time, after adjusting for spending, fees and inflation. The Board of Trustees has the ultimate responsibility for the Funds, and will oversee and manage the Endowment in accordance with *the Uniform Prudent Management of Investment Funds Act* (UPMIFA). On an annual basis, the Board will review the Investment Policy Statement, the performance of the Funds, and approve a spending rate with the Finance Committee. Fund assets will be allocated to a diversified portfolio of domestic and international equity investments, fixed income investments, alternative investments and cash equivalents. As the Board believes that it is important to align its investments with the Watershed's Mission, the Asset Allocation Guidelines will also include targets for investment of the Funds with managers guided by Environmental, Social and Governance ("ESG") objectives. The Committee will recommend an annual distribution rate separately for each fund for approval by the Trustees, which will be based on the 12 trailing quarters' market value.

Note 8:      Retirement Plan

The Association participates in a 403(b) Custodial Account Agreement for qualified employees. The terms of the plan define qualified employees as those who are currently employed with the Association and who work at least 25 hours per week. Eligibility starts at the employee's date of hire. Employee contributions are discretionary up to the federal limits. The Association does not contribute to this plan.

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2016**

Note 9:      Contingent Liability

In 1974, the Association entered into an agreement with the State of New Jersey, Department of Environmental Protection to maintain three dams, none of which are owned by the Association. In 2002, the Association indicated to the Department that it was exercising its option to withdraw from this agreement. Since the Association took this action, the Soil Conservation District agreed to undertake inspections and minor maintenance actions at the three dams. As of December 31, 2016, the Association has continued to attempt to secure a written agreement from the State acknowledging that the Association has no responsibility for the dams.

Note 10:      Leases

The organization leases equipment from vendors under operating leases. The following is a schedule of future lease payments as of December 31, 2016:

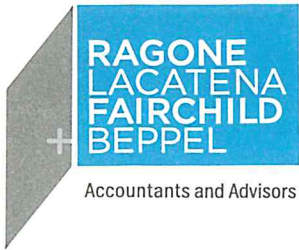
2017	\$ 5,928
2018	4,628
2019	2,028
2020	507

Note 11:      Line of Credit

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION** maintains a \$100,000 line of credit with PNC Bank. Interest only is due and payable monthly based on a variable interest rate which is at all times equal to the sum of the Prime Rate plus 2.25%. The note has a maturity date of December 23, 2017. As of December 31, 2016, no amounts have been advanced on this Line.

Note 12:      Evaluation of Subsequent Events

The Organization has evaluated subsequent events through May 4, 2017, the date which the financial statements were available to be issued.



**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 Trustees of  
The Stony Brook-Millstone Watershed Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **The Stony Brook-Millstone Watershed Association** (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 4, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **The Stony Brook-Millstone Watershed Association'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 Stony Brook-Millstone Watershed Association's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **The Stony Brook-Millstone Watershed Association's** internal control.

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

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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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **The Stony Brook-Millstone Watershed Association's** financial statements are free from material misstatements, 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*.

### **Purpose of this Report**

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

Respectfully submitted,



RAGONE, LACATENA, FAIRCHILD & BEPPEL, P.C.  
Certified Public Accountants

Haddonfield, New Jersey  
May 4, 2017

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**  
**Schedule of Expenditures of State Awards**  
**For the Year Ended December 31, 2016**

<u>STATE GRANTOR/PROGRAM TITLE</u>	<u>GRANT NUMBER</u>	<u>GRANT AMOUNT</u>	<u>GRANT PERIOD</u>	<u>1/1/16 to 12/31/16 CURRENT YEAR EXPENDITURES</u>
STATE OF NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION:				
Implementation of the Raritan River TMDL through actions in the Millstone River	WM15-015	\$300,000	05/28/15 – 05/28/19	\$ 106,582

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_yes      X  no

Reportable condition(s) identified  
that are not considered to be  
material weakness(es)? \_\_\_\_\_yes      X  none  
reported

Noncompliance material to financial  
statements noted? \_\_\_\_\_yes      X  no

Section II - Financial Statement Findings

No matters were reportable.

Additional Information: There were no prior year audit findings.

**THE STONY BROOK-MILLSTONE WATERSHED ASSOCIATION**  
**(A New Jersey Not-for-Profit Corporation)**  
**Schedule of Functional Expenses**  
**For the Year Ended December 31, 2016**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 684,946	\$ 212,167	207,060	\$ 1,104,173
Payroll Taxes	57,888	19,035	18,604	95,527
Employee Benefits	94,495	22,774	24,706	141,975
Office	-	-	1,468	1,468
Telephone	7,507	2,371	858	10,736
Postage	7,220	-	626	7,846
Printing	18,690	-	2,764	21,454
Dues and Subscriptions	2,085	529	341	2,955
Travel and Activity Fees	13,621	946	101	14,668
Training	5,100	-	-	5,100
Professional Fees	203,609	2,052	1,881	207,542
Advertising and Promotion	17,443	-	-	17,443
Utilities	26,619	-	-	26,619
Repairs and Maintenance	2,789	-	-	2,789
Supplies	47,683	6,899	8,307	62,889
Property Taxes	11,431	-	-	11,431
Insurance	48,434	6,380	-	54,814
Special Events	81,398	-	-	81,398
Program Expenses	44,593	-	-	44,593
Grants and Awards	53,810	-	-	53,810
Capital Campaign - Project Management	37,049	-	-	37,049
Equipment Lease	12,510	-	-	12,510
Depreciation	259,595	-	-	259,595
	<u>\$ 1,738,515</u>	<u>\$ 273,153</u>	<u>\$ 266,716</u>	<u>\$ 2,278,384</u>