WELLS NATIONAL ESTUARINE RESEARCH RESERVE MANAGEMENT AUTHORITY

AUDIT OF FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2011

WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY

AUDIT OF FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION

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INDEPENDENT AUDITORS' REPORT

January 3, 2012

To the Board of Directors
Wells National Estuarine Research
Reserve Management Authority
Wells, Maine

We have audited the accompanying financial statements of the enterprise fund of the Wells National Estuarine Research Reserve Management Authority (the "Authority") as of and for the year ended June 30, 2011, which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. 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 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 audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the Authority's legally separate component unit, Laudholm Trust. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Authority. The component unit has been excluded from the financial statements as the financial data has not been audited for the year ended June 30, 2011. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the discretely presented component unit would have been reported as: assets $4,645,025; liabilities $28,927; net assets $4,616,098; revenues $1,393,222; and expenses $713,438.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component unit of the Authority, as of June 30, 2011, or the changes in net assets and cash flows thereof for the year then ended.

In addition, in our opinion, except for the effects of omitting the discretely presented component unit as discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the enterprise fund of the Authority, as of June 30, 2011, and the changes in net assets and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2011, and the changes in net assets and cash flows thereof for the year then ended in conformity with accounting principles 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Cummings, Lamont & McNamee PA

Certified Public Accountants
Kennebunk, Maine

Management's Discussion and Analysis (Unaudited)

The following discussion and analysis of the Wells National Estuarine Research Reserve Management Authority's financial performance provides an overview of the Authority's financial activities for the year ended June 30, 2011 and is intended to serve as an introduction to the Authority's basic financial statements. Please read it in conjunction with the financial statements and the accompanying notes to those financial statements, which follow this section.

Financial Highlights

- The Authority's net assets increased by $99,224 from the prior fiscal year-end balance. Of this amount, the plant fund had an increase in net assets of $101,947, and the operating fund had a decrease in net assets of $2,723.
- The assets of the Authority exceeded its liabilities at the close of the current fiscal year by $4,413,591 (net assets). Of this amount, $4,212,867 was invested in capital assets, and the remaining $200,724 was unrestricted and may be used for the Authority's general operations.
- Capital assets increased by $101,947 which is the net result of $368,768 in additions and $266,821 in current depreciation.

Overview of the Basic Financial Statements

The basic financial statements are comprised of the following:

- Independent Auditors' Report – This report is issued by the Authority's independent auditors. In it, the auditors explain that they audited the Authority's basic financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. It also expresses that, in the opinion of the auditors, the Authority's financial statements present fairly the Authority's financial position and the results of its operations and cash flows for the year ended June 30, 2011 in conformity with accounting principles generally accepted in the United States of America except for the omission of financial data for the Authority's legally separate component unit, Laudholm Trust.

- Balance Sheet – The balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets.

- Statement of Revenues, Expenses, and Change in Net Assets – This statement reports the operating and nonoperating revenues and expenses of the Authority as well as capital grants and contributions for the year ended June 30, 2011. It also shows how the Authority's net assets changed during the fiscal year.

- Statement of Cash Flows – The statement of cash flows reports the sources and uses of the Authority's cash from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. Sources and uses of cash are netted on the statement to show the Authority's net increase or decrease in cash for the year ended June 30, 2011.

- Notes to Financial Statements – The notes to the financial statements provide information about the Authority, its accounting policies, and additional information on amounts reported in other parts of the financial statements.

- Additional Information – This portion of the Authority's financial statements includes additional financial information that is not required to be included in the Authority's basic financial statements. The information is presented in the form of a schedule and is meant to assist the reader by providing additional information that the Authority believes would be useful to the readers of the financial statements. As with the basic financial statements, the Authority's auditors have also issued a report on this additional information. Their report states that the additional information is fairly stated in relation to the basic financial statements.

As explained in the independent auditors' report on the basic financial statements, the Authority's auditors have also issued a "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*". This report is not a part of the basic financial statements but is considered an integral part of the audit of the Authority's financial statements in accordance with *Government Auditing Standards* and should be read in conjunction with the auditors' report on the basic financial statements.

Financial Analysis of the Authority

A summary of the Authority's financial condition at June 30, 2011 and 2010 follows:

Financial Condition
(in thousands)

	Operating Fund		Plant Fund		Total	
	2011	2010	2011	2010	2011	2010
CURRENT ASSETS						
Cash	$ 244	$ 173	$ -	$ -	$ 244	$ 173
Other current assets	21	12	(20)	(12)	1	-
NONCURRENT ASSETS						
Restricted grants receivable	990	471	118	450	1,108	921
Capital assets	-	-	4,213	4,111	4,213	4,111
Total Assets	$ 1,255	$ 656	$ 4,311	$ 4,549	$ 5,566	$ 5,205
CURRENT LIABILITIES						
Accounts payable and accrued expenses	$ 84	$ 61	$ -	$ -	$ 84	$ 61
NONCURRENT LIABILITIES						
Deferred revenue	970	392	98	438	1,068	830
Total liabilities	1,054	453	98	438	1,152	891
NET ASSETS						
Invested in capital assets	-	-	4,213	4,111	4,213	4,111
Unrestricted	201	203	-	-	201	203
Total net assets	201	203	4,213	4,111	4,414	4,314
Total Liabilities and Net Assets	$ 1,255	$ 656	$ 4,311	$ 4,549	$ 5,566	$ 5,205

At June 30, 2011 the Authority had restricted grants receivable of $1,107,894 restricted to research, education, stewardship, exhibits and buildings. Grants are recorded on the books when awarded to the Authority but revenue is not recognized until all eligibility requirements imposed by the provider have been met, generally when qualifying expenditures are incurred. Grant funds are generally drawn down from the granting agency once these requirements are met. Of the $1,107,894 in grants receivable $39,811 has been earned and can be drawn down and the remaining $1,068,083 has not been earned and is included in deferred revenue at June 30, 2011.

By far the largest portion of the Authority's Net Assets reflects investment in capital assets. These assets have been acquired using grants and other funds of the Authority. The Authority uses these capital assets in its program and supporting services; consequently these assets are not available for future spending. Unrestricted net assets may be used to meet the Authority's ongoing obligations to its creditors.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. A condensed version of the Statement for the years ended June 30, 2011 and 2010 follows:

Results of Operations
(in thousands)

	Operating Fund		Plant Fund		Total	
	2011	2010	2011	2010	2011	2010
OPERATING REVENUES	$ 75	$ 77	$ -	$ 11	$ 75	$ 88
OPERATING EXPENSES						
Education	295	302	-	-	295	302
Research	339	282	-	-	339	282
Stewardship	44	103	-	-	44	103
NERR System meetings	26	27	-	-	26	27
General and administrative	442	449	-	-	442	449
Depreciation	-	-	267	281	267	281
OPERATING INCOME (LOSS)	(1,071)	(1,086)	(267)	(270)	(1,338)	(1,356)
NONOPERATING REVENUES (EXPENSES)						
Federal grants	818	812	-	-	818	812
State grants	1	8	-	-	1	8
Laudholm Trust grants and support	245	242	-	-	245	242
Other nonoperating revenues	58	46	-	-	58	46
Grants to others	(54)	(46)	-	-	(54)	(46)
CAPITAL GRANTS AND CONTRIBUTIONS						
Federal grants	-	-	262	94	262	94
Laudholm Trust grants	-	-	107	30	107	30
Other capital grants	-	-	-	15	-	15
CHANGE IN NET ASSETS	$ (3)	$ (24)	$ 102	$ (131)	$ 99	$ (155)

The Authority's operations are funded mainly by grants and other support which are considered to be nonoperating revenues in the financial statements. After including nonoperating revenues the Operating Fund had a decrease in net assets of $2,723 which decreased unrestricted net assets. For the year ended June 30, 2011 capital grants and contributions of the Plant Fund exceeded depreciation expense resulting in an increase in net assets of $101,947.

Capital Assets

As of June 30, 2011 the Authority had $4,212,867 invested in capital assets consisting of leasehold improvements, land, buildings, furniture and fixtures, equipment, trails and boardwalks, library and exhibits, and vehicles. The largest category, leasehold improvements, consists of improvements to historic Laudholm Farm where the Reserve facilities are situated which is owned by the Town of Wells, Maine. Capital assets increased by $101,947 which is the net result of $368,768 in additions and $266,821 in current depreciation.

This year's major additions included:

Exhibits	$	339,611
Equipment		20,733
Various other additions		8,424
	$	368,768

Requests for information

This financial report is intended to provide an overview of the finances of the Authority for those with an interest in this organization. Questions concerning any information within this report may be directed to the Reserve Director, 342 Laudholm Farm Road, Wells, Maine 04090.

WELLS NATIONAL ESTUARINE RESEARCH RESERVE MANAGEMENT AUTHORITY

BALANCE SHEET

JUNE 30, 2011

	Operating Fund	Plant Fund	Total
ASSETS			
CURRENT ASSETS			
Cash	$ 243,808	$ -	$ 243,808
Internal balances	20,185	(20,185)	-
Due from component unit	1,636	-	1,636
Total Current Assets	265,629	(20,185)	245,444
NONCURRENT ASSETS			
Restricted assets:			
Grants receivable	989,560	118,334	1,107,894
Total Restricted Assets	989,560	118,334	1,107,894
Capital assets:			
Leasehold improvements	-	3,036,217	3,036,217
Land and buildings	-	2,568,152	2,568,152
Furniture and fixtures	-	113,670	113,670
Equipment	-	933,791	933,791
Trails and boardwalks	-	120,891	120,891
Library and exhibits	-	867,265	867,265
Vehicles	-	63,659	63,659
Less accumulated depreciation	-	(3,490,778)	(3,490,778)
Total Capital Assets	-	4,212,867	4,212,867
Total Noncurrent Assets	989,560	4,331,201	5,320,761
Total Assets	$ 1,255,189	$ 4,311,016	$ 5,566,205

See Notes to Financial Statements

WELLS NATIONAL ESTUARINE RESEARCH RESERVE MANAGEMENT AUTHORITY

BALANCE SHEET

JUNE 30, 2011

	Operating Fund	Plant Fund	Total
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$ 44,024	$ -	$ 44,024
Accrued salaries	15,134	-	15,134
Accrued compensated absences	25,373	-	25,373
Total Current Liabilities	84,531	-	84,531
NONCURRENT LIABILITIES			
Deferred revenue	969,934	98,149	1,068,083
Total Noncurrent Liabilities	969,934	98,149	1,068,083
Total Liabilities	1,054,465	98,149	1,152,614
NET ASSETS			
Invested in capital assets	-	4,212,867	4,212,867
Unrestricted	200,724	-	200,724
Total Net Assets	200,724	4,212,867	4,413,591
Total Liabilities and Net Assets	$ 1,255,189	$ 4,311,016	$ 5,566,205

See Notes to Financial Statements

WELLS NATIONAL ESTUARINE RESEARCH RESERVE MANAGEMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2011

	Operating Fund		Plant	
	Unrestricted	Restricted	Fund	Total
OPERATING REVENUES				
Charges for services	$ 71,910	$ -	$ -	$ 71,910
Other income	3,545	-	-	3,545
Total Operating Revenues	75,455	-	-	75,455
OPERATING EXPENSES				
Program services				
Education	65,742	229,660	-	295,402
Research	(2,943)	341,516	-	338,573
Stewardship	4,272	39,743	-	44,015
NERR System meetings	138	26,111	-	26,249
Total Program Services	67,209	637,030	-	704,239
Supporting services				
General and administrative	193,337	248,967	-	442,304
Depreciation	-	-	266,821	266,821
Total Supporting Services	193,337	248,967	266,821	709,125
Total Operating Expenses	260,546	885,997	266,821	1,413,364
OPERATING INCOME (LOSS)	(185,091)	(885,997)	(266,821)	(1,337,909)
NONOPERATING REVENUES (EXPENSES)				
Federal grants	-	817,947	-	817,947
State grants	-	957	-	957
Laudholm Trust grants	106,805	73,562	-	180,367
Laudholm Trust indirect support	64,611	-	-	64,611
Other grants	-	47,613	-	47,613
Contributions	10,736	-	-	10,736
Interest and dividends	216	-	-	216
Grants to others	-	(54,082)	-	(54,082)
Total Nonoperating Revenues (Expenses)	182,368	885,997	-	1,068,365
INCOME (LOSS) BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(2,723)	-	(266,821)	(269,544)

See Notes to Financial Statements

WELLS NATIONAL ESTUARINE RESEARCH RESERVE MANAGEMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2011

	Operating Fund		Plant	
	Unrestricted	Restricted	Fund	Total
CAPITAL GRANTS AND CONTRIBUTIONS				
Federal grants	-	-	261,810	261,810
Laudhom Trust grants	-	-	106,958	106,958
Total Capital Grants and Contributions	-	-	368,768	368,768
CHANGE IN NET ASSETS	(2,723)	-	101,947	99,224
NET ASSETS, BEGINNING OF YEAR	203,447	-	4,110,920	4,314,367
NET ASSETS, END OF YEAR	$ 200,724	$ -	$ 4,212,867	$ 4,413,591

See Notes to Financial Statements

WELLS NATIONAL ESTUARINE RESEARCH RESERVE MANAGEMENT AUTHORITY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011

	Operating Fund	Plant Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 71,910	$ -	$ 71,910
Payments to employees	(587,926)	-	(587,926)
Payments to suppliers for goods and services	(535,563)	-	(535,563)
Internal activity - payments to other funds	(7,729)	7,729	-
Other receipts (payments)	3,545	-	3,545
Net cash provided by (used in) operating activities	(1,055,763)	7,729	(1,048,034)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Noncapital grants, contributions and other support	1,180,211	-	1,180,211
Grants to others	(54,082)	-	(54,082)
Net cash provided by (used in) noncapital financing activities	1,126,129	-	1,126,129
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants and contributions	-	361,039	361,039
Acquisitions of capital assets	-	(368,768)	(368,768)
Net cash provided by (used in) capital and related financing activities	-	(7,729)	(7,729)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	216	-	216
Net cash provided by (used in) investing activities	216	-	216
NET INCREASE (DECREASE) IN CASH BALANCE	70,582	-	70,582
CASH BALANCE, BEGINNING OF YEAR	173,226	-	173,226
CASH BALANCE, END OF YEAR	$ 243,808	$ -	$ 243,808
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ (1,071,088)	$ (266,821)	$ (1,337,909)
Adjustments:			
Depreciation expense	-	266,821	266,821
Change in assets and liabilities:			
Internal balances	(7,729)	7,729	-
Accounts payable	14,434	-	14,434
Accrued salaries	4,353	-	4,353
Accrued compensated absences	4,267	-	4,267
Net cash provided by (used in) operating activities	$ (1,055,763)	$ 7,729	$ (1,048,034)

See Notes to Financial Statements

Note 1 – Summary of Accounting Policies

The Wells National Estuarine Research Reserve Management Authority was established in 1990 as an instrumentality of the State of Maine to support and promote the interests of the Wells National Estuarine Research Reserve.

The Authority operates to: manage and sustain the coastal lands and other resources within the Reserve; further coordination and cooperation among state agencies, the National Oceanic and Atmospheric Administration, the Town of Wells, the United States Fish and Wildlife Service and the Laudholm Trust; develop and implement programs for estuarine research and education; and provide public access and opportunities for public enjoyment compatible with the protection of the Reserve's natural resources.

The accounting policies used by the Authority conform to generally accepted accounting principles (GAAP) as applicable to governmental units. Significant policies are described below:

Reporting Entity – The Authority meets the criteria established by the Governmental Accounting Standards Board to be considered a primary governmental entity for financial reporting purposes. Component units are legally separate organizations that are either financially accountable to the primary government or must be included to keep the financial statements from being misleading or incomplete because of the nature or significance of their relationships to the primary government. Laudholm Trust, a not-for-profit organization, is a component unit because of the significance of its financial relationship with the Authority. Laudholm Trust is a fund-raising organization providing support for estuarine ecosystems, primarily the Wells National Estuarine Research Reserve and the historic site of Laudholm Farm.

Laudholm Trust has issued separate financial statements for the fiscal year ended June 30, 2011. Complete financial statements may be obtained at the Trust's administrative offices: Laudholm Trust, 342 Laudholm Farm Road, Wells, Maine 04090.

Financial Reporting – The Authority follows the provisions of the Governmental Accounting Standards Board (GASB): Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,* and Statement No. 38, *Certain Financial Statement Note Disclosures*, which establish the financial reporting standards for all state and local government entities.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Authority, the reporting entity. As allowed by GASB Statement No. 34, the Authority accounts for its operations using enterprise fund accounting and reporting.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, generally when qualifying expenditures are incurred.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the Authority has adopted the option to apply only those Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989, that do not conflict with or contradict GASB pronouncements. Only GASB pronouncements issued after this date will be followed.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with an enterprise fund's ongoing operations. The principal operating revenues of the Authority's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services provided, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1 – Summary of Accounting Policies (continued)

Financial Reporting (continued) – When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources, as they are needed.

Fund Accounting – To ensure observance of limitations and restrictions placed on the use of the resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities, and fund balances of the Authority are reported in two self-balancing fund groups as follows:

- Operating funds, which include unrestricted and restricted resources, represent the portion of expendable funds that are available for support of Authority operations and program services.

- Plant funds represent all property, plant and equipment owned by the Authority.

Capital Assets – Purchased assets are carried at cost. Contributed assets are carried at their estimated fair market value at the time of the gift. Major additions are included in the property accounts while maintenance and repairs which do not improve or extend the life of the assets are expensed currently. Depreciation is computed by the straight-line method based on the estimated useful lives of the assets. See Note 4.

Capital Grants and Contributions – Funds provided by grants from federal and state governments, and Laudholm Trust, which are restricted to the construction and improvement of the Authority's capital assets are recorded as income from capital grants and contributions.

Net Assets – Net assets comprise the various net earnings from operating income, nonoperating revenues and expenses, and capital grants and contributions. Net assets are classified in the following three components:

Invested in capital assets – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings, if any, that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net assets consists of constraints imposed by grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets."

Cash and Cash Equivalents – For the purposes of the statement of cash flows, the Authority considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Note 1 – Summary of Accounting Policies (continued)

Internal Balances – During the course of operations numerous transactions occur between funds that may result in amounts owed between funds. Interfund receivables and payables outstanding are referred to as "internal balances" and normally arise from differences in the timing of expenditures and related grant drawdowns.

Compensated Absences – Under certain circumstances, employees of the Authority are allowed to accumulate annual leave. This amount is included as a liability in the financial statements.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Revenues, Expenses, and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 – Memorandums of Understanding

The Authority has entered into memorandums of understanding with the Town of Wells, the State of Maine Department of Conservation/Bureau of Parks and Lands, the National Oceanic and Atmospheric Administration and the United States Fish and Wildlife Service. These agreements outline each entity's responsibilities in relation to the operation of the Reserve and the management of the property included within the boundaries of the Reserve. The Authority's responsibilities in these agreements are generally to manage the Reserve consistent with the Wells National Estuarine Research Reserve Management Plan 2007 - 2012.

Note 3 – Cash Deposits

The Authority has no formal investment policy. The Authority makes all deposits pursuant to State of Maine Statutes.

At June 30, 2011, the carrying amount of the Authority's deposits with financial institutions was $243,208 and the bank balance was $245,560. The difference between the carrying amount and the bank balance is due primarily to outstanding checks and deposits in transit. Of the bank balance, the entire $245,560 was covered by federal depository insurance.

Note 4 – Capital Assets

Deprecation is computed by the straight-line method using the following estimated useful lives:

Leasehold improvements	25 years
Buildings	25 years
Furniture and fixtures	10 years
Equipment	5-10 years
Trails and boardwalks	15 years
Library and exhibits	7 years
Vehicles	5 years

Note 4 – Capital Assets (continued)

Leasehold improvements consist of improvements to land and buildings owned by the Town of Wells, Maine. The land consists of historic Laudholm Farm on 240 acres where the Reserve facilities are situated. The Authority has certain rights, including the rights to use, manage, and improve the property, as outlined in an easement deed granted to the Authority by the Inhabitants of the Town of Wells on August 7, 1992.

Land and buildings consist of two parcels. The first one consists of approximately 37 acres of land and buildings situated on Laudholm Farm Road in the Town of Wells, Maine. The property is used for dormitories for visiting scientists and educators. The deed transferring this property to the Authority prohibits the Authority from mortgaging or selling this property. The property is to be held intact. In the event that the provisions of the deed are violated, title will automatically pass to the Catholic Church Extension Society of the United States of America which would be free to dispose of the property at a public or private sale. The second parcel consists of approximately 5 acres of land and buildings located adjacent to the Reserve facilities.

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,053,519	$ -	$ -	$ 1,053,519
Furniture and fixtures	23,300	-	-	23,300
Total capital assets not being depreciated	1,076,819	-	-	1,076,819
Other capital assets:				
Leasehold improvements	3,036,217	-	-	3,036,217
Buildings	1,509,404	5,229	-	1,514,633
Furniture and fixtures	87,175	3,195	-	90,370
Equipment	913,058	20,733	-	933,791
Trails and boardwalks	120,891	-	-	120,891
Library and exhibits	758,874	339,611	(231,220)	867,265
Vehicles	63,659	-	-	63,659
Total other capital assets	6,489,278	368,768	(231,220)	6,626,826
Less accumulated depreciation:				
Leasehold improvements	(1,541,023)	(121,449)	-	(1,662,472)
Buildings	(278,233)	(60,428)	-	(338,661)
Furniture and fixtures	(82,975)	(4,240)	-	(87,215)
Equipment	(750,618)	(65,843)	-	(816,461)
Trails and boardwalks	(83,263)	(3,661)	-	(86,924)
Library and exhibits	(660,266)	(6,340)	231,220	(435,386)
Vehicles	(58,799)	(4,860)	-	(63,659)
Less accumulated depreciation	(3,455,177)	(266,821)	231,220	(3,490,778)
Total other capital assets, net	3,034,101	101,947	-	3,136,048
Total capital assets, net	$ 4,110,920	$ 101,947	$ -	$ 4,212,867

Note 5 – Deferred Amounts

Grants receivable represent the balances of unrestricted and restricted grants, all of which are due to be received during the year ending June 30, 2012.

Grants receivable which are subject to restrictions are included in the deferred restricted amounts. The following is a summary of the changes in the deferred restricted amounts:

Balance at beginning of period	$	829,550
Additional restricted grants		1,547,380
		2,376,930
Less - funds expended during the period		1,308,847
Balance at end of period	$	1,068,083

The deferred restricted amounts are more fully described as follows:

Restricted to education	$	741,606
Restricted to research		107,112
Restricted to stewardship		112,412
Restricted to exhibits and buildings		98,149
Restricted to general and administrative		8,804
	$	1,068,083

Note 6 – Support and Revenue

The Authority's major sources of revenue are federal grants and Laudholm Trust grants as follows:

- Federal grants are received from the National Oceanic and Atmospheric Administration, Department of Commerce, the Fish and Wildlife Service, and the Environmental Protection Agency. Various grant awards are utilized by the Authority for operations, development, research, education, stewardship and monitoring purposes.

- Laudholm Trust provides the local matching funds required by the federal grants and additional support needed for operations. The Trust is a not-for-profit organization which raises money through membership dues, donations and fund raising activities with the primary goal to support the Authority.

The Authority also receives state, municipal, and private grants to support its operations and programs.

Note 7 – Pension Plan

The Authority has established a defined contribution pension plan for the benefit of its employees. Under this plan the Authority matches dollar for dollar up to 6.5% of each eligible employee's salary. Employees must have one year of service with the Authority before they can participate in the plan. The related pension expense was $25,075 for the year ended June 30, 2011.

Note 8 – Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Donated services included in the financial statements consist of accounting services with a total value of $8,485.

Note 9 – Commitments

The Authority has entered into agreements to provide subawards to other organizations. At June 30, 2011, outstanding obligations under these agreements totaled $424,737.

Note 10 – Subsequent Events

Subsequent events have been evaluated by management through January 3, 2012. January 3, 2012 is the date the financial statements were available to be issued. There are no subsequent events that were material to the financial statements at January 3, 2012.

INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

January 3, 2012

To the Board of Directors
Wells National Estuarine Research
Reserve Management Authority
Wells, Maine

Our report on our audit of the basic financial statements of the Wells National Estuarine Research Reserve Management Authority for the year ended June 30, 2011, appears on page 1. This audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary 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. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. Such information, in our opinion, except for the effects of omitting the discretely presented component unit as discussed in our report on page 1, is fairly stated in all material respects in relation to the basic financial statements of the enterprise fund of the Authority taken as a whole.

Cummings, Lamont & McNamee PA

Certified Public Accountants
Kennebunk, Maine

WELLS NATIONAL ESTUARINE RESEARCH RESERVE MANAGEMENT AUTHORITY

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

	Program Services				Supporting Services
	Education	Research	Stewardship	NERR System Meetings	General and Administrative
EXPENSES					
Salaries	$ 184,328	$ 219,083	$ 30,167	$ -	$ 162,968
Payroll taxes and benefits	50,454	64,179	4,529	-	58,820
Contracted services	19,567	19,972	5,718	26,249	22,683
Docent and volunteer expenses	2,204	-	-	-	2,284
Insurance	-	-	-	-	9,342
Miscellaneous	14,578	1,022	-	-	10,846
Postage	-	-	-	-	3,018
Printing	2,453	899	-	-	7,808
Professional fees	-	-	-	-	28,525
Repairs and maintenance	250	-	-	-	42,152
Staff development	665	-	784	-	50
Subscriptions and memberships	-	1,558	-	-	2,500
Supplies	9,817	24,008	86	-	21,463
Travel	11,086	7,852	2,731	-	3,198
Utilities and telephone	-	-	-	-	66,647
Total Expenses	$ 295,402	$ 338,573	$ 44,015	$ 26,249	$ 442,304

See Independent Auditors' Report on Page 18