



**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

**AUDIT OF FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

YEAR ENDED JUNE 30, 2009

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RESERVE MANAGEMENT AUTHORITY

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AND
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INDEPENDENT AUDITORS' REPORT

January 21, 2010

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 and the discretely presented component unit of the Wells National Estuarine Research Reserve Management Authority as of and for the year ended June 30, 2009, which collectively 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.

Except as discussed in the following paragraph, 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 of the Laudholm Trust (the "Trust") have not been audited, and we were not engaged to audit the Trust financial statements as part of our audit of the Authority's basic financial statements. The Trust's financial activities are included in the Authority's basic financial statements as a discretely presented component unit and represent one hundred percent of the assets, net assets and revenues, of the Authority's aggregate discretely presented component units.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had the Trust's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit for Wells National Estuarine Research Reserve Management Authority as of June 30, 2009, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the enterprise fund of the Wells National Estuarine Research Reserve Management Authority as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2010, on our consideration of the Authority'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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cummings, Lamont + McNamee P.A.

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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, 2009 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.

The Authority's financial statements include a separate legal entity, Laudholm Trust. Although legally separate, Laudholm Trust is included as a discretely presented component unit because of the significance of its financial relationship with the Authority.

Financial Highlights

- The Authority's net assets decreased by \$265,967 from the prior fiscal year-end balance. Of this amount, the plant fund had a decrease in net assets of \$261,823 and the operating fund had a decrease in net assets of \$4,144.
- The assets of the Authority exceeded its liabilities at the close of the current fiscal year by \$4,469,235 (net assets). Of this amount, \$4,242,255 was invested in capital assets, and the remaining \$226,980 was unrestricted and may be used for the Authority's general operations.
- Capital assets decreased by \$261,823 which is the net result of \$45,989 in additions and \$307,812 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, 2009 in conformity with accounting principles generally accepted in the United States of America.
- 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, 2009. 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, 2009.
- 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, 2009 and 2008 follows:

**Financial Condition
(in thousands)**

	<u>Operating Fund</u>		<u>Plant Fund</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
CURRENT ASSETS						
Cash	\$ 226	\$ 208	\$ -	\$ -	\$ 226	\$ 208
Other current assets	2	4	(2)	(2)	-	2
NONCURRENT ASSETS						
Restricted grants receivable	278	382	105	46	383	428
Capital assets	-	-	4,242	4,504	4,242	4,504
Total Assets	\$ <u>506</u>	\$ <u>594</u>	\$ <u>4,345</u>	\$ <u>4,548</u>	\$ <u>4,851</u>	\$ <u>5,142</u>
CURRENT LIABILITIES						
Accounts payable and accrued expenses	\$ 26	\$ 75	\$ -	\$ -	\$ 26	\$ 75
NONCURRENT LIABILITIES						
Deferred revenue	253	288	103	44	356	332
Total liabilities	<u>279</u>	<u>363</u>	<u>103</u>	<u>44</u>	<u>382</u>	<u>407</u>
NET ASSETS						
Invested in capital assets	-	-	4,242	4,504	4,242	4,504
Unrestricted	<u>227</u>	<u>231</u>	-	-	<u>227</u>	<u>231</u>
Total net assets	<u>227</u>	<u>231</u>	<u>4,242</u>	<u>4,504</u>	<u>4,469</u>	<u>4,735</u>
Total Liabilities and Net Assets	\$ <u>506</u>	\$ <u>594</u>	\$ <u>4,345</u>	\$ <u>4,548</u>	\$ <u>4,851</u>	\$ <u>5,142</u>

At June 30, 2009 the Authority had restricted grants receivable of \$382,385 restricted to research, education, stewardship, supporting services, 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 \$382,385 in grants receivable \$26,280 has been earned and can be drawn down and the remaining \$356,105 has not been earned and is included in deferred revenue at June 30, 2009.

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, 2009 and 2008 follows:

Results of Operations
(in thousands)

	<u>Operating Fund</u>		<u>Plant Fund</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
OPERATING REVENUES	\$ <u>76</u>	\$ <u>69</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>76</u>	\$ <u>69</u>
OPERATING EXPENSES						
Education	294	263	-	-	294	263
Research	279	330	-	-	279	330
Stewardship	142	95	-	-	142	95
NERR System meetings	58	35	-	-	58	35
General and administrative	435	433	-	-	435	433
Depreciation	<u>-</u>	<u>-</u>	<u>308</u>	<u>301</u>	<u>308</u>	<u>301</u>
OPERATING INCOME (LOSS)	(1,132)	(1,087)	(308)	(301)	(1,440)	(1,388)
NONOPERATING REVENUES (EXPENSES)						
Federal grants	795	786	-	-	795	786
State grants	41	-	-	-	41	-
Laudholm Trust grants and support	259	291	-	-	259	291
Other nonoperating revenues	33	41	-	-	33	41
CAPITAL GRANTS AND CONTRIBUTIONS						
Federal grants	-	-	40	438	40	438
Laudholm Trust grants	<u>-</u>	<u>-</u>	<u>6</u>	<u>360</u>	<u>6</u>	<u>360</u>
CHANGE IN NET ASSETS	\$ (<u>4</u>)	\$ <u>31</u>	\$ (<u>262</u>)	\$ <u>497</u>	\$ (<u>266</u>)	\$ <u>528</u>

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 \$4,144 which decreased unrestricted net assets. For the year ended June 30, 2009 depreciation expense of the Plant Fund exceeded capital grants and contributions, and operating revenues resulting in a decrease in net assets of \$261,823.

Capital Assets

As of June 30, 2009 the Authority had \$4,242,255 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 decreased by \$261,823 which is the net result of \$45,989 in additions and \$307,812 in current depreciation.

This year's major additions included:

Trails and boardwalks	\$	26,369
Various other additions		<u>19,620</u>
	\$	<u>45,989</u>

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, 2009

	Primary Government			Component Unit (Unaudited)
	Operating Fund	Plant Fund	Total	
ASSETS				
CURRENT ASSETS				
Cash	\$ 226,396	\$ -	\$ 226,396	\$ 301,526
Accounts receivable	-	-	-	100
Investments	-	-	-	691,142
Internal balances	2,152	(2,152)	-	-
Inventory	-	-	-	5,671
Total Current Assets	228,548	(2,152)	226,396	998,439
NONCURRENT ASSETS				
Restricted assets:				
Cash	-	-	-	454,793
Grants receivable	277,735	104,650	382,385	-
Pledges receivable	-	-	-	110,750
Investments	-	-	-	1,295,302
Beneficial interest in charitable trusts	-	-	-	770,885
Total Restricted Assets	277,735	104,650	382,385	2,631,730
Capital assets:				
Leasehold improvements	-	3,036,217	3,036,217	-
Land and buildings	-	2,548,366	2,548,366	147,950
Furniture and fixtures	-	110,475	110,475	-
Equipment	-	875,216	875,216	21,121
Trails and boardwalks	-	120,891	120,891	-
Library and exhibits	-	661,403	661,403	-
Vehicles	-	63,659	63,659	-
Less accumulated depreciation	-	(3,173,972)	(3,173,972)	(18,254)
Total Capital Assets	-	4,242,255	4,242,255	150,817
Total Noncurrent Assets	277,735	4,346,905	4,624,640	2,782,547
Total Assets	\$ 506,283	\$ 4,344,753	\$ 4,851,036	\$ 3,780,986

See Notes to Financial Statements

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

BALANCE SHEET

JUNE 30, 2009

	Primary Government			Component Unit (Unaudited)
	Operating Fund	Plant Fund	Total	
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 5,704	\$ -	\$ 5,704	\$ 5,536
Accrued salaries	4,028	-	4,028	-
Accrued compensated absences	15,964	-	15,964	-
Total Current Liabilities	25,696	-	25,696	5,536
NONCURRENT LIABILITIES				
Deferred revenue	253,607	102,498	356,105	-
Present value of future annuity payments	-	-	-	41,926
Total Noncurrent Liabilities	253,607	102,498	356,105	41,926
Total Liabilities	279,303	102,498	381,801	47,462
NET ASSETS				
Invested in capital assets	-	4,242,255	4,242,255	150,817
Restricted for:				
Endowment fund	-	-	-	1,384,137
Research support fund	-	-	-	852,738
Other purposes	-	-	-	383,302
Unrestricted	226,980	-	226,980	962,530
Total Net Assets	226,980	4,242,255	4,469,235	3,733,524
Total Liabilities and Net Assets	\$ 506,283	\$ 4,344,753	\$ 4,851,036	\$ 3,780,986

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, 2009

	Primary Government			Total	Component Unit (Unaudited)
	Operating Fund		Plant Fund		
	Unrestricted	Restricted			
OPERATING REVENUES					
Charges for services	\$ 74,121	\$ -	\$ -	\$ 74,121	\$ -
Fundraising events	-	-	-	-	140,381
Store sales	-	-	-	-	8,635
Other income	2,300	-	-	2,300	-
Total Operating Revenues	76,421	-	-	76,421	149,016
OPERATING EXPENSES					
Program services					
Education	73,947	220,293	-	294,240	-
Research	9,538	269,535	-	279,073	-
Stewardship	13,620	128,947	-	142,567	-
NERR System meetings	-	57,900	-	57,900	-
Contributions to Primary Government	-	-	-	-	260,659
Total Program Services	97,105	676,675	-	773,780	260,659
Supporting services					
General and administrative	178,899	255,710	-	434,609	299,717
Cost of fundraising events	-	-	-	-	58,685
Store purchases and expenses	-	-	-	-	3,825
Depreciation	-	-	307,812	307,812	1,387
Total Supporting Services	178,899	255,710	307,812	742,421	363,614
Total Operating Expenses	276,004	932,385	307,812	1,516,201	624,273
OPERATING INCOME (LOSS)	(199,583)	(932,385)	(307,812)	(1,439,780)	(475,257)
NONOPERATING REVENUES (EXPENSES)					
Federal grants	-	795,333	-	795,333	-
State grants	-	40,505	-	40,505	-
Laudholm Trust grants	131,500	72,642	-	204,142	-
Laudholm Trust indirect support	54,557	-	-	54,557	-
Other grants	-	23,905	-	23,905	-
Contributions	8,685	-	-	8,685	300,408
Memberships	-	-	-	-	73,466
Interest and dividends	697	-	-	697	72,541
Gains (losses) on investments	-	-	-	-	(416,812)
Gains (losses) on charitable trusts	-	-	-	-	(208,350)
Change in annuity obligations	-	-	-	-	(2,625)
Total Nonoperating Revenues (Expenses)	195,439	932,385	-	1,127,824	(181,372)

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, 2009

	Primary Government			Total	Component Unit (Unaudited)
	Operating Fund		Plant Fund		
	Unrestricted	Restricted			
INCOME (LOSS) BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(4,144)	-	(307,812)	(311,956)	(656,629)
CAPITAL GRANTS AND CONTRIBUTIONS					
Federal grants	-	-	40,450	40,450	-
Laudhom Trust grants	-	-	5,539	5,539	-
Total Capital Grants and Contributions	-	-	45,989	45,989	-
CHANGE IN NET ASSETS	(4,144)	-	(261,823)	(265,967)	(656,629)
NET ASSETS, BEGINNING OF YEAR	231,124	-	4,504,078	4,735,202	4,390,153
NET ASSETS, END OF YEAR	\$ 226,980	\$ -	\$ 4,242,255	\$ 4,469,235	\$ 3,733,524

See Notes to Financial Statements

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009

	Primary Government		
	Operating Fund	Plant Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 74,121	\$ -	\$ 74,121
Payments to employees	(585,002)	-	(585,002)
Payments to suppliers for goods and services	(671,174)	-	(671,174)
Internal activity - payments to other funds	443	(443)	-
Other receipts (payments)	2,300	-	2,300
Net cash provided by (used in) operating activities	(1,179,312)	(443)	(1,179,755)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Noncapital grants, contributions and other support	1,196,797	-	1,196,797
Net cash provided by (used in) noncapital financing activities	1,196,797	-	1,196,797
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants and contributions	-	46,432	46,432
Acquisitions of capital assets	-	(45,989)	(45,989)
Net cash provided by (used in) capital and related financing activities	-	443	443
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	697	-	697
Net cash provided by (used in) investing activities	697	-	697
NET INCREASE (DECREASE) IN CASH BALANCE	18,182	-	18,182
CASH BALANCE, BEGINNING OF YEAR	208,214	-	208,214
CASH BALANCE, END OF YEAR	\$ 226,396	\$ -	\$ 226,396
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (1,131,968)	\$ (307,812)	\$ (1,439,780)
Adjustments:			
Depreciation expense	-	307,812	307,812
Change in assets and liabilities:			
Internal balances	443	(443)	-
Prepaid expense	1,785	-	1,785
Accounts payable	(43,818)	-	(43,818)
Accrued salaries	(2,761)	-	(2,761)
Accrued compensated absences	(2,993)	-	(2,993)
Net cash provided by (used in) operating activities	\$ (1,179,312)	\$ (443)	\$ (1,179,755)

See Notes to Financial Statements

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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. As required by GAAP, these financial statements present the Wells National Estuarine Research Reserve Management Authority (the Primary Government) and its component unit. 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. The component unit discussed below has been included in the Authority's financial reporting entity because of the significance of its financial relationship with the Authority.

Discretely Presented Component Unit – Laudholm Trust – Laudholm Trust, a not-for-profit organization, 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 is included in the Authority's financial statements because of the significance of its financial relationship with the Authority.

Laudholm Trust has issued separate financial statements for the fiscal year ended June 30, 2009. 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.

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

Note 1 – Summary of Accounting Policies (continued)

Financial Reporting (continued) – 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.

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.”

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

Note 1 – Summary of Accounting Policies (continued)

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.

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.

Investments – The Authority’s discretely presented component unit, Laudholm Trust, carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Balance Sheet. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

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 and Investments

The Authority has no formal investment policy. The Authority makes all deposits pursuant to State of Maine Statutes. The Authority’s discretely presented component unit, Laudholm Trust, has an investment policy which complies with State of Maine Statutes.

Deposits

At June 30, 2009, the carrying amount of the Authority’s deposits with financial institutions was \$225,871 and the bank balance was \$232,784. The difference between the carrying amount and the bank balance is due primarily to outstanding checks. Of the bank balance, the entire \$232,784 was covered by federal depository insurance.

At June 30, 2009, the carrying amount of the discretely presented component unit’s deposits with financial institutions was \$756,319 and the bank balance was \$757,464. The difference between the carrying amount and the bank balance is due primarily to outstanding checks. Of the bank balance, the entire \$757,464 was covered either by federal depository insurance, the Securities Investor Protection Corporation, or by additional insurance.

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

Note 3 – Cash Deposits and Investments (continued)

Investments

At June 30, 2009, the Authority's discretely presented component unit, Laudholm Trust, held investments with a carrying and fair value of \$1,986,444. The Trust's investments are categorized to give an indication of the level of risk assumed by the entity at year end. Of these investments, \$1,904,870 was classified as category 1 of custodial credit risk which includes investments that are insured or registered or for which the securities are held by the Trust or its agent in the Trust's name. The remaining \$81,574 was invested in mutual funds which are not subject to categorization.

Included in these investments at June 30, 2009, were debt investments with a carrying and fair value of \$456,698. Of these debt investments, \$421,054 were U.S. Treasury Notes with a weighted average maturity of 1.92 years, and \$35,644 were mutual bond funds with a weighted average maturity of 5.60 years. The weighted average maturity of the entire bond portfolio was 2.20 years. In accordance with its investment policy, the Trust manages its exposure to declines in fair values by limiting the weighted average maturity of its bond portfolio to less than ten years.

Note 4 – Capital Assets

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

	<u>Primary Government</u>	<u>Component Unit</u>
Leasehold improvements	25 years	N/A
Buildings	25 years	N/A
Furniture and fixtures	10 years	N/A
Equipment	5-10 years	3-10 years
Trails and boardwalks	15 years	N/A
Library and exhibits	7 years	N/A
Vehicles	5 years	N/A

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 of the primary government 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.

Land of the component unit consists of 5 parcels of land which are unrestricted and expendable.

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

Note 4 – Capital Assets (continued)

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Primary Government</u>				
Capital assets not being depreciated:				
Land	\$ 1,053,519	\$ -	\$ -	\$ 1,053,519
Furniture and fixtures	<u>23,300</u>	<u>-</u>	<u>-</u>	<u>23,300</u>
Total capital assets not being depreciated	<u>1,076,819</u>	<u>-</u>	<u>-</u>	<u>1,076,819</u>
Other capital assets:				
Leasehold improvements	3,027,342	8,875	-	3,036,217
Buildings	1,494,847	-	-	1,494,847
Furniture and fixtures	87,175	-	-	87,175
Equipment	864,471	10,745	-	875,216
Trails and boardwalks	94,522	26,369	-	120,891
Library and exhibits	661,403	-	-	661,403
Vehicles	<u>63,659</u>	<u>-</u>	<u>-</u>	<u>63,659</u>
Total other capital assets	<u>6,293,419</u>	<u>45,989</u>	<u>-</u>	<u>6,339,408</u>
Less accumulated depreciation:				
Leasehold improvements	(1,298,302)	(121,272)	-	(1,419,574)
Buildings	(158,160)	(59,794)	-	(217,954)
Furniture and fixtures	(74,815)	(4,080)	-	(78,895)
Equipment	(624,810)	(63,321)	-	(688,131)
Trails and boardwalks	(70,143)	(7,604)	-	(77,747)
Library and exhibits	(590,855)	(46,879)	-	(637,734)
Vehicles	(<u>49,075</u>)	(<u>4,862</u>)	<u>-</u>	(<u>53,937</u>)
Less accumulated depreciation	(<u>2,866,160</u>)	(<u>307,812</u>)	<u>-</u>	(<u>3,173,972</u>)
Total other capital assets, net	<u>3,427,259</u>	(<u>261,823</u>)	<u>-</u>	<u>3,165,436</u>
Total capital assets, net	\$ <u>4,504,078</u>	\$ (<u>261,823</u>)	\$ <u>-</u>	\$ <u>4,242,255</u>
<u>Component Unit-Laudholm Trust</u>				
Capital assets not being depreciated:				
Land	\$ <u>147,950</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>147,950</u>
Total capital assets not being depreciated	<u>147,950</u>	<u>-</u>	<u>-</u>	<u>147,950</u>
Other capital assets:				
Equipment	20,976	744	(599)	21,121
Less accumulated depreciation	(<u>17,466</u>)	(<u>1,387</u>)	<u>599</u>	(<u>18,254</u>)
Total other capital assets, net	<u>3,510</u>	(<u>643</u>)	<u>-</u>	<u>2,867</u>
Total capital assets, net	\$ <u>151,460</u>	\$ (<u>643</u>)	\$ <u>-</u>	\$ <u>150,817</u>

WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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, 2010.

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	\$	332,071
Additional restricted grants		<u>1,002,408</u>
		1,334,479
Less - funds expended during the period		<u>978,374</u>
Balance at end of period	\$	<u>356,105</u>

The deferred restricted amounts are more fully described as follows:

Restricted to supporting services	\$	2,280
Restricted to research		58,023
Restricted to education		58,399
Restricted to stewardship		134,905
Restricted to exhibits and buildings		<u>102,498</u>
	\$	<u>356,105</u>

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 of the primary government was \$22,774 for the year ended June 30, 2009. The Authority's discretely presented component unit, Laudholm Trust, has a similar plan with a related pension expense of \$6,870 for the year ended June 30, 2009.

Note 8 – Note Payable

The Authority's discretely presented component unit, Laudholm Trust, has a line of credit with a commercial bank which provides for borrowings of up to \$100,000. The line of credit is unsecured. There were no borrowings under the line of credit as of June 30, 2009.

WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

Note 9 – 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 \$7,000. The Authority's discretely presented component unit, Laudholm Trust, had donated services included in the financial statements consisting of accounting and legal services, fundraising, public relations and other services with a total value of \$6,226. In addition, a substantial number of volunteers have donated significant amounts of their time in the Authority's operations and program services which is not recognized in the financial statements inasmuch as no objective basis is available to measure the value of such services. During the year ended June 30, 2009, 523 volunteers logged 16,516 hours of service on behalf of the Authority and Laudholm Trust.

Note 10 – Subsequent Events

Subsequent events have been evaluated by management through January 21, 2010. January 21, 2010 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 21, 2010.

INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

January 21, 2010

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, 2009, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cummings, Lamont + McNamee P.A.

*Certified Public Accountants
Kennebunk, Maine*

**WELLS NATIONAL ESTUARINE RESEARCH
RESERVE MANAGEMENT AUTHORITY**

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2009

	Primary Government					Supporting Services	Component Unit (Unaudited) Supporting Services
	Program Services				NERR System Meetings	General and Administrative	General and Administrative
	Education	Research	Stewardship				
EXPENSES							
Salaries	\$ 174,502	\$ 177,968	\$ 77,109	\$ -	\$ 149,669	\$ 195,821	
Payroll taxes and benefits	57,653	49,135	28,487	-	44,954	43,742	
Contracted services	22,731	24,455	33,941	57,900	20,010	-	
Docent and volunteer expenses	1,255	-	-	-	2,779	-	
Insurance	-	-	-	-	8,892	2,723	
Interest expense	-	-	-	-	-	158	
Miscellaneous	545	68	-	-	16,077	-	
Postage	-	-	-	-	3,266	2,994	
Printing	18,436	739	-	-	17,302	2,718	
Professional fees	-	-	-	-	30,314	33,495	
Property taxes	-	-	-	-	-	130	
Recognition	-	-	-	-	-	10,360	
Repairs and maintenance	-	-	-	-	36,271	63	
Staff development	748	116	1,246	-	388	-	
Subscriptions and memberships	-	1,148	-	-	3,530	122	
Supplies	8,363	15,934	838	-	16,946	6,792	
Travel	10,007	9,510	946	-	3,852	349	
Utilities and telephone	-	-	-	-	80,359	250	
Total Expenses	<u>\$ 294,240</u>	<u>\$ 279,073</u>	<u>\$ 142,567</u>	<u>\$ 57,900</u>	<u>\$ 434,609</u>	<u>\$ 299,717</u>	

See Independent Auditors' Report on Page 18