

**ASSOCIATION OF US DELEGATES TO
THE GULF OF MAINE COUNCIL
ON THE MARINE ENVIRONMENT CORP.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2014

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2014

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MARSHALL & LIBBY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

PAUL R. MARSHALL, CPA, PFS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Association of US Delegates to the Gulf of Maine Council on the Marine Environment Corp.

Report on the Financial Statements

We have audited the accompanying financial statements of Association of US Delegates to the Gulf of Maine Council on the Marine Environment Corp. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Association of US Delegates to the Gulf of Maine Council on the Marine Environment Corp. as of June 30, 2014, 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 accompanying schedules of expenditures of federal awards and of indirect cost allocation, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to audit procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reported dated November 7, 2014, on our consideration of the Association of US Delegates to the Gulf of Maine Council on the Marine Environment Corp.'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 Association of US Delegates to the Gulf of Maine Council on the Marine Environment Corp.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Association of US Delegates to the Gulf of Maine Council on the Marine Environment Corp.'s 2013 financial statements, and our report dated November 12, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Marshall + Libby, LLC". The signature is written in a cursive, flowing style.

Portland, ME
November 7, 2014

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

STATEMENT OF FINANCIAL POSITION

June 30, 2014, with Comparative Totals for 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 138,722	\$ 75,049
Grants receivable	149,441	263,849
Accounts receivable	<u>33,111</u>	<u>2,245</u>
Total current assets	<u>321,274</u>	<u>341,143</u>
 Total assets	 \$ <u><u>321,274</u></u>	 \$ <u><u>341,143</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 149,454	\$ 199,127
Refundable advances	<u>47,627</u>	<u>23,559</u>
Total liabilities	<u>197,081</u>	<u>222,686</u>
 NET ASSETS:		
Unrestricted:		
Board designated funds	5,150	9,046
Undesignated funds	<u>119,043</u>	<u>103,319</u>
	124,193	112,365
Temporarily restricted	<u>-</u>	<u>6,092</u>
Total net assets	<u>124,193</u>	<u>118,457</u>
 Total liabilities and net assets	 \$ <u><u>321,274</u></u>	 \$ <u><u>341,143</u></u>

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014, with Comparative Totals for 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
SUPPORT AND REVENUES:				
Federal grant awards	\$ 1,409,279	\$ -	\$ 1,409,279	\$ 1,168,421
Other grants and contracts	275,142	-	275,142	142,915
Contributions	950	-	950	1,098
Dues and member support	71,279	-	71,279	79,398
In-kind revenue	183,905	-	183,905	148,838
Interest income	17	-	17	13
Total support and revenues	<u>1,940,572</u>	<u>-</u>	<u>1,940,572</u>	<u>1,540,683</u>
RELEASED FROM RESTRICTIONS	<u>6,092</u>	<u>(6,092)</u>	<u>-</u>	<u>-</u>
EXPENSES:				
Program services	1,806,810	-	1,806,810	1,383,800
Fundraising	33,032	-	33,032	48,763
Administrative and general	80,821	-	80,821	124,333
Total expenses	<u>1,920,663</u>	<u>-</u>	<u>1,920,663</u>	<u>1,556,896</u>
Excess (deficiency) of revenues over expenses	26,001	(6,092)	19,909	(16,213)
Foreign exchange transaction	<u>(14,173)</u>	<u>-</u>	<u>(14,173)</u>	<u>1,820</u>
Change in net assets	11,828	(6,092)	5,736	(14,393)
NET ASSETS, beginning of year	<u>112,365</u>	<u>6,092</u>	<u>118,457</u>	<u>132,850</u>
Net assets, end of year	\$ <u><u>124,193</u></u>	\$ <u><u>-</u></u>	\$ <u><u>124,193</u></u>	\$ <u><u>118,457</u></u>

See accompanying notes to financial statements.

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2014

	Program Services							
	Education	Monitoring/ Research	Habitat Restoration/ Conservation	Fiscal Agent	Total Program Services	Fundraising	Management and Administration	Total Expenses
Grants	\$ -	\$ 44,254	\$ 426,809	\$ 6,500	\$ 477,563	\$ -	\$ -	\$ 477,563
Contractors	43,834	200,680	80,000	680,071	1,004,585	27,000	199,515	1,231,100
Printing	3,534	-	-	-	3,534	-	-	3,534
Meeting expense/facility rental/meal	-	901	-	4,854	5,755	-	4,099	9,854
Internet/web design	360	-	-	2,000	2,360	-	-	2,360
Accounting	-	-	-	-	-	-	9,500	9,500
Dues and subscriptions	-	29	-	-	29	-	2,818	2,847
Subtotal before allocation of administrative and general and in-kind expenses	47,728	245,864	506,809	693,425	1,493,826	27,000	215,932	1,736,758
Allocated management and administration expenses	8,600	44,221	86,485	65,423	204,729	6,032	(210,761)	-
In-kind expenses	-	104,655	3,600	-	108,255	-	75,650	183,905
Total expenses	<u>\$ 56,328</u>	<u>\$ 394,740</u>	<u>\$ 596,894</u>	<u>\$ 758,848</u>	<u>\$ 1,806,810</u>	<u>\$ 33,032</u>	<u>\$ 80,821</u>	<u>\$ 1,920,663</u>

See accompanying notes to financial statements.

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

	Program Services				Total Program Services	Fundraising	Management and Administration	Total Expenses
	Education	Monitoring/ Research	Habitat Restoration/ Conservation	Fiscal Agent				
Grants	\$ 500	\$ 81,847	\$ 253,352	\$ -	\$ 335,699	\$ -	\$ -	\$ 335,699
Contractors	37,715	147,555	79,980	551,029	816,279	40,843	193,123	1,050,245
Meeting expense/facility rental/meal	-	-	-	4,972	4,972	-	4,662	9,634
Internet/web design	360	-	-	-	360	-	-	360
Accounting	-	-	-	-	-	-	9,500	9,500
Directors and officers insurance	-	-	-	-	-	-	2,400	2,400
Dues and subscriptions	-	-	-	-	-	-	220	220
Subtotal before allocation of administrative and general and in-kind expenses	38,575	229,402	333,332	556,001	1,157,310	40,843	209,905	1,408,058
Allocated management and administration expenses	6,818	43,230	54,514	50,490	155,052	7,920	(162,972)	-
In-kind expenses	-	62,708	8,730	-	71,438	-	77,400	148,838
Total expenses	<u>\$ 45,393</u>	<u>\$ 335,340</u>	<u>\$ 396,576</u>	<u>\$ 606,491</u>	<u>\$ 1,383,800</u>	<u>\$ 48,763</u>	<u>\$ 124,333</u>	<u>\$ 1,556,896</u>

See accompanying notes to financial statements.

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014, with Comparative Totals for 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,736	\$ (14,393)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in assets:		
Grants receivable	114,408	62,631
Accounts receivable	(30,866)	(2,145)
Increase (decrease) in liabilities:		
Accounts payable	(49,673)	(37,899)
Refundable advances	<u>24,068</u>	<u>(10,476)</u>
Net cash provided by (used in) operating activities	63,673	(2,282)
CASH, beginning of year	<u>75,049</u>	<u>77,331</u>
Cash, end of year	\$ <u><u>138,722</u></u>	\$ <u><u>75,049</u></u>

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014, with Comparative Totals for 2013

**NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Nature of Activities – The Association of US Delegates to the Gulf of Maine Council on the Marine Environment Corp. (the Association) was formed in 1993 as a nonprofit organization whose purpose is to support the activities of the Gulf of Maine Council, which focuses on sustaining and improving the Gulf of Maine’s ecosystem by establishing long-term, cooperative environmental management strategies and promoting a framework to unite the protection efforts and responsibilities of the bordering states and Canadian provinces. The Association promotes sustainable development and management of the Gulf’s marine and coastal resources. It also promotes public awareness about Gulf resources and issues, as well as ways that the public can become involved. The Association seeks to foster marine research on the structure and function of the Gulf ecosystem as well as the effects of pollution, habitat loss, and other stresses. The mission of the Association is to maintain and enhance environmental quality in the Gulf of Maine and to allow for sustainable resource use by existing and future generations.

Basis of Presentation – The Association reports its activities according to the disclosure and display requirements of the Financial Accounting Standards Board. Under these provisions, net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

- **Unrestricted net assets** – Net assets that are not subject to donor imposed stipulations. This category includes assets that may be designated for use by the Board.
- **Temporarily restricted net assets** – Net assets subject to donor imposed stipulations that may or will be met either by actions of the Association and/or passage of time.
- **Permanently restricted net assets** – Net assets subject to donor imposed stipulations that they be maintained permanently by the Association.

Generally, the donors of the assets permit the Association to use all or part of the income earned on related investments for general or specific purposes. For the years ended June 30, 2014 and 2013, the Association reported no permanently restricted net assets.

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014, with Comparative Totals for 2013

**NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (continued)**

Grants Receivable – The Association operates primarily in the states and provinces bordering the Gulf of Maine and receives various governmental grants and contracts to provide services in this area. Management has deemed amounts receivable to be fully collectible; therefore, no allowance was considered necessary.

Use of Estimates – The preparation of financial statements in conformity with US generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.

Revenue Recognition – For reimbursable cost type grants, such as the federal grants, revenue is recognized to the extent that expenses have been incurred for the purposes specified by the funding source. For other grants that are voluntary and non-reciprocal, revenue is recognized when the grants are authorized. Dues revenue is reported in the year dues are assessed.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Association utilizes a cost allocation plan using a percentage of direct program expenses as its base. This percentage is derived by dividing its total allowable indirect expenses by its allowable direct expenses, and is based on the prior year's actual expense amounts. The indirect cost percentages calculated for the years ended June 30, 2014 and 2013 were 14.45% and 18.14%, respectively.

Refundable Advances – Grant revenues received in advance of costs incurred for reimbursable cost grants are recorded as refundable advances until such costs are recognized.

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014, with Comparative Totals for 2013

NOTE B – CASH MAINTAINED IN FINANCIAL INSTITUTIONS

The Association maintains its cash balances in one financial institution in an interest bearing checking account. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2014, the Association had a balance in excess of the insurable amount by \$22,050.

NOTE C – GRANTS RECEIVABLE

The following is a summary of net grants receivable at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
U.S. National Oceanic and Atmospheric Administration:		
NOS/NROC FA1	\$ 126,846	\$ 73,040
NOS/NROC FA2	3,873	1,526
NMFS IV	-	111,960
Climate Program Office	-	33,331
U.S. Geological Survey	3,678	6,685
Environment Canada	9,900	10,870
NH Department of Environmental Services	5,144	9,000
Maine Coastal Program	-	2,437
Department of Fisheries and Oceans - Canada	-	15,000
	<u>\$ 149,441</u>	<u>\$263,849</u>

NOTE D – REFUNDABLE ADVANCES

Refundable advances represent funds received or committed but not yet expended. At June 30, 2014 and 2013, the amounts of refundable advances were \$20,827 and \$23,559, respectively. Included in these amounts are \$20,827 and \$21,225 of funds held for future expenditures as part of a fiscal agent agreement for 2014 and 2013, respectively.

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014, with Comparative Totals for 2013

NOTE E – CONCENTRATION REVENUE

The principal sources of revenue are grants and reimbursements from governmental agencies for costs incurred in performing program services. Approximately 71% and 68% of the Association's total revenue (not including in-kind revenue) for the years ended June 30, 2014 and 2013, respectively, was derived from grants from the National Oceanic and Atmospheric Administration (NOAA). Grants and reimbursements from government agencies are recognized when costs are incurred and billed to the agencies. Such amounts not received by year-end are reflected in grants receivable.

NOTE F – INCOME TAXES

No provision has been made for income taxes in the financial statements. The Association is a not-for-profit organization determined to be exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation within the meaning of Section 509(a). This code section enables the Association to accept donations that qualify as charitable contributions to the donor.

The Organization's federal income tax returns for 2013, 2012, and 2011 are still subject to examination by the IRS.

NOTE G – IN-KIND REVENUE AND EXPENSES

During the years ended June 30, 2014 and 2013, certain specialized services were donated to the Association. In addition, the Association reports other in-kind contributions for meeting any matching requirements contained in its grants from governmental agencies. The estimated value of these services totaling \$183,905 and \$148,838, respectively, has been reflected in the accompanying financial statements as in-kind revenue with a like amount included in in-kind expenses.

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014, with Comparative Totals for 2013

NOTE H – CONTINGENCIES

Financial awards and fees from governmental entities are subject to special audits. Such audits could result in claims against the Association for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE I – COMMITMENTS

The Association has awarded grants to various organizations. The amounts of these awards, which have been committed but not paid out, as of June 30, 2013 was \$399,224. These commitments were for restoration grant awards. There were no commitments at June 30, 2014.

NOTE J – COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 2014, the date on which the financial statements were available to be issued.



MARSHALL & LIBBY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

PAUL R. MARSHALL, CPA, PFS

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THOMAS G. TATON, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors

Association of US Delegates to the Gulf of Maine Council on the Marine Environment Corp.

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 Association of US Delegates to the Gulf of Maine Council on the Marine Environment Corp. (the Association) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 November 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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 Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "Marshall + Libby, LLC". The signature is written in a cursive, flowing style.

Portland, Maine
November 7, 2014



MARSHALL & LIBBY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

PAUL R. MARSHALL, CPA, PFS

RANDOLPH F. LIBBY, CPA

THOMAS G. TATON, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors

Association of US Delegates to the Gulf of Maine Council on the Marine Environment Corp.

Report on Compliance for Each Major Federal Program

We have audited the Association of US Delegates to the Gulf of Maine Council on the Marine Environment Corp.'s (the Association) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2014. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Marshall + Libby, LLC". The script is cursive and fluid, with the letters "M" and "L" being particularly large and stylized.

Marshall & Libby, LLC
Portland, Maine
November 7, 2014

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2014

<u>Federal/Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA number</u>	<u>Award period</u>	<u>Program or award amount</u>	<u>Expenditures</u>
Department of Commerce/ NOAA:				
Direct program:				
National Marine Fisheries Services - Habitat Conservation IV	11.463	6/1/10 - 5/31/14	1,240,000	<u>485,837</u>
				<u>485,837</u>
Coastal Services Center-				
Northeast Regional Ocean Council- Focus Area 1	11.473	1/1/12 - 6/30/15	1,300,000	176,562
Northeast Regional Ocean Council- Planning	11.473	10/1/12 - 9/30/15	625,000	319,245
Northeast Regional Ocean Council- Support	11.473	10/1/13 - 9/30/15	453,730	172,222
Northeast Regional Ocean Council- Focus Area 2	11.473	1/1/12 - 12/31/13	245,000	54,813
Northeast Regional Ocean Council- Focus Area 2 Year 3	11.473	10/1/13 - 9/30/15	189,085	<u>23,538</u>
				<u>746,380</u>
Climate and Atmospheric Research	11.431	9/1/11 - 8/31/13	110,000	<u>80,587</u>
				<u>80,587</u>
Total Direct Programs				<u>1,312,804</u>
Pass-through to New Hampshire Department of Environmental Services:				
Coastal Zone Management Administration Awards	11.419	10/16/13 - 6/30/14	9,000	<u>9,000</u>
				<u>9,000</u>
Total Department of Commerce				<u>1,321,804</u>
Department of the Interior				
Direct program:				
U.S. Geological Survey- Research and Data Collection	15.808	10/1/12 - 9/30/13	98,680	45,068
U.S. Geological Survey- Research and Data Collection	15.808	10/1/13 - 9/30/14	70,150	<u>46,262</u>
				<u>91,330</u>
Total Department of the Interior				<u>91,330</u>
Total federal awards				<u><u>\$ 1,413,134</u></u>

See accompanying notes to schedule of expenditures of federal awards and schedule of indirect cost allocation.

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

SCHEDULE OF INDIRECT COST ALLOCATION

Year ended June 30, 2014

<u>Description</u>	<u>Expenses per financials</u>	<u>Unallowable costs</u>	<u>Allowable expense</u>
Direct expenses:			
Grants	\$ 477,563	\$ -	\$ 477,563
Contractors	1,004,585	-	1,004,585
Printing	3,534	-	3,534
Meeting expense/facility rental/ meals	5,755	-	5,755
In-kind expenses	108,255	(108,255)	-
Internet/ web design	2,360	-	2,360
Dues and subscriptions	29	-	29
Total direct expenses	<u>1,602,081</u>	<u>(108,255)</u>	<u>1,493,826</u>
Indirect expenses:			
Contractors	199,515	-	199,515
In-kind expenses	75,650	(75,650)	-
Meeting expense/facility rental/meals	4,099	-	4,099
Accounting	9,500	-	9,500
Dues and subscriptions	2,818	-	2,818
Total indirect expenses	<u>291,582</u>	<u>(75,650)</u>	<u>215,932</u>
Totals	\$ <u>1,893,663</u>	\$ <u>(183,905)</u>	\$ <u>1,709,758</u>

Indirect cost allocation:

<u>Allowable indirect expenses</u>	\$ 215,932	=	14.45%
<u>Allowable direct expenses</u>	\$ 1,493,826		

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE
OF INDIRECT COST ALLOCATION**

Year Ended June 30, 2014

NOTE A - PURPOSE OF THE SCHEDULES

Office of Management and Budget (OMB) Circular A-133, requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA). The Schedule of Indirect Cost Allocation identifies the indirect cost rate.

NOTE B - SUBRECIPIENTS

The Association provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
National Marine Fisheries Services – Habitat Restoration IV	11.463	\$ 352,594
Climate and Atmospheric Research	11.431	44,254
		<u>\$396,848</u>

NOTE C - SIGNFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the Association of US Delegates to the Gulf of Maine Council on the Marine Environment Corp. for the fiscal year ended June 30, 2014. The reporting entity is defined in Notes to Financial Statements of the Association of US Delegates to the Gulf of Maine Council on the Marine Environment Corp.
- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.
1. Pursuant to OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
 2. Major Programs - OMB Circular A-133 establishes the levels of expenditures or expenses to be used in defining major federal financial award programs. Major programs for the Association of US Delegates to the Gulf of Maine Council on the Marine Environment Corp. have been identified in the attached Schedule of Findings and Questioned Costs - Summary of Auditors' Results.
 3. Basis of Accounting - The information presented in the Schedule of Expenditures of Federal Awards and the Schedule of Indirect Cost Allocation is presented on the accrual basis of accounting, which is consistent with the reporting in the Association's financial statements.

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with 510(a) of Circular A-133?	No

Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
11.463	National Marine Fisheries Services – Habitat Conservation
Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended June 30, 2014

Section II - Findings Required to be Reported Under Government Auditing Standards

None reported

Section III - Findings and Questioned Costs for Federal Awards

None reported

Section IV - Status of Prior Year Findings Required to be Reported Under Government Auditing Standards

No findings from prior year.

Section V - Status of Prior Year Findings and Questioned Costs for Federal Awards

No findings from prior year.

2014 Fiscal Year Financial Recap

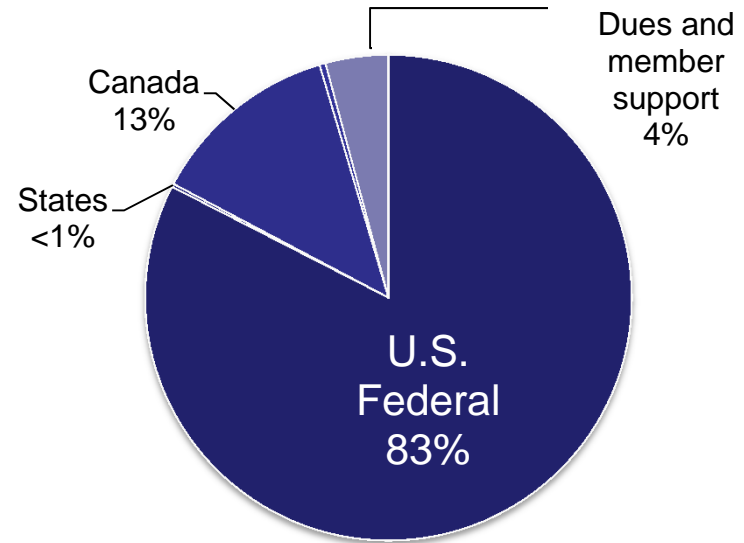
REVENUE

U.S. Federal	\$	1,409,279
States		3,563
Canada		216,334
Organizational funding		950
Dues and member support		71,279
Interest		17
Total Revenue	\$	<u>1,701,422</u>

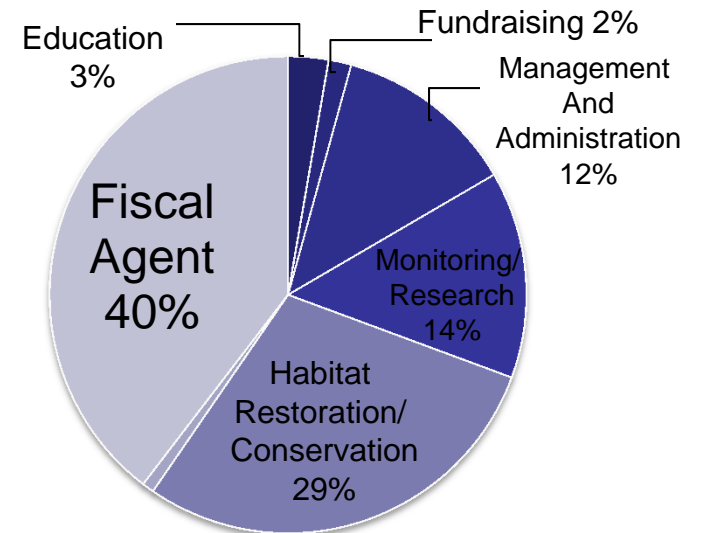
EXPENSES BY PROGRAM CATEGORY

Education	\$	47,728
Monitoring/ Research		245,864
Habitat Restoration/Conservation		506,809
Fiscal Agent		693,425
Fundraising		27,000
Management and Administration		215,932
Foreign exchange transaction		14,173
Total Expenses	\$	<u>1,750,931</u>

Revenue by Source



Expenses by Program Category



2013 Fiscal Year Financial Recap

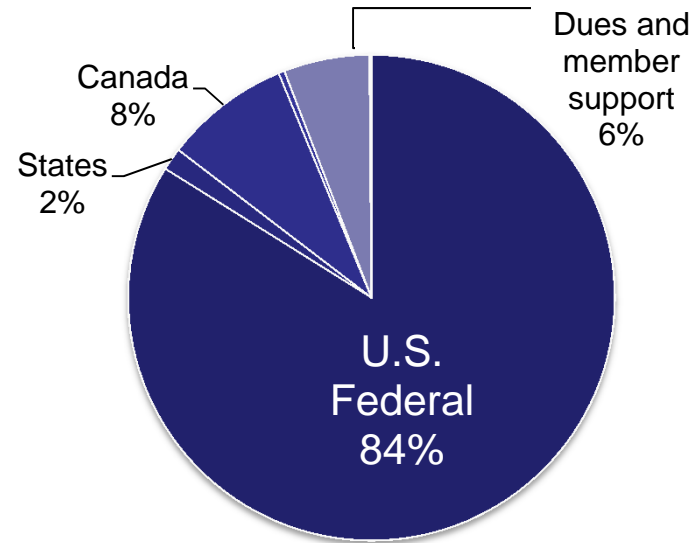
REVENUE

U.S. Federal	\$	1,168,421
States		20,949
Canada		116,416
Organizational funding		6,648
Dues and member support		79,398
Foreign exchange transaction		1,820
Interest		13
Total Revenue	\$	1,393,665

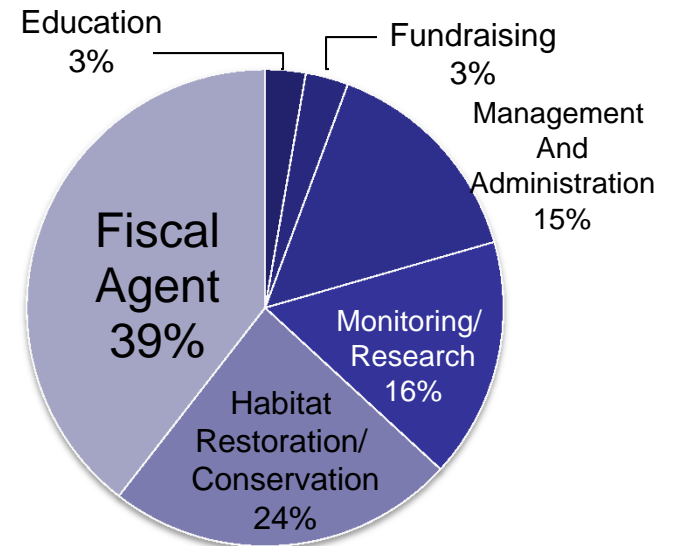
EXPENSES BY PROGRAM CATEGORY

Education	\$	38,575
Monitoring/ Research		229,402
Habitat Restoration/Conservation		333,332
Fiscal Agent		556,001
Fundraising		40,843
Management and Administration		209,905
Total Expenses	\$	1,408,058

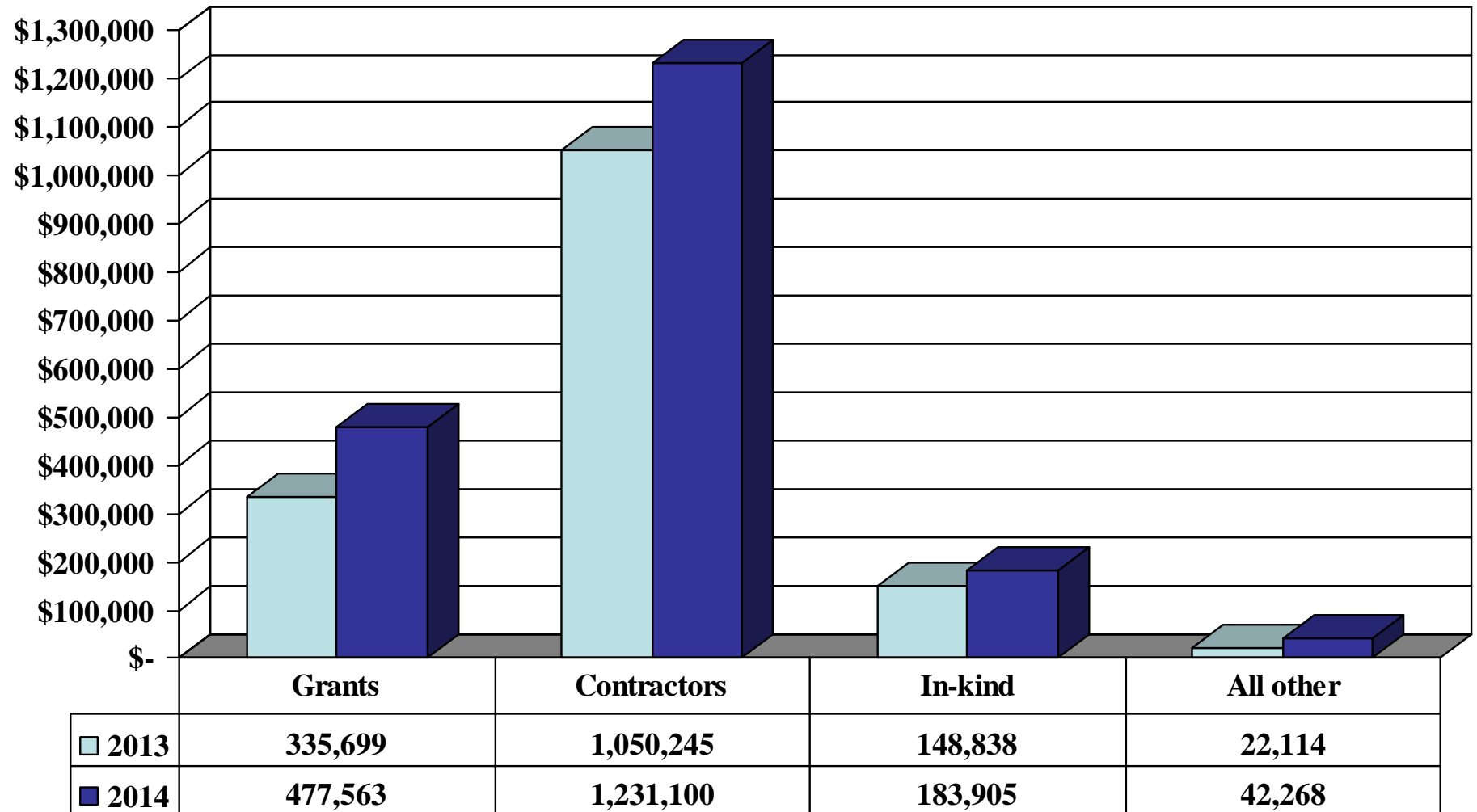
Revenue by Source



Expenses by Program Category



Expenses by Natural Category





MARSHALL & LIBBY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

PAUL R. MARSHALL, CPA, PFS
RANDOLPH F. LIBBY, CPA
THOMAS G. TATON, CPA

November 7, 2014

Association of US Delegates to the Gulf of Maine
Council on the Marine Environment Corp.
Cindy Krum, Executive Director
P.O. Box 6063
Falmouth, Maine 04105

Dear Cindy,

We have attached a "Schedule of Indirect Cost Allocation" based on your 2014 audited financial statements. We understand that the Association will be using this rate until a new rate is measured again at June 30, 2015 for new grant agreements and contracts.

Indirect costs are costs that benefit common activities and are not specifically identifiable with one grant or contract. In the case of your Association, they are represented by management and general expenses incurred to keep the Association running on a day to day basis. This would include some contractors that perform management functions, as well as travel, accounting, and office supplies. There are various acceptable alternatives to calculating and negotiating indirect costs under federal regulations. We have set up your allocation using a simplified method, which separates direct costs of programs from indirect costs, then divides the total allowable indirect costs by direct costs. The resulting percentage, also referred to as the Association's administrative rate, is 14.45% for the year ended June 30, 2014. This means for every dollar of direct expense the Association incurs, it needs to raise an additional fourteen cents to cover the indirect costs mentioned above. For the year ended June 30, 2013, the indirect cost rate was calculated at 18.14%. This rate has fluctuated due to a variety of changes, but primarily resulting from an increase in direct program grant expenditures.

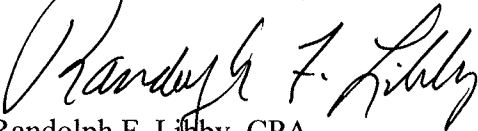
Association of US Delegates to the Gulf of Maine
Council on the Marine Environment Corp.
November 7, 2014
Page two

In the case of small agencies, it is often difficult to keep up with changes that occur in actual indirect costs if the percentage is only calculated annually. You may want to obtain feedback from your grant agencies on the process you have used to determine the indirect cost percentage. This may be done by letter, or as part of your annual grant or contract negotiation process.

It has been a pleasure working with you, and if you any questions on this please do not hesitate to contact us. Thank you for your assistance!

Sincerely,

MARSHALL & LIBBY, LLC

A handwritten signature in black ink, appearing to read "Randolph F. Libby". The signature is fluid and cursive, with the first name "Randolph" being more prominent than the last name "Libby".

Randolph F. Libby, CPA

Attachment

**ASSOCIATION OF US DELEGATES TO THE GULF
OF MAINE COUNCIL ON THE MARINE ENVIRONMENT CORP.**

**Schedule of Indirect Cost Allocation
Year ended June 30, 2014**

<u>Description</u>	<u>Expenses per financials</u>	<u>Unallowable costs</u>	<u>Allowable expense</u>
Direct expenses:			
Grants	\$ 477,563	\$ -	\$ 477,563
Contractors	1,004,585	-	1,004,585
Printing	3,534	-	3,534
Meeting expense/facility rental/ meals	5,755	-	5,755
In-kind expenses	108,255	(108,255)	-
Internet/ web design	2,360	-	2,360
Dues and subscriptions	29	-	29
Total direct expenses	<u>1,602,081</u>	<u>(108,255)</u>	<u>1,493,826</u>
Indirect expenses:			
Contractors	199,515	-	199,515
In-kind expenses	75,650	(75,650)	-
Meeting expense/facility rental/meals	4,099	-	4,099
Accounting	9,500	-	9,500
Dues and subscriptions	2,818	-	2,818
Total indirect expenses	<u>291,582</u>	<u>(75,650)</u>	<u>215,932</u>
Totals	<u>\$ 1,893,663</u>	<u>\$ (183,905)</u>	<u>\$ 1,709,758</u>

Indirect cost allocation:

$$\frac{\text{Allowable indirect expenses}}{\text{Allowable direct expenses}} = \frac{\$ 215,932}{\$ 1,493,826} = 14.45\%$$