

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.

SINGLE AUDIT REPORTS

PURSUANT TO OMB CIRCULAR A-133

December 31, 2011

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.

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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

Board of Directors
Stockholm Environment Institute U.S., Inc.
Somerville, Massachusetts

We have audited the financial statements of Stockholm Environment Institute U.S., Inc. (a nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 22, 2012. 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.

Internal Control Over Financial Reporting

Management of Stockholm Environment Institute U.S., Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Stockholm Environment Institute U.S., Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stockholm Environment Institute U.S., Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal controls over financial reporting that we considered to be a material weakness, as defined above.

Compliance an Other Matters

As part of obtaining reasonable assurance about whether Stockholm Environment Institute U.S., Inc.'s financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Stanton & Co." with a small flourish at the end.

Stanton & Co.
June 22, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Stockholm Environment Institute U.S., Inc.
Somerville, Massachusetts

Compliance

We have audited Stockholm Environment Institute U.S., Inc.'s compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*" that could have a direct and material effect on each of Stockholm Environment Institute U.S., Inc.'s major federal programs for the year ended December 31, 2011. Stockholm Environment Institute U.S., Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Stockholm Environment Institute U.S., Inc.'s management. Our responsibility is to express an opinion on Stockholm Environment Institute U.S., Inc.'s compliance based on our audit.

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 Stockholm Environment Institute U.S., Inc.'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. Our audit does not provide a legal determination on Stockholm Environment Institute U.S., Inc.'s compliance with those requirements.

In our opinion, Stockholm Environment Institute U.S., Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of Stockholm Environment Institute U.S., Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Stockholm Environment Institute U.S., Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Stockholm Environment Institute U.S., Inc.'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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Stockholm Environment Institute U.S., Inc. as of and for the year ended December 31, 2011, and have issued our report thereon dated June 22, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing 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 schedule of expenditures

of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stanton & Co.,

Stanton & Co.
June 22, 2012

Stockholm Environment Institute U.S., Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

Federal Grantor/ Pass through grantor	Federal CFDA No.	Contract No.	Federal Expenditures	Amount Provided to Subrecipients
Environmental Protection Agency				
Stratus Consulting, Inc.		EP-W-07-072	\$135,846	\$ 39,540
American Rivers	66.439	WS-00T04001	16,320	
University of California, Davis	66.509	RD-83301701	11,742	
Subtotal			163,908	39,540
Bureau of Reclamation		R10PX20260	101,895	8,000
Bureau of Reclamation		R11PX20186	95,874	22,030
Bureau of Reclamation		R10PX20220	14,761	
Bureau of Reclamation		R09PX20054	7,169	4,170
Water Resources & Information Management Engineering, Inc.		06CS204097F	36,934	
Subtotal			256,633	34,200
National Oceanic and Atmospheric Administration	11.431	NA10OAR4310186	116,957	29,571
US Department of Energy				
Lawrence Berkeley National Laboratory		DE-AC02-05CH11231	20,470	
Total expenditures of federal awards			\$ 557,968	\$ 103,311

See accompanying notes to Schedule of Expenditures of Federal Awards

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2011

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) summarizes the federal expenditures of Stockholm Environment Institute U.S., Inc. (“the Organization”) under programs of the federal government for the year ended December 31, 2011. The amounts reported as federal expenditures were obtained from the Organization’s general ledger. Because the schedule presents only a selected portion of the Organization’s operations, it is not intended to and does not present the net assets changes in financial position and cash flows of the Organization. The Organization receives funds from the federal government in the form of grants and contracts either directly from the government or through pass through agencies.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the Organization and agencies and departments of the federal government and all sub awards to the Organization by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. The information in the schedule is presented in accordance with OMB Circular A-133, “*Audits of States, Local Governments, and Non-Profit Organizations*”.

Compliance testing of all requirements, as described in the Compliance Supplement, was performed. Compliance testing was performed on the research and development cluster as defined in the Compliance Supplement. The cluster was determined to be a major program using the \$300,000 criteria.

B. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Stockholm Environment Institute U.S., Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations*”. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2011

(Continued)

C. Subrecipients

Certain funds are passed through to subgrantee organizations by the Organization. Expenditures incurred by the subgrantee and reimbursed by the Organization are presented in the Schedule. For the year ended December 31, 2011 the Organization passed through \$103,311 to subgrantee organizations.

The Organization is also the recipient of federal funds that are reported as expenditures and are listed as federal pass through funds. Federal awards other than pass through are considered direct.

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Stockholm Environment Institute U.S., Inc.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Stockholm Environment Institute U.S., Inc. were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Stockholm Environment Institute U.S., Inc. expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs are reported in Part C of this schedule.
7. The programs tested as major programs are comprised of the Research and Development grants and contracts.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Stockholm Environment Institute U.S., Inc. was determined to be a low risk auditee.

B. Findings - Financial Statements Audit

None

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011

(Continued)

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2011

There were no prior year findings.

STOCKHOLM ENVIRONMENT INSTITUTE U.S., INC.

CORRECTIVE ACTION PLAN

YEAR ENDED DECEMBER 31, 2011

No corrective action plan required.