

Financial Statements

LACAWAC FOUNDATION, INC.

*For the years ended December 31, 2015 & 2014
with Independent Auditors' Report*

Independent Auditor's Report

Board of Directors
Lacawac Foundation, Inc.

We have audited the accompanying financial statements of the Lacawac Foundation, Inc. (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2015 and 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 the 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 opinions 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. 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2014 and 2013, 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 Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 13 and 14 is presented for purposes of additional analysis and is 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Scranton, Pennsylvania
June 23, 2016

Financial Statements

LACAWAC FOUNDATION, INC.

*For the years ended December 31, 2015 & 2014
with Independent Auditors' Report*

LACAWAC FOUNDATION, INC.
COMPARATIVE STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

ASSETS		
	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash	\$ 158,649	\$ 126,161
Endowment Receivable	6,362	686
Total Current Assets	\$ 165,011	\$ 126,847
INVESTMENTS	\$ 454,023	\$ 299,678
PROPERTY AND EQUIPMENT		
Land, Building and Improvements	\$ 4,257,826	\$ 4,231,351
Vehicle	24,141	24,141
Furniture, Fixtures and Equipment	56,219	28,033
Total	4,338,186	4,283,525
Less: Accumulated Depreciation	(246,460)	(226,874)
Property and Equipment - Net	\$ 4,091,726	\$ 4,056,651
TOTAL ASSETS	\$ 4,710,760	\$ 4,483,176
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 10,193	\$ 30,973
Accrued Payroll & Taxes	429	499
Deferred Membership Revenue	-	-
Total Current Liabilities	\$ 10,622	\$ 31,472
NET ASSETS		
Unrestricted	\$ 4,103,221	\$ 4,038,636
Temporarily Restricted	498,337	315,488
Permanently Restricted	98,580	97,580
Total Net Assets	\$ 4,700,138	\$ 4,451,704
TOTAL LIABILITIES & NET ASSETS	\$ 4,710,760	\$ 4,483,176

See Notes to Financial Statements and Independent Auditor's Report

LACAWAC FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDING DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions and Memberships	\$ 65,438	\$ 139,171	\$ 1,000	\$ 205,609
Bequest	-	176,629		176,629
Grant Income	21,976	43,857		65,833
Fund-raising Events	13,754	17,875	-	31,629
Lodging and Facility Usage Fees	32,168	3,900	-	36,068
Program Income	12,034	11,350	-	23,384
Interest and Dividend Income	12	5,724	-	5,736
Net Realized & Unrealized Gain (Loss) on Investments	-	(5,928)	-	(5,928)
Items Released from Restrictions	182,311	(182,311)	-	-
Total Unrestricted Income	\$ 327,693	\$ 210,267	\$ 1,000	\$ 538,960
EXPENSES				
Program Services	\$ 203,385	\$ 14,267	\$ -	\$ 217,652
Management and General	41,335	-	-	41,335
Fundraising	18,388	13,151	-	31,539
Total Operating Expenses	\$ 263,108	\$ 27,418	\$ -	\$ 290,526
Net Increase (Decrease) in Net Assets	\$ 64,585	\$ 182,849	\$ 1,000	\$ 248,434
Net Assets - Beginning of Year	\$ 4,038,636	\$ 315,488	\$ 97,580	\$ 4,451,704
Net Assets - End of Year	\$ 4,103,221	\$ 498,337	\$ 98,580	\$ 4,700,138

See Independent Auditor's Report and Notes to Financial Statements

LACAWAC FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDING DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted		Permanently Restricted	Total
		Restricted	Restricted		
SUPPORT AND REVENUE					
Contributions and Memberships	\$ 65,651	\$ 103,693	\$ 2,365	\$	171,709
Grant Income	259,188	-	-	-	259,188
Fund-raising Events	7,118	-	-	-	7,118
Lodging and Facility Usage Fees	12,316	-	-	-	12,316
Program Income	6,109	-	-	-	6,109
Interest and Dividend Income	-	7,468	-	-	7,468
Net Realized & Unrealized Gain (Loss) on Investments	-	11,366	-	-	11,366
Items Released from Restrictions	49,843	(49,843)	-	-	-
Total Unrestricted Income	\$ 400,225	\$ 72,684	\$ 2,365	\$	475,274
EXPENSES					
Program Services	\$ 128,313	\$ 17,668	\$ 500	\$	146,481
Management and General Fundraising	39,294	1,565	-	-	40,859
	14,824	-	-	-	14,824
Total Operating Expenses	\$ 182,431	\$ 19,233	\$ 500	\$	202,164
Net Increase (Decrease) in Net Assets	\$ 217,794	\$ 53,451	\$ 1,865	\$	273,110
Net Assets - Beginning of Year	\$ 3,820,842	\$ 262,037	\$ 95,715	\$	4,178,594
Net Assets - End of Year	\$ 4,038,636	\$ 315,488	\$ 97,580	\$	4,451,704

LACAWAC FOUNDATION, INC.
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 248,434	\$ 273,110
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	19,586	12,141
Net realized and unrealized loss (gain) on investments	5,928	(11,366)
(Increase) Decrease in endowment receivable	(5,676)	14,514
Increase (Decrease) in accounts payable	(20,780)	16,123
Increase (Decrease) in Accrued payroll taxes	(70)	(357)
Increase (Decrease) in deferred membership revenue	-	-
	-	-
Net cash from operating activities	\$ 247,422	\$ 304,165
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	\$ 43,357	\$ 41,955
Purchase of investments	(203,629)	-
Property and equipment additions	(54,661)	(257,842)
Net cash used in investing activities	\$ (214,933)	\$ (215,887)
Net increase in cash and cash equivalents	\$ 32,489	\$ 88,278
Cash Balance - January 1	126,161	37,883
Cash Balance - December 31	\$ 158,650	\$ 126,161
Cash and Cash Equivalents at December 31 are:		
Cash		
Checking	\$ 14,756	\$ 13,766
Savings	143,894	112,395
	\$ 158,650	\$ 126,161
Other Cash Flow Disclosures:		
Interest Paid	NONE	NONE

See Independent Auditor's Report and Notes to Financial Statements

LACAWAC SANCTUARY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF THE ORGANIZATION

The Lacawac Sanctuary Foundation, Inc. (Sanctuary) maintains and operates marshes, forest, and lakes within its Sanctuary and provides facilities for ecological research and education. The Sanctuary is supported primarily through lodging and facility use, programs and membership fees and contributions.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting, in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Basis of Presentation

Under ASC 958, the Organization is required to report information about its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted* – Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- *Temporarily Restricted* – Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations.
- *Permanently Restricted* – Net assets held in perpetuity, the income of which is to be used for unrestricted purposes.

Revenue and Expense Recognition

Revenue from contributions and fund-raising events is recorded when cash is received or an unconditional promise to give is made. In-kind contributions are recognized as income when the donated asset is actually received. Expenses are recorded when incurred.

Contributions and Promises to Give

Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements. 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. When a temporary restriction expires, temporarily restricted net

LACAWAC SANCTUARY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. All contributions receivable at December 31, 2015 and 2014 are expected to be collected within one year. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization uses the allowance method to determine uncollectible contributions. Any allowance would be based on management's analysis of specific promises made and the historical activity of such contributions. In the opinion of management, all of the contributions receivable are considered to be realizable at the amounts stated in the accompanying statements of financial position and no allowance for uncollectible accounts was considered necessary.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Property and Equipment

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. A portion of the Sanctuary's land and building was acquired from the Nature Conservancy which has a reversionary interest in the property if the Sanctuary were to use the property for other than that stated purpose. The basis of the buildings was determined at the time of transfer and, accordingly, is not being depreciated in these financial statements. Property and equipment are depreciated using the straight-line method over useful lives ranging from 5 to 40 years.

Valuation of Investments in Securities at Fair Value

The Organization complies with the provisions of FASB ASC 820, *Fair Value Measurement and Disclosures*. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

LACAWAC SANCTUARY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Cash and Cash Equivalents

Cash and cash equivalents include checking accounts, certificates of deposit, and money market mutual funds which are maintained at several financial institutions and major brokerage firms.

Concentration of Credit Risk

The Organization may be subject to credit risk on its cash and cash equivalent assets, which are placed with high credit-quality financial institutions. The Federal Deposit Insurance Corporation (“FDIC”) coverage has been \$250,000 for substantially all depository accounts and unlimited coverage for certain qualifying and participant non-interest bearing transaction accounts. The coverage was reduced on January 1, 2013 and the FDIC limit will return to \$250,000 for all accounts. From time to time, the Organization may have amounts on deposit in excess of the FDIC limits. Management believes the Organization is not exposed to any significant credit risk on its’ cash and cash equivalents.

Income Taxes

No provision for income taxes has been made in the financial statements since the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. However, income from activities not directly related to the Organization’s tax-exempt purpose, if any, would be subject to taxation as unrelated business income.

The Organization complies with guidance for uncertainty in income taxes using provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by tax authorities.

As of December 31, 2015 and 2014, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization’s tax years 2012 and forward remain open for examination by federal and state taxing authorities.

LACAWAC SANCTUARY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Use of Estimates

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

Advertising

Advertising costs are charged when incurred. Total advertising costs for the years ended December 31, 2015 and 2014 were \$4,861 and \$3,594, respectively.

2. PROPERTY AND EQUIPMENT

	December 31,	
	<u>2015</u>	<u>2014</u>
Land and Buildings	\$ 4,015,024	\$ 4,015,024
Land improvements	242,802	216,327
Building improvements	14,504	14,504
Furnishings and equipment	56,219	28,033
Vehicle	<u>24,141</u>	<u>24,141</u>
Total property & equipment	4,338,186	4,283,525
Less accumulated depreciation	<u>(246,460)</u>	<u>(226,874)</u>
Property & equipment (net)	<u><u>4,091,726</u></u>	<u><u>4,056,651</u></u>

Depreciation expense was \$19,586 and \$12,141 for the years ended December 31, 2015 and 2014, respectively.

3. INVESTMENTS

The Organization complies with the provisions of FASB ASC 820, *Fair Value Measurement and Disclosures*. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization’s assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

LACAWAC SANCTUARY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

All investments held at December 31, 2014 and 2013 are considered Level 1 investments and are summarized as follows:

	<u>2015</u>	<u>2014</u>
<i>Temporarily restricted:</i>		
Mutual Funds	355,482	101,501
<i>Permanently restricted:</i>		
Mutual Funds	98,580	97,580
Total investments	\$ 454,022	\$ 299,678

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

4. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available primarily for the purchase of property and equipment, supplies and forest preservation.

5. SUBSEQUENT EVENTS

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 23, 2016 the date on which the financial statements were issued. No events or transactions have occurred that would require recognition or disclosure in the financial statements.

LACAWAC FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDING DECEMBER 31, 2015

	Program Services	Management and General	Fund- Raising	Total
Personnell				
Salaries and Wages	\$ 67,636	\$ 14,493	\$ 14,493	\$ 96,622
Payroll Taxes and Benefits	10,625	2,277	2,277	15,179
Total Personnel	78,261	16,770	16,770	111,801
Reimbursed Researcher Personnel Costs	40,590	7,163	-	47,753
Researcher Travel Expense	196	-	-	196
Fund-Raising Activities	-	-	14,769	14,769
Depreciation	19,586	-	-	19,586
Insurnace	5,259	2,590	-	7,849
Repairs and Maintenance	7,870	3,877	-	11,747
Utilities/Telephone	8,306	4,091	-	12,397
Public Relations/Marketing	4,861	-	-	4,861
Community Programs	46,224	-	-	46,224
Vehicle Expense	985	-	-	985
Office Expense	1,714	844	-	2,558
Supplies and Postage	3,301	1,626	-	4,927
Professional Fees	-	4,186	-	4,186
Board/Staff Expenses	-	188	-	188
Dues	499	-	-	499
Total Expenses	\$ 217,652	\$ 41,335	\$ 31,539	\$ 290,526

LACAWAC FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDING DECEMBER 31, 2014

	Program Services	Management and General	Fund- Raising	Total
Personnel				
Salaries and Wages	\$ 45,363	\$ 10,591	\$ 10,590	\$ 66,544
Payroll Taxes	5,083	1,271	1,271	7,625
Total Personnel	50,446	11,862	11,861	74,169
Reimbursed Researcher Personnel Costs	39,207	6,919	-	46,126
Researcher Travel Expense	3,532	-	-	3,532
Fund-Raising Activities	-	-	2,963	2,963
Depreciation	12,141	-	-	12,141
Insurnace	7,533	3,637	-	11,170
Repairs and Maintenance	5,771	3,547	-	9,318
Utilities/Telephone	4,753	3,492	-	8,245
Public Relations/Marketing	3,594	-	-	3,594
Community Programs	5,598	-	-	5,598
Investment /Bank Fees	-	1,636	-	1,636
Vehicle Expense	1,825	-	-	1,825
Office Expense	437	53	-	490
Professional Fees	-	7,295	-	7,295
Membership Expense	2,039	-	-	2,039
Website Costs	4,000	-	-	4,000
Supplies and Postage	4,673	2,351	-	7,024
Board/Staff Expenses	-	67	-	67
Dues	932	-	-	932
Total Expenses	\$ 146,481	\$ 40,859	\$ 14,824	\$ 202,164