

LACAWAC SANCTUARY
FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

LACAWAC SANCTUARY FOUNDATION, INC.

TABLE OF CONTENTS
DECEMBER 31, 2018 AND 2017

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	I - II
FINANCIAL STATEMENTS:	
Statements of Financial Position	1
Statements of Activities	2
Statements of Functional Expenses	3 - 4
Statements of Cash Flows	5 - 6
Notes to Financial Statements	7 - 14

KOHANSKI

Company · P C

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Lacawac Sanctuary Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Lacawac Sanctuary Foundation, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, 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. 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 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 of 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.

CERTIFIED PUBLIC ACCOUNTANTS

3939 Birney Avenue | T: 570.941.2248
Moosic, PA 18507 | F: 570.941.2236

kohanskico.com

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lacawac Sanctuary Foundation, Inc. as of December 31, 2018, 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.

Prior-Period Financial Statements

The financial statements of the Organization as of December 31, 2017 were audited by other auditors whose report dated April 27, 2018 expressed an unmodified opinion on those financial statements.

Kohanski & Co., PC

Moosic, PA
April 25, 2019

LACAWAC SANCTUARY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 25,976	\$ 12,110
Restricted cash	26,577	66,425
Accounts receivable	6,933	4,304
Investments	<u>365,699</u>	<u>341,713</u>
Total Current Assets	425,185	424,552
RESTRICTED INVESTMENTS	214,916	235,008
PROPERTY AND EQUIPMENT, net	<u>4,371,276</u>	<u>4,140,814</u>
	<u>\$ 5,011,377</u>	<u>\$ 4,800,374</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Demand note payable	\$ 13,355	\$ 13,416
Current portion of notes payable	7,939	-
Accounts payable	1,258	21,619
Accrued payroll	4,871	-
Deferred revenue	<u>35</u>	<u>48,211</u>
Total Current Liabilities	27,458	83,246
NOTES PAYABLE, net of current portion	<u>102,691</u>	<u>-</u>
Total Liabilities	<u>130,149</u>	<u>83,246</u>
NET ASSETS:		
With donor restrictions	241,492	301,433
Without donor restrictions	<u>4,639,736</u>	<u>4,415,695</u>
Total Net Assets	<u>4,881,228</u>	<u>4,717,128</u>
	<u>\$ 5,011,377</u>	<u>\$ 4,800,374</u>

The accompanying notes are an integral part of these financial statements.

LACAWAC SANCTUARY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE AMOUNTS FOR 2017)

	<u>With Donor</u> <u>Restrictions</u>	<u>Without Donor</u> <u>Restrictions</u>	<u>2018</u> <u>Total</u>	<u>2017</u> <u>Total</u>
REVENUES AND SUPPORT:				
Public Support:				
Contributions and memberships	\$ 21,241	\$ 140,543	\$ 161,784	\$ 96,452
Grant Income	-	190,926	190,926	49,957
Fund-raising events	-	48,959	48,959	66,780
Total Public Support	<u>21,241</u>	<u>380,428</u>	<u>401,669</u>	<u>213,189</u>
Revenues:				
Lodging and facility usage fees	-	53,455	53,455	24,694
Program income	-	106,641	106,641	93,459
Interest income	-	7	7	8
Investment income (loss), net	(28,507)	-	(28,507)	73,953
Miscellaneous	-	29,786	29,786	-
Total Revenues	<u>(28,507)</u>	<u>189,889</u>	<u>161,382</u>	<u>192,114</u>
Net Assets Released from Restrictions	<u>(52,675)</u>	<u>52,675</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>(59,941)</u>	<u>622,992</u>	<u>563,051</u>	<u>405,303</u>
EXPENSES:				
Program Services	-	231,941	231,941	339,617
Supporting Services:				
Management and general	-	62,029	62,029	37,126
Fundraising	-	104,981	104,981	31,886
Total Expenses	<u>-</u>	<u>398,951</u>	<u>398,951</u>	<u>408,629</u>
CHANGE IN NET ASSETS	(59,941)	224,041	164,100	(3,326)
NET ASSETS - Beginning	<u>301,433</u>	<u>4,415,695</u>	<u>4,717,128</u>	<u>4,720,454</u>
NET ASSETS - Ending	<u>\$ 241,492</u>	<u>\$ 4,639,736</u>	<u>\$ 4,881,228</u>	<u>\$ 4,717,128</u>

The accompanying notes are an integral part of these financial statements.

LACAWAC SANCTUARY FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Environmental Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	
EXPENSES:				
Salaries	\$ 82,074	\$ 34,607	\$ 38,769	\$ 155,450
Payroll taxes	7,000	3,500	3,598	14,098
Employee benefits	4,591	2,059	4,803	11,453
Research and preservation programs	60,759	-	-	60,759
Depreciation	31,214	-	-	31,214
Fundraising activities	-	-	25,229	25,229
Professional fees	-	5,657	16,289	21,946
Occupancy	10,364	3,455	3,455	17,273
Insurance	9,377	3,126	3,126	15,629
Community programs	11,437	-	-	11,437
Repairs and maintenance	7,270	1,817	-	9,087
Supplies and postage	5,101	1,700	1,700	8,502
Marketing tourism	-	-	6,793	6,793
Interest	-	4,888	-	4,888
Office expense	2,648	883	883	4,413
Computer and internet	1,011	337	337	1,685
Vehicle expense	978	-	-	978
Dues and memberships	425	-	-	425
Miscellaneous	(2,308)	-	-	(2,308)
Total Expenses	<u>\$ 231,941</u>	<u>\$ 62,029</u>	<u>\$ 104,981</u>	<u>\$ 398,951</u>

The accompanying notes are an integral part of these financial statements.

LACAWAC SANCTUARY FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Environmental Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES:				
Salaries	\$ 130,233	\$ 11,829	\$ 7,337	\$ 149,399
Payroll taxes	13,670	1,238	768	15,676
Employee benefits	9,845	892	553	11,290
Community programs	43,668	-	-	43,668
Research and preservation programs	33,107	-	-	33,107
Professional fees	22,656	5,055	-	27,711
Depreciation	24,578	-	-	24,578
Fundraising activities	-	-	22,003	22,003
Supplies and postage	15,393	1,626	-	17,019
Occupancy	9,590	5,403	-	14,993
Insurance	10,295	2,590	-	12,885
Repairs and maintenance	7,332	3,612	-	10,944
Marketing tourism	8,496	-	-	8,496
Office expense	5,717	1,225	1,225	8,167
Dues and memberships	725	2,493	-	3,218
Computer and internet	1,709	842	-	2,551
Vehicle expense	1,985	-	-	1,985
Interest	618	-	-	618
Board and staff expenses	-	321	-	321
Total Expenses	<u>\$ 339,617</u>	<u>\$ 37,126</u>	<u>\$ 31,886</u>	<u>\$ 408,629</u>

The accompanying notes are an integral part of these financial statements.

LACAWAC SANCTUARY FOUNDATION, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grants and contributions	\$ 383,279	\$ 308,496
Cash received from services	166,869	79,400
Cash paid to employees	(150,579)	(149,855)
Cash paid to suppliers and vendors	<u>(232,648)</u>	<u>(222,883)</u>
Net Cash Provided by Operating Activities	<u>166,921</u>	<u>15,158</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(94,676)	(96,363)
Sales of investments	17,600	-
Purchases of investments	<u>(59,396)</u>	<u>(21,108)</u>
Net Cash Used by Investing Activities	<u>(136,472)</u>	<u>(117,471)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds (payments) on demand note payable	(61)	13,416
Payments on long-term debt	<u>(56,370)</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>(56,431)</u>	<u>13,416</u>
NET CHANGE IN CASH	(25,982)	(88,897)
CASH - Beginning	<u>78,535</u>	<u>167,432</u>
CASH - Ending	<u>\$ 52,553</u>	<u>\$ 78,535</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (Loss) From Operations	\$ 164,100	\$ (3,326)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Depreciation	31,214	24,578
Net realized and unrealized (gain) loss on investments	37,902	(61,344)
Change in assets and liabilities:		
Accounts receivable	(2,629)	(4,274)
Accounts payable	(20,361)	11,769
Accrued payroll	4,871	(456)
Deferred revenue	<u>(48,176)</u>	<u>48,211</u>
Net Cash Provided by Operating Activities	<u>\$ 166,921</u>	<u>\$ 15,158</u>

The accompanying notes are an integral part of these financial statements.

LACAWAC SANCTUARY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 4,888</u>	<u>\$ 618</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Building purchased with note payable	<u>\$ 167,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

LACAWAC SANCTUARY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, all significant receivables, payables, and other accruals are reflected.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions

These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions

These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Use of Estimates

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

LACAWAC SANCTUARY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

**NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONT'D)**

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Donated Services

No amounts have been reflected in the financial statements for donated services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be a cash equivalent.

Restricted cash

Restricted cash consists of donor restricted contributions received for the renovation of the Learning Center.

Accounts Receivable

Accounts receivable are reported at amounts management expects to collect on balances outstanding. Accounts are charged to bad debt expense when considered uncollectible based on a periodic review of individual accounts. Accounts receivable are considered fully collectible by management and, accordingly, no allowance for doubtful accounts is considered necessary.

LACAWAC SANCTUARY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

**NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONT'D)**

Investments

Equity securities with readily determinable fair-values and debt securities are valued at fair-value based on quoted market prices. Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the statement of activities. The cost of investments received as gifts is fair-value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

All realized gains and losses arising from the sale of investments and ordinary income from investments are reported as changes in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor imposed stipulations.

Property and Equipment

Property and equipment are recorded at cost and are depreciated over their estimated useful lives using the straight-line method of depreciation. 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. Repairs and minor equipment are charged against current operations when incurred. Management has set the capitalization threshold for reporting property and equipment at \$5,000.

Fair-Value Measurements

The Organization measures its investments at fair-value on a recurring basis. A fair-value hierarchy prioritizes the inputs to valuation techniques used to measure fair-value. This hierarchy consists of three broad levels that are ranked to indicate the quality and reliability of the resulting fair-value measure. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair-value of its investments. When available, The Organization measures fair-value using Level 1 inputs because they generally provide the most reliable evidence of fair-value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Deferred Revenue

Deferred revenue consists of fees received in advance of being earned.

LACAWAC SANCTUARY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

**NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONT'D)**

Advertising Costs

Advertising costs are charged to operations as incurred. Advertising costs were \$6,793 and \$8,496 for the years ended December 31, 2018 and 2017, respectively.

Functional Allocation of Expenses

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

Income Taxes

The Organization is a not-for-profit corporation that is exempt from income taxes under section 501(c)3 of the Internal Revenue Code. No provision for Federal or state income taxes is required.

In accordance with the Financial Accounting Standards Board guidance on accounting for uncertainty in income taxes, management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to tax examinations by Federal, state, or local tax authorities for years before December 31, 2015.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies. Investments are made by diversified investment managers whose performance is monitored by us and the investment committee of the Board of Trustees. Although the fair-values of investments are subject to fluctuation on a year-to-year basis, we and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

LACAWAC SANCTUARY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

**NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONT'D)**

Recently Issued Accounting Standards

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 2), and disclosures related to functional allocation of expenses were expanded (Note 9). The ASU has been applied retrospectively to all periods presented.

Reclassifications

Certain items in the 2017 financial statements have been reclassified to agree to the current year format.

Subsequent Events

Management has evaluated subsequent events through April 24, 2019, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2018.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2018</u>	<u>2017</u>
Cash	\$ 25,975	\$ 12,110
Accounts receivable	5,833	4,304
Unrestricted investments	<u>365,699</u>	<u>341,713</u>
	<u>\$ 397,507</u>	<u>\$ 358,127</u>

In addition to financial assets available to meet general expenditures over the year, the Organization operates on a balanced budget and anticipates covering its general expenditures by collecting sufficient program fees, rentals, memberships and contributions.

The Organization also has a \$25,000 line-of-credit, which it could draw upon in the event of an unanticipated liquidity need.

LACAWAC SANCTUARY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2: LIQUIDITY AND AVAILABILITY (CONT'D)

Restricted investments consist of donor-restricted funds designated by the donor for specific purposes. Donor-restricted funds are not available for general expenditure.

NOTE 3: INVESTMENTS

Investments are summarized as follows at December 31:

	<u>2018</u>	<u>2017</u>
Cash equivalents	\$ 149,996	\$ 137,818
Equity mutual funds	430,619	438,903
	<u>\$ 580,615</u>	<u>\$ 576,721</u>

As of December 31, 2018 and 2017, all investments were considered Level 1 investments.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31,:

	<u>2018</u>	<u>2017</u>
Land, building, and improvements	\$ 4,537,965	\$ 4,338,328
Equipment	25,812	-
Vehicle	24,141	24,141
Furniture and fixtures	57,937	72,080
	<u>4,645,855</u>	<u>4,434,549</u>
Less: accumulated depreciation	<u>(274,579)</u>	<u>(293,735)</u>
	<u>\$ 4,371,276</u>	<u>\$ 4,140,814</u>

Depreciation expense was \$31,214 and \$24,578 for the years ended December 31, 2018 and 2017, respectively.

NOTE 5: DEMAND NOTE PAYABLE

The Organization has a \$25,000 line-of-credit with interest payable monthly at the prime rate plus .75% (6.25% at December 31, 2018). The line-of-credit is secured by substantially all of the Organization's assets. Borrowings on the line-of-credit are to be used for working capital. The balance outstanding as of December 31, 2018 and 2017 was \$13,355 and \$13,416, respectively.

LACAWAC SANCTUARY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 6: NOTE PAYABLE

Note payable consist of the following at December 31,:

	<u>2018</u>	<u>2017</u>
Bank note payable in monthly installments of \$1,071 including interest of 4.60%. The note matures in May 2023 with a balloon payment due of all outstanding principal and accrued interest, and is secured by some of the Organization's investments.	\$ 110,630	\$ -
Less: current portion	<u>(7,939)</u>	<u>-</u>
	<u>\$ 102,691</u>	<u>\$ -</u>

The aggregate annual principal payments required on the note payable at December 31, 2018 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 7,939
2020	8,312
2021	8,703
2022	9,112
2023	<u>76,564</u>
	<u>\$ 110,630</u>

NOTE 7: COMPENSATED ABSENCES

All employees are eligible for paid time off in an amount dependent on their years of service. Employees are allowed to carry a maximum of 80 hours and are eligible for payment of unused vacation days upon termination of employment up to a maximum of 80 hours.

NOTE 8: NET ASSETS RECLASSIFIED

During the year ended December 31, 2018, it was determined that net assets previously reported as temporarily restricted were not restricted by the donor. As a result, \$339,713 of donor restricted net assets have been reclassified to net assets without donor restrictions.

LACAWAC SANCTUARY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

The Organization's restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Limnological research (original gift \$100,580)	\$ 112,831	\$ 127,324
Maintenance of lab (original gift \$76,000)	87,142	91,819
Student research	14,941	15,865
Building improvements	<u>26,578</u>	<u>66,425</u>
	<u>\$ 241,492</u>	<u>\$ 301,433</u>

NOTE 10: FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include the president's salary, benefits, and payroll taxes, which are allocated on an estimate of his time and effort. In addition, occupancy costs, insurance, repairs and maintenance, supplies, office expenses, and computer costs are allocated based on estimates of percentage of use.

NOTE 11: CONTINGENCY

The Organization participates in both state and Federally assisted grant programs. These programs may be subject to program compliance audits by the grantors or their representatives. The Organization is potentially liable for any expenditure that may be disallowed pursuant to the terms of these grant programs. The Organization is not aware of any material items of noncompliance that would result in the disallowance of program expenditures.