

**Financial Statements**

**LACAWAC FOUNDATION, INC.**

*For the years ended December 31, 2017 & 2016  
with Independent Auditors' Report*

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## **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, 2017 and 2016, 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, 2017 and 2016, 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  
April 27, 2018

**LACAWAC FOUNDATION, INC.**  
**COMPARATIVE STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2017 AND 2016**

	<b>ASSETS</b>	
	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 78,535	\$ 167,432
Endowment Receivable	4,304	30
Total Current Assets	<u>\$ 82,839</u>	<u>\$ 167,462</u>
<b>INVESTMENTS</b>	<u>\$ 576,721</u>	<u>\$ 494,269</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land, Building and Improvements	\$ 4,338,328	\$ 4,257,826
Vehicle	24,141	24,141
Furniture, Fixtures and Equipment	72,080	56,219
Total	4,434,549	4,338,186
Less: Accumulated Depreciation	<u>(293,735)</u>	<u>(269,157)</u>
Property and Equipment - Net	<u>\$ 4,140,814</u>	<u>\$ 4,069,029</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,800,374</u>	<u>\$ 4,730,760</u>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 21,619	\$ 9,850
Accrued Payroll & Taxes	-	456
Line of Credit	13,416	-
Deferred Revenue	48,211	-
Total Current Liabilities	<u>\$ 83,246</u>	<u>\$ 10,306</u>
<b>NET ASSETS</b>		
Unrestricted	\$ 4,075,981	\$ 4,196,630
Temporarily Restricted	540,566	424,244
Permanently Restricted	100,580	99,580
Total Net Assets	<u>\$ 4,717,128</u>	<u>\$ 4,720,454</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u>\$ 4,800,374</u>	<u>\$ 4,730,760</u>

See Notes to Financial Statements and Independent Auditor's Report

**LACAWAC FOUNDATION, INC.  
STATEMENT OF ACTIVITIES**

**FOR THE YEARS ENDING DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Contributions and Memberships	\$ 60,032	\$ 44,321	\$ 1,000	\$ 105,353
Bequest				-
Grant Income	43,930	44,222		88,152
Fund-raising Events	30,213	36,567	-	66,780
Lodging and Facility Usage Fees	24,691	-	-	24,691
Program Income	43,917	2,448	-	46,365
Interest and Dividend Income	8	12,608	-	12,616
Net Realized & Unrealized Gain (Loss) on Investments	-	61,344	-	61,344
Items Released from Restrictions	85,188	(85,188)	-	-
<b>Total Unrestricted Income</b>	<b>\$ 287,979</b>	<b>\$ 116,322</b>	<b>\$ 1,000</b>	<b>\$ 405,302</b>
<b>EXPENSES</b>				
Program Services	\$ 339,608	-	-	\$ 339,608
Management and General	37,131	-	-	37,131
Fundraising	31,889	-	-	31,889
<b>Total Operating Expenses</b>	<b>\$ 408,628</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 408,628</b>
<b>Net Increase (Decrease) in Net Assets</b>	<b>\$ (120,649)</b>	<b>\$ 116,322</b>	<b>\$ 1,000</b>	<b>\$ (3,326)</b>
<b>Net Assets - Beginning of Year</b>	<b>\$ 4,196,630</b>	<b>\$ 424,244</b>	<b>\$ 99,580</b>	<b>\$ 4,720,454</b>
<b>Net Assets - End of Year</b>	<b>\$ 4,075,981</b>	<b>\$ 540,566</b>	<b>\$ 100,580</b>	<b>\$ 4,717,128</b>

See Independent Auditor's Report and Notes to Financial Statements

**LACAWAC FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDING DECEMBER 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Contributions and Memberships	\$ -	\$ 139,492	\$ 1,000	\$ 140,492
Bequest				-
Grant Income	15,000	14,484		29,484
Fund-raising Events	40,153	61,550		101,703
Lodging and Facility Usage Fees	18,321	7,650		25,971
Program Income	6,567	32,107		38,674
Interest and Dividend Income	10	9,004		9,014
Net Realized & Unrealized Gain (Loss) on Investments	-	20,096		20,096
Items Released from Restrictions	283,722	(283,722)		-
<b>Total Unrestricted Income</b>	<b>\$ 363,773</b>	<b>\$ 661</b>	<b>\$ 1,000</b>	<b>\$ 365,434</b>
<b>EXPENSES</b>				
Program Services	\$ 191,052	\$ 41,436	\$ -	\$ 232,488
Management and General	45,582	-	-	45,582
Fundraising	33,730	33,318	-	67,048
<b>Total Operating Expenses</b>	<b>\$ 270,364</b>	<b>\$ 74,754</b>	<b>\$ -</b>	<b>\$ 345,118</b>
<b>Net Increase (Decrease) in Net Assets</b>	<b>\$ 93,409</b>	<b>\$ (74,093)</b>	<b>\$ 1,000</b>	<b>\$ 20,316</b>
<b>Net Assets - Beginning of Year</b>	<b>\$ 4,103,221</b>	<b>\$ 498,337</b>	<b>\$ 98,580</b>	<b>\$ 4,700,138</b>
<b>Net Assets - End of Year</b>	<b>\$ 4,196,630</b>	<b>\$ 424,244</b>	<b>\$ 99,580</b>	<b>\$ 4,720,454</b>

**LACAWAC FOUNDATION, INC.**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDING DECEMBER 31, 2017 AND 2018**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ (3,326)	\$ 20,316
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	24,578	22,697
Net realized and unrealized loss (gain) on investments	(61,344)	(20,096)
(Increase) Decrease in endowment receivable	(4,274)	6,332
Increase (Decrease) in accounts payable	11,769	(343)
Increase (Decrease) in Accrued payroll taxes	(456)	27
Increase (Decrease) in deferred membership revenue	<u>48,211</u>	<u>-</u>
Net cash from operating activities	\$ 15,158	\$ 28,933
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	\$ -	\$ -
Purchase of investments	(21,108)	(20,150)
Borrowing on line of credit		
Property and equipment additions	<u>(96,363)</u>	<u>-</u>
Net cash used in investing activities	\$ (117,471)	\$ (20,150)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowing on line of credit net of repayment	<u>\$ 13,416</u>	<u>\$ -</u>
Net increase in cash and cash equivalents	\$ (88,897)	\$ 8,783
<b>Cash Balance - January 1</b>	<u>167,432</u>	<u>158,649</u>
<b>Cash Balance - December 31</b>	<u>\$ 78,535</u>	<u>\$ 167,432</u>
<b>Cash and Cash Equivalents at December 31 are:</b>		
Cash		
Checking	\$ 12,110	\$ 24,042
Savings	<u>66,425</u>	<u>143,390</u>
	<u>\$ 78,535</u>	<u>\$ 167,432</u>
<b>Other Cash Flow Disclosures:</b>		
Interest Paid	\$ 618	\$ -

See Independent Auditor's Report and Notes to Financial Statements

**LACAWAC SANCTUARY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**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, 2017 AND 2016**

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, 2017 and 2016 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, 2017 AND 2016**

**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, 2017 and 2016, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization’s tax years 2010 and forward remain open for examination by federal and state taxing authorities.

**LACAWAC SANCTUARY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**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, 2017 and 2016 were \$8,496 and \$0, respectively.

**2. PROPERTY AND EQUIPMENT**

	<b>December 31,</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
Land and Buildings	\$ 4,015,025	\$ 4,015,024
Land improvements	242,802	242,802
Building improvements	80,501	14,504
Furnishings and equipment	72,080	56,219
Vehicle	<u>24,141</u>	<u>24,141</u>
Total property & equipment	4,434,549	4,338,186
Less accumulated depreciation	<u>(293,735)</u>	<u>(269,157)</u>
Property & equipment (net)	<u><u>4,140,814</u></u>	<u><u>4,069,029</u></u>

Depreciation expense was \$24,578 and \$22,697 for the years ended December 31, 2017 and 2016 respectively.

**3. INVESTMENTS**

The Organization's investments are recorded at fair value and have been categorized based upon a fair value hierarchy, in accordance with FASB ASC 820 (see Note 2). All investments held at December 31, 2017 and 2016 are considered Level 1 investments and are summarized as follows:

	<b><u>2016</u></b>	<b><u>2015</u></b>
<i>Temporarily restricted:</i>		
Mutual Funds	477,141	394,689
<i>Permanently restricted:</i>		
Mutual Funds	<u>99,580</u>	<u>99,580</u>
Total investments	<u><u>\$ 576,721</u></u>	<u><u>\$ 494,269</u></u>

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.

**LACAWAC SANCTUARY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**4. FAIR VALUE MEASUREMENTS**

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2017 and 2016 as follows:

	<b>Fair Value</b>	<b>Significant Observable inputs</b>
Short-term investments		
Cash/ deposits/ money market Accounts	\$ 107,866	\$ 107,866
Mutual funds	<u>468,855</u>	<u>468,855</u>
Total Investments December 31, 2017	<u>\$ 576,721</u>	<u>\$ 576,721</u>
Short-term investments		
Cash/ deposits/ money market Accounts	\$ 122,853	\$ 122,853
Mutual funds	<u>371,416</u>	<u>371,416</u>
Total investments December 31, 2016	<u>\$ 494,268</u>	<u>\$ 494,268</u>

**5. LINE OF CREDIT**

Lacawac has a line of credit with NBT Bank which bears interest at the bank's prime rate plus three-quarters (3/4%) percent. The present interest rate is 5.25% and the loan principal of \$14,415.65 is being amortized over a sixty (60) month period.

**6. RESTRICTIONS ON NET ASSETS**

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

**7. 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 April 27, 2018 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, 2017**

	Program Services	Management and General	Fund- Raising	Total
Personnell				
Salaries and Wages	\$ 130,232	\$ 11,829	\$ 7,337	\$ 149,398
Payroll Taxes and Benefits	23,507	2,135	1,324	26,966
Total Personnell	153,739	13,964	8,661	176,364
Training and Travel	-	-	-	-
Fund-Raising Activities	-	-	22,003	22,003
Depreciation	24,578	-	-	24,578
Insurance	10,295	2,590	-	12,885
Repairs and Maintenance	7,332	3,612	-	10,944
Utilities/Telephone/Occupancy	10,971	5,403	-	16,374
Computere and Internet	1,709	842	-	2,551
Marketing Tourism	8,496	-	-	8,496
Community Programs	43,667	-	-	43,667
Research and Preservation Programs	33,106	-	-	33,106
Vehicle Expense	1,984	-	-	1,984
Office Expense	5,717	1,225	1,225	8,167
Interest	618	-	-	618
Supplies and Postage	15,393	1,626	-	17,019
Professional Fees	22,003	5,055	-	27,058
Board/Staff Expenses	-	321	-	321
Dues and Memberships	-	2,493	-	2,493
Total Expenses	\$ 339,608	\$ 37,131	\$ 31,889	\$ 408,628

**LACAWAC FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDING DECEMBER 31, 2016**

	Program Services	Management and General	Fund- Raising	Total
Personnell				
Salaries and Wages	\$ 101,282	\$ 21,703	\$ 21,703	\$ 144,688
Payroll Taxes and Benefits	14,939	2,277	2,277	19,493
Total Personnel	116,221	23,980	23,980	164,181
Training and Travel	2,374	-	-	2,374
Fund-Raising Activities	-	-	42,553	42,553
Depreciation	22,697	-	-	22,697
Insurance	7,528	2,590	-	10,118
Repairs and Maintenance	13,858	6,825	-	20,683
Utilities/Telephone	8,287	4,082	-	12,369
Computere and Internet	1,302	641	-	1,943
Community Programs	53,693	-	-	53,693
Vehicle Expense	817	-	-	817
Office Expense	2,401	515	515	3,430
Supplies and Postage	2,838	1,626	-	4,464
Professional Fees	-	4,733	-	4,733
Board/Staff Expenses	-	590	-	590
Dues	473	-	-	473
Total Expenses	\$ 232,488	\$ 45,582	\$ 67,048	\$ 345,118