

CACAPON INSTITUTE, INC.

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cacapon Institute, Inc.
Great Cacapon, West Virginia

We have audited the accompanying financial statements of Cacapon Institute, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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 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 auditors' 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.

Auditors' Responsibility (continued)

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 Cacapon Institute, Inc. as of December 31, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
June 20, 2016

CACAPON INSTITUTE, INC.**STATEMENT OF FINANCIAL POSITION**

December 31, 2015

ASSETS

Current Assets:	
Cash	\$ 21,692
Accounts receivable	38,354
Total current assets	<u>60,046</u>
Investments	110,542
Property and equipment, cost less accumulated depreciation of \$19,063	87,403
Other	<u>3,227</u>
Total assets	<u>\$ 261,218</u>

LIABILITIES

Current liabilities:	
Current portion of mortgage payable	\$ 4,894
Accounts payable and other liabilities	5,181
Total current liabilities	<u>10,075</u>
Mortgage payable, less current portion	<u>49,756</u>
Total liabilities	<u>59,831</u>

NET ASSETS

Unrestricted	180,292
Permanently restricted	21,095
Total net assets	<u>201,387</u>
Total liabilities and net assets	<u>\$ 261,218</u>

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

CACAPON INSTITUTE, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

Changes in unrestricted net assets:	
Revenue, gains, support and reclassifications:	
Grants	\$ 264,992
Contributions	17,684
Investment income, net of fees	2,647
Interest income	19
Loss on disposition of equipment	(13,473)
Other	<u>15,821</u>
Total revenue, gains and support	<u>287,690</u>
 Expenses:	
Program services:	
Science and education	<u>254,747</u>
 Support services:	
Management and general	54,672
Fundraising	<u>975</u>
Total support services	<u>55,647</u>
Total expenses	<u>310,394</u>
 Change in net assets	 (22,704)
 Net assets, beginning of year	 <u>224,091</u>
Net assets, end of year	<u>\$ 201,387</u>

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

CACAPON INSTITUTE, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

Cash flows from operating activities:	
Decrease in net assets	\$ (22,704)
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Loss on disposition of equipment	13,473
Depreciation	3,080
Interest and investment income, net of fees, credited directly to investment account	(2,693)
Decrease in accounts receivable	17,011
Increase in other assets	(69)
Decrease in accounts payable and other liabilities	<u>(8,058)</u>
Cash flows provided by operations	40
 Cash flows used in investing activities:	
Purchase of property and equipment	(12,806)
 Cash flows used in financing activities:	
Principal payments on mortgage	<u>(4,608)</u>
Decrease in cash	(17,374)
Cash and cash equivalents, beginning of year	<u>39,066</u>
Cash and cash equivalents, end of year	<u>\$ 21,692</u>
 SUPPLEMENTAL CASH FLOW INFORMATION:	
Cash paid during the year for interest	<u>\$ 3,432</u>

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

CACAPON INSTITUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

	Program Services	Supporting Services			Total
	Science and Education	Management and General	Fundraising	Total	
Personnel costs	\$ 169,684	\$ 8,622	\$ 498	\$ 9,120	\$ 178,804
Utilities and telephone	-	7,688	-	7,688	7,688
Rent	-	1,260	-	1,260	1,260
Repairs and maintenance	90	2,544	-	2,544	2,634
Insurance	-	4,005	-	4,005	4,005
Supplies	31,070	1,347	-	1,347	32,417
Postage	220	179	311	490	710
Professional fees	-	5,122	-	5,122	5,122
Depreciation	-	3,080	-	3,080	3,080
Travel	23,261	926	-	926	24,187
Dues and publications	150	450	-	450	600
Interest	-	3,432	-	3,432	3,432
Other	30,272	16,017	166	16,183	46,455
Total expenses	\$ 254,747	\$ 54,672	\$ 975	\$ 55,647	\$ 310,394

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

CACAPON INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ORGANIZATION

Organization

Cacapon Institute, Inc. (the Corporation) was established in 1985 as a nonstock, nonprofit corporation under the laws of the State of West Virginia, is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. The Corporation's primary purpose, through the use of science and education, is to help concerned citizens protect and enjoy the Cacapon, Potomac and other Appalachian watersheds. The Corporation's Department of the Treasury information returns are subject to examination, generally for three years after filing.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

Unrestricted net assets

Net assets are comprised of funds which use is limited only to the extent that the Corporation's by-laws limit the activities of the organization.

Temporarily restricted net assets

Temporarily restricted net assets are those subject to donor-imposed stipulations that may or will be met, either by actions of the Corporation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted funds, where restrictions are met or expire in the same period as recognized, are recorded as unrestricted.

Permanently restricted

Permanently restricted net assets are those subject to non-expiring donor imposed restrictions that they (net assets) be maintained permanently by the Corporation. Income from these net assets may be used for unrestricted or temporarily restricted purposes dependent on donor imposed restrictions.

CACAPON INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2015

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ORGANIZATION (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and all temporary highly liquid investments with an original maturity of less than three months and do not fluctuate significantly in value with interest changes are considered to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consists of uncollected private, federal and state grants and are recognized once the amount can be determined, and services and/or events have occurred. Management believes all accounts to be fully collectible and no allowance for doubtful accounts is recorded.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets which range from 5 to 40 years. The Corporation capitalizes all expenditures in excess of \$1,000 for property and equipment with an expected useful life in excess of five years. Ordinary maintenance and repairs are charged to expense as incurred.

Revenue Recognition

Substantially all of the Corporation's revenue and support is derived from grants and contributions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization has elected to present restricted contributions, which are fulfilled in the same time period, within the unrestricted net assets class. Receivables are recorded when formal notification of intent to appropriate or contribute funds is received by the Corporation, or the funds are expended and invoiced on reimbursement grants.

Functional Allocation of Expenses

The costs of providing the various services and programs 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 based on estimates of time expended, direct costs and estimated indirect costs.

Contributed Services

Unpaid volunteers and service providers have made contributions to the Corporation during 2015. The value of contributed time and service is not reflected in the accompanying financial statements since it is not susceptible to objective measurement or valuation, and does not meet other criteria required for recognition in accordance with accounting principals generally accepted in the United States of America.

CACAPON INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2015

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ORGANIZATION (Continued)

Investments

Investments are valued at fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates that exist in the financial statements include allocation of indirect costs to programs.

2 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Building and improvements	\$ 89,696
Office equipment	3,505
Project equipment	11,346
River equipment	1,919
	<hr/>
	106,466
Accumulated depreciation	(19,063)
	<hr/>
	<u>\$ 87,403</u>

3 – INVESTMENTS / FAIR VALUES ON FINANCIAL INSTRUMENTS

FASB codification 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB codification 820 are described as follows:

CACAPON INSTITUTE, INC.**NOTES TO FINANCIAL STATEMENTS
(Continued)**

December 31, 2015

3 – INVESTMENTS / FAIR VALUES ON FINANCIAL INSTRUMENTS (Continued)**Level 1**

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in the active markets that the Organization has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CACAPON INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2015

3 – INVESTMENTS / FAIR VALUES ON FINANCIAL INSTRUMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2015:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Fixed income	\$ 30,347	-	30,347	-
Equities	62,450	62,450	-	-
Bond funds	<u>9,934</u>	-	<u>9,934</u>	-
	102,731	<u>62,450</u>	<u>40,281</u>	<u>-</u>
 Money market fund	 <u>7,811</u>			
Total investments	<u>\$110,542</u>			

Investment earnings consisted of the following for the years ended December 31, 2015:

Interest and dividends	\$ 1,569
Net unrealized and realized gains	2,154
Less custodial fees	<u>(1,076)</u>
	<u>\$ 2,647</u>

4 – LEASE

The Corporation leased real property from an individual. The lease was informal and month-to-month. Consequently, it is classified as an operating lease and provided for monthly rent payments of \$190 a month. Rent expense recognized for the year was \$1,260. During the year the Organization changed locations and disposed of the old facility.

CACAPON INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2015

5 – LONG TERM DEBT

Details of long-term debt at December 31, 2015 are as follows:

Mortgage payable to Private Lender, bearing interest at 6.0% per annum and payable in monthly installments of \$670 until October 2024, secured by the building.	\$ 54,650
Less: current maturities	<u>4,894</u>
	<u>\$ 49,756</u>

Principal maturities of the mortgage payable at December 31, 2015 are as follows:

2016	\$ 4,894
2017	5,196
2018	5,517
2019	5,857
2020	6,218
Future Years	<u>26,968</u>
	<u>\$ 54,650</u>

6 – RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable for general support and operations.

7 – CONCENTRATIONS

At times during the year, the Corporation may have cash balances on deposit with a financial institution in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

Approximately 85% of the Corporation's support was derived from federal and state grants. Any future reductions in funding could have a significant impact on the Corporation.

CACAPON INSTITUTE, INC.**NOTES TO FINANCIAL STATEMENTS
(Continued)**

December 31, 2015

8 – RELATED PARTY TRANSACTION

The Company received a \$10,000 donation from a foundation that is governed by one of the Company's board members.

9 – SUBSEQUENT EVENTS

The Company's management has evaluated events and transactions occurring after December 31, 2015 through the date of the Auditors' Report, which is the date the financial statements were available to be issued. No events were noted requiring adjustment to or disclosure in the Financial Statements.