CACAPON INSTITUTE, INC

FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

CONTENTS

DECKER & COMPANY PLLC
CERTIFIED PUBLIC ACCOUNTING

Warm Springs Business Center · 64 Warm Springs Avenue · Martinsburg, WV 25404

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

We have audited the accompanying financial statements of the Cacapon Institute, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and the related statements of activities and changes in net assets, 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cacapon Institute, Inc. as of December 31, 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

The financial statements of Cacapon Institute, Inc. for the year ended December 31, 2015 were audited by other auditors whose report thereon, dated June 20, 2016, expressed an unmodified opinion.

Decker & Company PLLC

July 26, 2017

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Cacapon Institute, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2016 and 2015

ASSETS

	2016	2015
Current Assets		
Cash and cash equivalents	**$ 13,736**	$ 21,692
Accounts receivable	**60,371**	38,354
Total Current Assets	**74,107**	60,046
Noncurrent Assets		
Investments	**95,901**	110,542
Land, building and equipment - net of accumulated depreciation	**89,000**	87,403
Other	**3,474**	3,227
Total Noncurrent Assets	**188,375**	201,172
Total Assets	**$ 262,482**	$ 261,218

LIABILITIES

	2016	2015
Current Liabilities		
Current portion of mortgage payable	**$ 5,196**	$ 4,894
Accrued payroll & other liabilities	**2,260**	5,181
Total Current Liabilities	**7,456**	10,075
Mortgage payable, less current portion	**44,560**	49,756
Total liabilities	**52,016**	59,831

NET ASSETS

	2016	2015
Unrestricted	**189,371**	180,292
Permanently restricted	**21,095**	21,095
Total net assets	**210,466**	201,387
Total Liabilities and Net Assets	**$ 262,482**	$ 261,218

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

Cacapon Institute, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Grants	$ 295,379	$ -	$ -	$ 295,379
Contributions	38,341	-	-	38,341
Investment income- net of fees	358	-	-	358
Interest income	14	-	-	14
Other	47	-	-	47
Net assets released from restrictions	-	-	-	-
Total revenues and other support	334,139	-	-	334,139
EXPENSES				
Program expenses	259,906	-	-	259,906
General and administrative expenses	57,511	-	-	57,511
Fundraising expenses	7,643		-	7,643
Total expenses	325,060	-	-	325,060
Changes in net assets	9,079	-	-	9,079
Net assets, beginning of year	180,292	-	21,095	201,387
Net assets, end of year	$ 189,371	$ -	$ 21,095	$ 210,466

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

Cacapon Institute, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Grants	$ 264,992	$ -	$ -	$ 264,992
Contributions	17,684	-	-	17,684
Investment income- net of fees	2,647	-	-	2,647
Interest income	19	-	-	19
Loss on disposition of equipment	(13,473)	-	-	(13,473)
Other	15,821	-	-	15,821
Net assets released from restrictions	-	-	-	-
Total revenues and other support	287,690	-	-	287,690
EXPENSES				
Program expenses	254,747	-	-	254,747
General and administrative expenses	54,672	-	-	54,672
Fundraising expenses	975		-	975
Total expenses	310,394	-	-	310,394
Changes in net assets	(22,704)	-	-	(22,704)
Net assets, beginning of year	202,996	-	21,095	224,091
Net assets, end of year	$ 180,292	$ -	$ 21,095	$ 201,387

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

Cacapon Institute, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2016

		Supporting Services		
	Program Services	**Management and General**	**Fundraising**	**Total**
Personnel costs	$ 163,207	$ 23,724	$ 3,477	$ 190,408
Utilites and telephone	-	6,531	-	6,531
Repairs and maintenance	-	5,392	-	5,392
Insurance	-	4,074	-	4,074
Supplies	68,672	181	1,231	70,084
Postage	-	450	266	716
Professional fees	-	7,350	-	7,350
Depreciation	-	3,159	-	3,159
Travel	18,768	638	250	19,656
Interest	-	3,146	-	3,146
Miscellaneous	9,259	2,866	2,419	14,544
Total expenses	**$ 259,906**	**$ 57,511**	**$ 7,643**	**$ 325,060**

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

Cacapon Institute, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2015

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

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

Cacapon Institute, Inc.

STATEMENT OF CASH FLOWS

For the years ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	**$ 9,079**	$ (22,704)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Loss on disposition of equipment	**-**	13,473
Depreciation	**3,159**	3,080
Interest and investment income, net of fees, credited directly to investment account	**14,641**	(2,693)
Increase (decrease) in operating assets and liabilities		
(Increase) decrease in accounts receivable	**(22,017)**	17,011
Increase in other assets	**(247)**	(69)
Decrease in accounts payable and other liabilities	**(2,920)**	(8,058)
Net cash provided by operating activities	**1,695**	40
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, building, and equipment	**(4,757)**	(12,806)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage	**(4,894)**	(4,608)
Net decrease in cash and cash equivalents	**(7,956)**	(17,374)
Cash and cash equivalents, beginning of year	**21,692**	39,066
Cash and cash equivalents, end of year	**$ 13,736**	$ 21,692
SUPPLEMENTAL CASH FLOW INFORMTION		
Cash paid during the year for interest	**$ 3,146**	$ 3,432

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Cacapon Institute, Inc. (the Corporation) was established in 1985 as a nonstock, nonprofit corporation under the laws of the State of West Virginia. The Corporations' 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 support comes primarily through private, federal, and state grants, along with public support.

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.

Basis of Presentation

The financial statement presentation follows the requirements of the Not-for-Profit Entities Presentation of Financial Statements Topic of the FASB Accounting Standards Codification. Under the Standards, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, including unrestricted-designated, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are those currently available for use in the Corporation's general operations under the direction of the board and those resources invested in land, buildings and equipment. Temporarily restricted net assets are those stipulated by donors for specific operating purposes or for the acquisition of property and equipment or those not currently available for use until commitments regarding their use have been fulfilled. Permanently restricted net assets are those contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes.

Functional Allocation of Expenses

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

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Corporation considers all short-term investments with an original maturity of three months or less to be cash equivalents. All bank deposits are FDIC insured.

Investments

Investments in equity securities with readily determined fair values and all debt securities are carried at fair value in the statement of financial position with gains and losses included as unrestricted in the statement of activities.

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.

Land, Building and Equipment

The Corporation's policy is to capitalize land, buildings and equipment over $1,000. Lesser amounts are expensed in the year incurred. Purchased land, buildings and equipment are stated at cost. Donated assets are recorded at fair market value at the date of contribution. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Depreciation on property and equipment is calculated by use of the straight-line method over the estimated useful lives of the assets of 5 - 40 years.

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 Corporation 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.

Donated Goods and Services

The Corporation receives donated goods and services from a variety of community donors and unpaid volunteers assisting the Corporation in its programs. The value of these goods and services are not reflected in these statements since they do not meet the criteria under the Not-for-Profit Entities Revenue Recognition Topic of the FASB Accounting Standards Codification.

Income Tax Status

The Corporation is a not-for-profit organization and is exempt from federal income taxes under Internal Revenue Code Section 501c(3). The Corporation files its tax returns in the United States federal jurisdiction. These forms for the years ended December 31, 2013, 2014, and 2015 are subject to examination by that jurisdiction generally for three years after they were filed.

LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following at December 31, 2016 and 2015:

	2016	2015
Building and improvements	$ 94,452	$ 89,696
Office equipment	1,056	3,505
Project equipment	11,346	11,346
River equipment	1,320	1,919
Total	108,174	106,466
Accumulated depreciation	(19,174)	(19,063)
Land, building and equipment - net	$ 89,000	$ 87,403

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), quoted prices for similar assets or liabilities in active or inactive markets either observable or corroborated by observable market data (level 2), and the lowest priority to unobservable inputs (level 3 measurements).

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets at fair value as of December 31, 2016.

	Total	Level 1	Level 2	Level 3
Investments:				
Fixed income	$ 30,307	$ -	$ 30,307	$ -
Equities	50,243	50,243	-	-
Bond funds	5,392	-	5,392	-
	85,942	$ 50,243	$ 35,699	$ -
Money market fund	9,959			
Total investments	$ 95,901			

Investment earnings consisted of the following for the year ended December 31, 2016

Interest and dividends	$ 1,311
Net unrealized and realized gains	40
Less custodial fees	(993)
	$ 358

INVESTMENTS/FAIR VALUES ON FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

LEASE

The Corporation leased real property from an individual in 2015. The lease was informal and month-to-month. Consequently it was classified as an operating lease and provided for monthly rent payment of $190 per month. Rent expense recognized for the year ending December 31, 2015 was $1,260. During 2015 the Corporation changed locations and disposed of the old facility, therefore there were no rent payments in 2016.

LONG TERM DEBT

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

	2016	2015
Mortgage payable to Private Lender, bearing interest at 6.0% per annum and payable in monthly installments of $670 until October 2024, secured by the building.	**$ 49,756**	$ 54,650
Less current maturities	**5,196**	4,894
	$ 44,560	$ 49,756

LONG TERM DEBT (Continued)

Principal maturities of the mortgage payable at December 31, 2016 are as follows:

2017	$ 5,196
2018	5,517
2019	5,857
2020	6,218
2021	6,601
Future Years	20,367
	$ 49,756

RESTRICTED NET ASSETS

Permanently restricted net assets consists of $21,095 and $21,095 at December 31, 2016 and 2015 respectfully, and are restricted to investment in perpetuity, the income from which is expendable for general support and operations.

RELATED PARTY TRANSACTIONS

Related party transactions consisted of $10,000 and $10,000 at December 31, 2016 and 2015 respectfully and were donations from a foundation governed by one of the Corporation's board members.

CONCENTRATION

Approximately 90% of the Corporation's support is derived from federal and state grants. Any future reductions in funding could have a significant impact on the Corporation.

SUBSEQUENT EVENTS

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through July 26, 2017, the date the financial statements were available to be issued.