

**CACAPON INSTITUTE, INC**

FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

## CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS</b>	3
<b>FINANCIAL STATEMENTS</b>	
Statements of financial position	4
Statements of activities and changes in net assets	5-6
Statements of functional expenses	7-8
Statements of cash flows	9
Notes to Financial Statements	10-14



**INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS**

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

We have audited the accompanying financial statements of the Cacapon Institute, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Decker & Company PLLC*

June 26, 2019

Cacapon Institute, Inc.  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2018 and 2017

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 23,571	\$ 53,478
Accounts receivable	73,592	24,267
Other	<u>3,566</u>	<u>3,501</u>
 Total Current Assets	 <u>100,729</u>	 <u>81,246</u>
<b>Noncurrent Assets</b>		
Investments	79,727	107,070
Land, building and equipment - net of accumulated depreciation	<u>98,155</u>	<u>95,191</u>
 Total Noncurrent Assets	 <u>177,882</u>	 <u>202,261</u>
 <b>Total Assets</b>	 <b><u><u>\$ 278,611</u></u></b>	 <b><u><u>\$ 283,507</u></u></b>

**LIABILITIES**

<b>Current Liabilities</b>		
Current portion of mortgage payable	\$ 5,857	\$ 5,518
Accrued payable and accrued liabilities	<u>19,128</u>	<u>11,288</u>
 Total Current Liabilities	 <u>24,985</u>	 <u>16,806</u>
 Mortgage payable, less current portion	 <u>33,186</u>	 <u>39,042</u>
 Total liabilities	 <u>58,171</u>	 <u>55,848</u>

**NET ASSETS**

Without donor restrictions-undesignated	199,345	206,564
With donor restrictions	<u>21,095</u>	<u>21,095</u>
 Total net assets	 <u>220,440</u>	 <u>227,659</u>
 <b>Total Liabilities and Net Assets</b>	 <b><u><u>\$ 278,611</u></u></b>	 <b><u><u>\$ 283,507</u></u></b>

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, 2018

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES AND OTHER SUPPORT</b>			
Grants	\$ 319,602	\$ -	\$ 319,602
Contributions	52,543	-	52,543
Investment income- net of fees	(9,340)	-	(9,340)
Interest income - other	20	-	20
Other	6,110	-	6,110
Net assets released from restrictions	-	-	-
<b>Total revenues and other support</b>	<b>368,935</b>	<b>-</b>	<b>368,935</b>
<b>EXPENSES</b>			
Program expenses	298,862	-	298,862
General and administrative expenses	73,067	-	73,067
Fundraising expenses	4,225	-	4,225
<b>Total expenses</b>	<b>376,154</b>	<b>-</b>	<b>376,154</b>
<b>Changes in net assets</b>	<b>(7,219)</b>	<b>-</b>	<b>(7,219)</b>
<b>Net assets, beginning of year</b>	<b>206,564</b>	<b>21,095</b>	<b>227,659</b>
<b>Net assets, end of year</b>	<b>\$ 199,345</b>	<b>\$ 21,095</b>	<b>\$ 220,440</b>

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, 2017

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES AND OTHER SUPPORT</b>			
Grants	\$ 287,286	\$ -	\$ 287,286
Contributions	44,467	-	44,467
Investment income- net of fees	11,169	-	11,169
Interest income - other	21	-	21
Net assets released from restrictions	-	-	-
<b>Total revenues and other support</b>	<b>342,943</b>	<b>-</b>	<b>342,943</b>
<b>EXPENSES</b>			
Program expenses	256,073	-	256,073
General and administrative expenses	63,602	-	63,602
Fundraising expenses	4,702	-	4,702
<b>Total expenses</b>	<b>324,377</b>	<b>-</b>	<b>324,377</b>
<b>Changes in net assets</b>	18,566	-	18,566
<b>Net assets beginning of year</b>	<b>187,998</b>	<b>21,095</b>	<b>209,093</b>
<b>Net assets, end of year</b>	<b>\$ 206,564</b>	<b>\$ 21,095</b>	<b>227,659</b>

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

Cacapon Institute, Inc.  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2018

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Conservation and Education</u>	<u>Management and General</u>	<u>Fundraising</u>	
Personnel costs	\$ 196,154	\$ 25,816	\$ 2,490	\$ 224,460
Supplies	66,683	-	-	66,683
Travel	22,488	1,173	405	24,066
Miscellaneous	1,499	10,719	1,330	13,548
Education assistance	10,163	-	-	10,163
Utilities and telephone	-	8,338	-	8,338
Professional fees	-	8,076	-	8,076
Repairs and maintenance	-	4,636	-	4,636
Depreciation	-	4,263	-	4,263
Insurance	-	4,050	-	4,050
Printing & postage	-	3,473	-	3,473
Interest	-	2,523	-	2,523
Conference & meetings	1,875	-	-	1,875
	<u>\$ 298,862</u>	<u>\$ 73,067</u>	<u>\$ 4,225</u>	<u>\$ 376,154</u>
Total expenses	<u>\$ 298,862</u>	<u>\$ 73,067</u>	<u>\$ 4,225</u>	<u>\$ 376,154</u>

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

Cacapon Institute, Inc.  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2017

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Conservation and Education</u>	<u>Management and General</u>	<u>Fundraising</u>	
Personnel costs	\$ 165,445	\$ 18,760	\$ 3,234	\$ 187,439
Supplies	53,839	647	318	54,804
Travel	20,263	1,042	70	21,375
Miscellaneous	4,458	7,012	798	12,268
Postage & printing	3,388	7,558	282	11,228
Professional fees	-	8,821	-	8,821
Education assistance	7,746	-	-	7,746
Utilities and telephone	-	7,129	-	7,129
Insurance	-	4,074	-	4,074
Depreciation	-	3,316	-	3,316
Interest	-	2,844	-	2,844
Repairs and maintenance	-	2,399	-	2,399
Conference & meetings	934	-	-	934
<b>Total expenses</b>	<u>\$ 256,073</u>	<u>\$ 63,602</u>	<u>\$ 4,702</u>	<u>\$ 324,377</u>

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

Cacapon Institute, Inc.  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2018 and 2017

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2018</u>	<u>2017</u>
Changes in net assets	\$ (7,219)	\$ 18,566
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	4,263	3,316
Interest and investment income, net of fees, credited directly to investment account	27,343	(11,169)
Increase (decrease) in operating assets and liabilities		
(Increase) decrease in accounts receivable	(49,325)	34,730
(Increase) in other assets	(65)	(26)
Increase in accounts payable and other liabilities	<u>7,840</u>	<u>9,028</u>
<b>Net cash provided (used) by operating activities</b>	<b>(17,163)</b>	<b>54,445</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of land, building, and equipment	(7,227)	(9,507)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on mortgage	<u>(5,517)</u>	<u>(5,196)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(29,907)</b>	<b>39,742</b>
Cash and cash equivalents, beginning of year	<u>53,478</u>	<u>13,736</u>
Cash and cash equivalents, end of year	<u>\$ 23,571</u>	<u>\$ 53,478</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 2,523</u>	<u>\$ 2,844</u>

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

Cacapon Institute, Inc.  
**Notes to the Financial Statements**  
December 31, 2018 and 2017

## **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 two classes of net assets: with donor restrictions and without donor restrictions. Net assets without donor restrictions 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. Net assets with donor restrictions are those stipulated by donors for specific operating purposes, for the acquisition of property and equipment, those not currently available for use until commitments regarding their use have been fulfilled, or those contributed with donor stipulations that they be held in perpetuity with use of income with or without donor restrictions.

### **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.

### **Adoption of New FASB Accounting Standards Update**

In 2018, the Corporation adopted FASB Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, in order to improve the current net asset classification of requirements and the information presented in financials statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. There was no material impact on the entity's results of operations or financial condition upon adoption of the new standard.

Cacapon Institute, Inc.  
**Notes to the Financial Statements (Continued)**  
December 31, 2018 and 2017

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 without restrictions 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 without restriction 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 use without restrictions unless specifically restricted by the donor. The Corporation has elected to present contributions with restrictions, which are fulfilled in the same time period, within the without restrictions 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.

Cacapon Institute, Inc.  
**Notes to the Financial Statements (Continued)**  
December 31, 2018 and 2017

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2015, 2016, and 2017 are subject to examination by that jurisdiction generally for three years after they were filed.

**Expenses by Nature and Function**

The financial statements of the Corporation report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs which are allocated on the basis of time and effort studies, as well as travel and miscellaneous expenses which are allocated on specific identification of purpose and use when possible.

**AVAILABILITY OF FINANCIAL ASSETS**

The Corporation has \$155,795 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures which consists of \$23,571 of cash, \$73,592 of accounts receivable, and \$58,632 of investments. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the financial statement of position date. The Corporation has set a goal of having financial assets on hand to meet 90 days of normal operating expenses, which are on average, around \$44,000. As part of the liquidity management, the Corporation has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. Should an unforeseen liquidity need arise, the Corporation would request assistance from local and state government agencies.

**LAND, BUILDING AND EQUIPMENT**

Land, building and equipment consists of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ <b>107,686</b>	\$ 103,959
Office equipment	<b>4,556</b>	1,056
Project equipment	<b>11,346</b>	11,346
River equipment	<b>1,320</b>	1,320
Total	<u><b>124,908</b></u>	<u>117,681</u>
Accumulated depreciation	<u><b>(26,753)</b></u>	<u>(22,490)</u>
Land, building and equipment - net	<u><u><b>\$ 98,155</b></u></u>	<u><u>\$ 95,191</u></u>

Cacapon Institute, Inc.  
**Notes to the Financial Statements (Continued)**  
December 31, 2018 and 2017

**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, 2018.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Fixed income	\$ -	\$ -	\$ -	\$ -
Equities	5,555	5,555	-	-
Exchange traded funds	<u>33,208</u>	<u>-</u>	<u>33,208</u>	<u>-</u>
	<u>38,763</u>	<u>\$ 5,555</u>	<u>\$ 33,208</u>	<u>\$ -</u>
Money market fund	40,964			
Total investments	<u>\$ 79,727</u>			

Investment earnings consisted of the following for the year ended December 31, 2018

Interest and dividends	\$ 3,078
Net unrealized and realized gains	(11,336)
Less custodial fees	(1,082)
	<u>\$ (9,340)</u>

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets at fair value as of December 31, 2017.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Fixed income	\$ 20,075	\$ -	\$ 20,075	\$ -
Equities	42,136	42,136	-	-
Bond funds	<u>41,234</u>	<u>-</u>	<u>41,234</u>	<u>-</u>
	<u>103,445</u>	<u>\$ 42,136</u>	<u>\$ 61,309</u>	<u>\$ -</u>
Money market fund	3,625			
Total investments	<u>\$ 107,070</u>			

Investment earnings consisted of the following for the year ended December 31, 2017

Interest and dividends	\$ 3,163
Net unrealized and realized gains	9,009
Less custodial fees	(1,003)
	<u>\$ 11,169</u>

Cacapon Institute, Inc.  
**Notes to the Financial Statements (Continued)**  
December 31, 2018 and 2017

**LONG TERM DEBT**

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

	<b>2018</b>	2017
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.	<b>\$ 39,043</b>	\$ 44,560
Less current maturities	<u><b>5,857</b></u>	<u>5,518</u>
	<u><b>\$ 33,186</b></u>	<u>\$ 39,042</u>

Long term principal maturities of the mortgage payable at December 31, 2018 are as follows:

2020	<b>\$ 6,218</b>
2021	<b>6,601</b>
2022	<b>7,009</b>
2023	<b>7,441</b>
2024	<b>5,917</b>
	<u><b>\$ 33,186</b></u>

**NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consists of \$21,095 and \$21,095 at December 31, 2018 and 2017 respectfully, and are funds required to be invested 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, 2018 and 2017 respectfully and were donations from a foundation governed by a member of the Corporation's board members.

**CONCENTRATION**

Approximately 87% 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 June 26, 2019, the date the financial statements were available to be issued.