



Financial Statements

Manomet, Inc.

September 30, 2014 and 2013



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

MANOMET, INC.

Financial Statements

Table of Contents

Financial Statements:

Independent Auditors' Report	1 – 2
Statements of Financial Position	3
Statement of Activities	4 – 5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 19



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

56 Exchange Terrace ■ Providence, RI 02903
Tel: 401.626.3200 ■ Fax: 401.626.3201 ■ www.cbiztofias.com

Independent Auditors' Report

Board of Trustees
Manomet, Inc.

We have audited the accompanying financial statements of Manomet, Inc. ("Manomet"), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

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 Manomet, Inc. as of September 30, 2014 and 2013, 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.

Maye Hayfman McCann P.C.

February 10, 2015
Providence, Rhode Island

MANOMET, INC.

Statements of Financial Position

	<i>September 30,</i>	
	<i>2014</i>	<i>2013</i>
Assets		
Cash and cash equivalents	\$ 3,216,770	\$ 1,795,749
Accounts receivable	563,025	1,417,545
Pledges receivable, net	948,968	897,174
Investments	21,189,616	20,153,671
Beneficial interest in trust	186,495	183,244
Investments held in split interest agreements	201,814	155,166
Other assets	15,783	141,746
Land, buildings and equipment, net	<u>843,257</u>	<u>854,485</u>
Total assets	<u>\$ 27,165,728</u>	<u>\$ 25,598,780</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 396,738	\$ 395,882
Deferred revenue	<u>233,176</u>	<u>275,077</u>
Total liabilities	<u>629,914</u>	<u>670,959</u>
Net assets:		
Unrestricted:		
Operating funds	1,671,356	1,519,472
Designated for capital projects	16,865	70,500
Gifts designated by the Board as unrestricted endowment	2,977,001	2,887,159
Plant	<u>843,257</u>	<u>854,485</u>
Total unrestricted	5,508,479	5,331,616
Temporarily restricted	5,353,954	4,396,961
Permanently restricted	<u>15,673,381</u>	<u>15,199,244</u>
Total net assets	<u>26,535,814</u>	<u>24,927,821</u>
Total liabilities and net assets	<u>\$ 27,165,728</u>	<u>\$ 25,598,780</u>

MANOMET, INC.

Statements of Activities

Years Ended September 30,

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenue and support:					
Grants and contracts	\$ 1,119,893	\$ -	\$ -	\$ 1,119,893	\$ 1,589,943
Contributions	1,012,191	-	-	1,012,191	949,802
Contributions designated for capital projects	(10,000)	-	-	(10,000)	-
Program fees	42,201	-	-	42,201	45,687
Interest	6,781	-	-	6,781	4,465
Gain (loss) on sales	1,496	-	-	1,496	(8,426)
Amounts appropriated under endowment spending policy and spent for current operations	805,662	-	-	805,662	939,003
Net assets released from restrictions	1,251,600	-	-	1,251,600	937,168
Total operating revenue and support	4,229,824	-	-	4,229,824	4,457,642
Expenses:					
Conservation science programs	3,065,643	-	-	3,065,643	3,343,756
Administration and support services	778,884	-	-	778,884	864,553
Development	380,478	-	-	380,478	246,396
Total expenses	4,225,005	-	-	4,225,005	4,454,705
Change in net assets from operations	4,819	-	-	4,819	2,937
Nonoperating revenue and gains (losses):					
Amounts appropriated under endowment spending policy (spent)/reserved for future periods	13,337	-	-	13,337	(162,003)
Investment return, net of spending	89,842	475,217	59,793	624,852	1,192,051
Loss on impairment of asset	-	-	-	-	(131,884)
Gain (loss) on investments held in charitable remainder unitrusts	(413)	15,344	3,251	18,182	34,758
Contributions	-	1,869,620	411,093	2,280,713	2,308,084
Contributions (spent)/reserved for future periods	(75,000)	-	-	(75,000)	-
Contributions designated for capital projects	10,000	-	-	10,000	-
Change in allowance and discount for pledges	-	(17,310)	-	(17,310)	(57,553)
Net assets released from restrictions	134,278	(1,385,878)	-	(1,251,600)	(937,168)
Total nonoperating revenue and gains (losses)	172,044	956,993	474,137	1,603,174	2,246,285
Change in net assets	176,863	956,993	474,137	1,607,993	2,249,222
Net assets, beginning	5,331,616	4,396,961	15,199,244	24,927,821	22,678,599
Net assets, ending	\$ 5,508,479	\$ 5,353,954	\$ 15,673,381	\$ 26,535,814	\$ 24,927,821

See accompanying notes to the financial statements.

MANOMET, INC.

Statement of Activities

Year Ended September 30, 2013

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Operating revenue and support:				
Grants and contracts	\$ 1,589,943	\$ -	\$ -	\$ 1,589,943
Contributions	949,802	-	-	949,802
Program fees	45,687	-	-	45,687
Interest	4,465	-	-	4,465
Loss on sales	(8,426)	-	-	(8,426)
Amounts appropriated under endowment spending policy and spent for current operations	939,003	-	-	939,003
Net assets released from restrictions	937,168	-	-	937,168
	<u>4,457,642</u>	<u>-</u>	<u>-</u>	<u>4,457,642</u>
Total operating revenue and support				
	<u>4,457,642</u>	<u>-</u>	<u>-</u>	<u>4,457,642</u>
Expenses:				
Conservation science programs	3,343,756	-	-	3,343,756
Administration and support services	864,553	-	-	864,553
Development	246,396	-	-	246,396
	<u>4,454,705</u>	<u>-</u>	<u>-</u>	<u>4,454,705</u>
Total expenses				
	<u>4,454,705</u>	<u>-</u>	<u>-</u>	<u>4,454,705</u>
Change in net assets from operations	<u>2,937</u>	<u>-</u>	<u>-</u>	<u>2,937</u>
Nonoperating revenue and gains (losses):				
Amounts appropriated under endowment spending policy (spent)/reserved for future periods	(162,003)	-	-	(162,003)
Investment return, net of spending	169,883	872,445	149,723	1,192,051
Loss on impairment of asset	-	(131,884)	-	(131,884)
Gain on investments held in charitable remainder unitrusts	-	26,007	8,751	34,758
Contributions	160,230	2,085,879	61,975	2,308,084
Change in allowance and discount for pledges	-	(57,553)	-	(57,553)
Net assets released from restrictions	-	(937,168)	-	(937,168)
	<u>168,110</u>	<u>1,857,726</u>	<u>220,449</u>	<u>2,246,285</u>
Total nonoperating revenue and gains (losses)				
	<u>168,110</u>	<u>1,857,726</u>	<u>220,449</u>	<u>2,246,285</u>
Change in net assets	<u>171,047</u>	<u>1,857,726</u>	<u>220,449</u>	<u>2,249,222</u>
Net assets, beginning	5,160,569	2,539,235	14,978,795	22,678,599
Net assets, ending	<u>\$ 5,331,616</u>	<u>\$ 4,396,961</u>	<u>\$ 15,199,244</u>	<u>\$ 24,927,821</u>

See accompanying notes to the financial statements.

MANOMET, INC.

Statements of Cash Flows

	<i>Years Ended September 30,</i>	
	<i>2014</i>	<i>2013</i>
Cash flows from operating activities:		
Change in net assets	\$ 1,607,993	\$ 2,249,222
Adjustments to reconcile change in net assets to cash and cash equivalents provided by (used in) operating activities:		
Depreciation	74,863	71,167
Receivable from unitrust agreement	(3,251)	(8,750)
Investments held in charitable remainder unitrusts	(46,648)	(20,733)
Contributions restricted for long-term investment, net amounts included in change in pledges receivable	(411,093)	(61,975)
Net realized and unrealized gains	(1,318,404)	(1,807,301)
Loss from disposal of fixed assets	-	6,048
Loss on impairment of land held in trust	-	131,884
Changes in:		
Accounts receivable	854,520	99,369
Pledges receivable	(51,794)	(867,174)
Other assets	(8,324)	(607)
Accounts payable and accrued liabilities	856	(4,766)
Deferred revenue	(41,901)	680
	<u>656,817</u>	<u>(212,936)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	882,658	835,877
Proceeds from sale of land held in trust	134,287	-
Purchase of investments	(600,199)	(320,476)
Purchase of fixed assets	(63,635)	(26,954)
	<u>353,111</u>	<u>488,447</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Contributions restricted for long-term investment	411,093	61,975
	<u>411,093</u>	<u>61,975</u>
Net cash provided by financing activities		
Change in cash and cash equivalents	1,421,021	337,486
Cash and cash equivalents, beginning	<u>1,795,749</u>	<u>1,458,263</u>
Cash and cash equivalents, ending	\$ <u>3,216,770</u>	\$ <u>1,795,749</u>

MANOMET, INC.

Notes to Financial Statements

Note 1 – Organization and Nature of Operations

Manomet, Inc. (“Manomet”), better known as the Manomet Center for Conservation Sciences, is a Massachusetts not-for-profit corporation established on September 13, 1968.

For more than 40 years, Manomet scientists have worked with a wide range of partners to conserve species, solve complex natural resource challenges and build a more sustainable world.

Manomet has learned that lasting solutions are created when science unites diverse perspectives and values. This is the way to solve big problems for the long term. Manomet knows this approach works because they have been doing it for more than four decades.

Manomet has about 40 scientists and support staff working from the north slope of Alaska to the southern tip of Argentina.

Manomet’s programs pursue four goals:

- To prepare America for climate change.
- To connect people to the natural world.
- To restore and conserve shorebird populations in the Western Hemisphere.
- To build an economy based on sustainability.

Note 2 – Summary of Significant Accounting Policies

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Financial Statement Preparation

The accompanying financial statements have been prepared on the accrual basis and in accordance with the reporting principles of not-for-profit accounting. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of grantor or donor-imposed restrictions. Accordingly, net assets of Manomet and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to grantor or donor-imposed restrictions or for which restrictions have expired. Grants which are limited to the use of various Manomet programs are reflected as unrestricted revenue if these funds are received and spent during the same year and if they support the activities of Manomet. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees. Unrestricted net assets are comprised of the following:

Operating Funds

Represents the portion of the expendable funds that are available for support of operations.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Preparation (Continued)

Unrestricted Net Assets (Continued)

Designated for Capital Projects

Represents funds designated for upcoming capital projects.

Gifts Designated by the Board as Unrestricted Endowment

Represents gifts designated by the Board of Trustees as acting as endowment, which can be used with the approval of the Board of Trustees.

Plant

Represents funds invested in land, buildings and equipment.

Temporarily Restricted Net Assets

Net assets subject to explicit or implicit grantor or donor-imposed restrictions that may or will be met either by actions of Manomet and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Net assets subject to grantor or donor-imposed restrictions that they be maintained permanently, but may permit Manomet to use or expend part or all of the economic benefits derived from the donated assets.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid instruments with a maturity of three months or less at date of purchase.

Accounts Receivable and Bad Debts

Included in accounts receivable at September 30, 2014 and 2013 is approximately \$550,000 and \$1,366,000 of unbilled amounts, respectively, which will be billed subsequent to year end. These amounts are predominantly Federal grants and contracts. Manomet uses the specific identification method for recognizing bad debts on accounts and pledges receivable.

Investments

Manomet records investments at their fair value. Fair value is determined as per the fair value policies described later in this section. The resulting change in unrealized gains and losses on the investments is reported in the statements of activities under the unrestricted, temporarily restricted or permanently restricted net assets as applicable.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Loss on Impairment of Asset

Subsequent to the year ended September 30, 2013, Manomet entered into an agreement to sell the donated land held in trust included in other assets on the statements of financial position. The purchase price was below the recorded value as of September 30, 2013 and, therefore, a loss on impairment of asset of \$131,884 was recorded in the statement of activities for the year ended September 30, 2013.

Contributions and Pledges Receivable

Contributions of assets, other than cash, are recorded at their estimated fair value at the date received. The initially recorded fair value is considered a Level 2 fair value approach. 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. The discounts on those amounts are computed using a risk-free rate of return as a starting point and then increasing that rate to account for the inherent risk associated with the expected future cash flows of these unconditional promises to give. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions Designated for Capital Projects

For the year ended September 30, 2014, Manomet designated \$10,000 of unrestricted contributions for upcoming capital projects.

Contributions (Spent)/Reserved for Future Periods

From time to time, Manomet reserves unrestricted contributions for future periods in nonoperating. When those amounts are expended, they are recorded as part of unrestricted operating contributions and noted as spent in nonoperating.

Split Interest Agreements

Beneficial Interest in Trust

Manomet records its beneficial interest in trust at fair value when Manomet is notified of the existence of the instrument. On an ongoing basis, Manomet reports its interest at fair value based on its underlying share of assets and estimates the fair value of the remainder. The initially recorded fair value of the donated investment is determined based on the underlying nature of the investment received which has generally represented Level 3 measurements.

Charitable Gift Annuity

Manomet has a charitable gift annuity in which a donor contributed assets and received a promise of payments for life. The assets and obligations are initially recorded at fair value with the assets generally being at Level 1 and obligations measured at Level 2 per the fair value policy contained elsewhere in this section. The obligations are periodically updated to reflect changes in life expectancy using the same discount rate as when the gift was made.

Charitable Remainder Unitrusts

Manomet holds an asset for charitable remainder unitrust agreements. The assets are recorded at the present value of the anticipated residual interest in the unitrust which is generally determined using Level 3 methods.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Fair value of donated fixed assets is effectively recorded using a Level 3 market approach. Expenditures that significantly add to the productivity or extend the economic life of the assets are capitalized. Other expenditures for repairs and maintenance are charged to operations in the year the costs are incurred.

Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis. A summary of depreciable lives follows:

Buildings and improvements	5 - 40 years
Equipment, furniture and fixtures	3 - 10 years

Deferred Revenue

Deferred revenue represents amounts received in advance of incurring expenses for particular exchange transaction activities involving research projects. Such amounts are recorded as revenue in the year expended by Manomet.

Operations

The statements of activities reports the change in net assets from operating and nonoperating activities. Nonoperating revenues consist of: unrestricted funds earmarked for use in future periods; investment return net of endowment spending for current operations; loss on impairment of asset; gains and losses on investments held in charitable remainder unitrusts; unrestricted contributions designated by the Board of Trustees as acting as endowment; temporarily and permanently restricted contributions; contributions (spent)/reserved for future periods; change in allowance and discount for pledges; and net assets for which restrictions expired during the fiscal year. All other activities are reported as operating.

Grants and Contracts

Manomet expends resources under government and private sector contracts and grants for specific purposes that are subject to review and audit by grantors or their representatives. Such audits could result in requests for reimbursement to the grantor Manomet if expenditures are disallowed. Management does not anticipate such an event. However, management believes that such requests for reimbursement, if made, would not have a significant impact on the financial position of Manomet. Revenue from cost reimbursement contracts and grants is recognized as related costs are incurred on the projects.

Use of Estimates and Assumptions

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. Actual results could differ from those estimates and assumptions. Significant management estimates included in the financial statements relate to the allowance for accounts receivable and pledges receivable, useful lives of depreciable assets, valuation of interests in and obligations under split interest agreements and validity and completeness of satisfaction of donor restrictions.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Manomet reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include Manomet's investment accounts. Nonrecurring fair value measures include the loss on impairment of an asset in 2013. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require Manomet to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3, depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes investments reported at net asset value per share with lock up periods of 90 days or less.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes investments reported at net asset value per share with lock up periods in excess of 90 days.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of Manomet's financial instruments, see Note 5 – Investments and Fair Values of Financial Instruments.

Income Tax Status

Manomet, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from Massachusetts income tax. Accordingly, no provision for income taxes is made in the financial statements. Given the limited taxable activities of the Agency, management has concluded that disclosure relative to tax provisions is not necessary.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions

Manomet accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. Manomet has identified its tax status as a tax exempt entity its only significant tax position; however, Manomet has determined that such tax position does not result in an uncertainty requiring recognition. Manomet is not currently under examination by any taxing jurisdiction. Manomet’s Federal and state tax returns are generally open for examination for three years following the date filed.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated to fundraising based on relative effort exerted for the function.

Subsequent Events

Manomet has evaluated subsequent events through February 10, 2015, the date the financial statements were approved and authorized to be issued.

Note 3 – Pledges Receivable

Pledges receivable are comprised of the following at September 30:

	2014	2013
Amounts due in:		
One year or less	\$ 445,081	\$ 429,727
One to five years	<u>548,750</u>	<u>495,000</u>
Total due	993,831	924,727
Less: Present value discount	(24,986)	(18,306)
Allowance for doubtful accounts	<u>(19,877)</u>	<u>(9,247)</u>
Pledges receivable, net	\$ <u>948,968</u>	\$ <u>897,174</u>

MANOMET, INC.

Notes to Financial Statements

Note 4 – Land, Buildings and Equipment

Land, buildings and equipment are comprised of the following at September 30:

	2014	2013
Land	\$ 375,113	\$ 375,113
Buildings and improvements	1,974,429	1,910,794
Equipment, furniture and fixtures	<u>541,246</u>	<u>541,246</u>
	2,890,788	2,827,153
Less accumulated depreciation	<u>(2,047,531)</u>	<u>(1,972,668)</u>
Land, buildings and equipment, net	<u>\$ 843,257</u>	<u>\$ 854,485</u>

Note 5 – Investments and Fair Values of Financial Instruments

The composition of investments, all of which are considered Level 1 using the fair value hierarchy, is as follows at September 30:

	2014	2013
Cash and cash equivalents	\$ <u>3,132,213</u>	\$ <u>1,397,530</u>
Equities:		
Domestic equities	8,880,990	8,236,824
International equities	<u>4,358,370</u>	<u>3,810,771</u>
Total equities	<u>13,239,360</u>	<u>12,047,595</u>
Fixed income funds:		
Short-term funds	103,502	99,239
Intermediate funds	1,921,302	4,088,640
High-yield funds	<u>170,910</u>	<u>277,869</u>
Total fixed income funds	<u>2,195,714</u>	<u>4,465,748</u>
Other:		
Commodity funds	643,697	635,129
Real estate funds	799,605	396,955
Inflation-linked bond funds	<u>1,179,027</u>	<u>1,210,714</u>
Total other	<u>2,622,329</u>	<u>2,242,798</u>
Investments	<u>\$ 21,189,616</u>	<u>\$ 20,153,671</u>

MANOMET, INC.

Notes to Financial Statements

Note 5 – Investments and Fair Values of Financial Instruments (Continued)

Manomet engages four professional asset management firms to oversee its portfolio. All investments are in diversified mutual funds, fixed income mutual funds, or mutual fund-style investments. All of Manomet's investments are priced daily and offer daily liquidity.

Management fees totaled approximately \$64,000 and \$59,000 for the years ended September 30, 2014 and 2013, respectively. Expenses and fees associated with mutual funds are netted against the return of such funds.

The beneficial interest in trust is considered Level 3 and the investments held in split interest agreements Level 2 using the fair value hierarchy. The corresponding liability for the split interest agreements of \$54,442 and \$32,833 at September 30, 2014 and 2013, respectively, are also Level 2 and included in accounts payable and accrued liabilities in the statements of financial position.

Note 6 – Retirement Plan

Manomet has a qualified 403(b) defined contribution retirement plan for all eligible employees. Employee participants may elect to defer a portion of their compensation subject to Internal Revenue Service limitations. Manomet contributes between four and six percent of current year salary for eligible employees. Additional contributions to the plan are at the discretion of the Board of Trustees but may not exceed the maximum amount permitted under the Internal Revenue Code. Manomet's contributions to the plan were \$85,016 and \$81,820 for the years ended September 30, 2014 and 2013, respectively.

Note 7 – Net Assets and Endowment Matters

Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following at September 30:

	<i>2014</i>	<i>2013</i>
Purpose restricted:		
Unitrust	\$ 103,391	\$ 88,007
Programs	2,343,821	1,743,113
Land held in trust	-	134,316
Accumulated unspent investment income	<u>2,906,742</u>	<u>2,431,525</u>
Total	<u>\$ 5,353,954</u>	<u>\$ 4,396,961</u>

MANOMET, INC.

Notes to Financial Statements

Note 7 – Net Assets and Endowment Matters (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets are comprised of the following at September 30:

	<i>2014</i>	<i>2013</i>
Research initiatives	\$ 15,140,537	\$ 14,729,038
General endowment	<u>532,844</u>	<u>470,206</u>
Total	<u><u>\$ 15,673,381</u></u>	<u><u>\$ 15,199,244</u></u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted programs purpose as well as the sale of the land held in trust in fiscal year 2014.

Endowment Assets and Those Functioning as Endowment Assets

The following is the composition of endowment assets and those functioning as endowment assets by net asset class as of September 30, 2014:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 2,906,742	\$ 15,305,873	\$ 18,212,615
Board-designated endowment funds	<u>2,977,001</u>	<u>-</u>	<u>-</u>	<u>2,977,001</u>
	<u><u>\$ 2,977,001</u></u>	<u><u>\$ 2,906,742</u></u>	<u><u>\$ 15,305,873</u></u>	<u><u>\$ 21,189,616</u></u>

The following is the composition of endowment assets and those functioning as endowment assets by net asset class as of September 30, 2013:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 2,431,525	\$ 14,834,987	\$ 17,266,512
Board-designated endowment funds	<u>2,887,159</u>	<u>-</u>	<u>-</u>	<u>2,887,159</u>
	<u><u>\$ 2,887,159</u></u>	<u><u>\$ 2,431,525</u></u>	<u><u>\$ 14,834,987</u></u>	<u><u>\$ 20,153,671</u></u>

MANOMET, INC.

Notes to Financial Statements

Note 7 – Net Assets and Endowment Matters (Continued)

Endowment Assets and Those Functioning as Endowment Assets (Continued)

The following represents required disclosure relative to the composition of endowment assets and those functioning as endowment assets at September 30, 2014:

	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ <u>2,887,159</u>	\$ <u>2,431,525</u>	\$ <u>14,834,987</u>	\$ <u>20,153,671</u>
Gifts and additions	<u>-</u>	<u>-</u>	<u>411,093</u>	<u>411,093</u>
Investment returns:				
Interest and dividends, net of management fees	17,563	95,340	12,545	125,448
Net realized and unrealized gains	<u>186,939</u>	<u>1,002,317</u>	<u>129,148</u>	<u>1,318,404</u>
Total investment returns	<u>204,502</u>	<u>1,097,657</u>	<u>141,693</u>	<u>1,443,852</u>
Expenditures:				
Amounts appropriated under endowment spending policy and spent for current operations	<u>(114,660)</u>	<u>(622,440)</u>	<u>(81,900)</u>	<u>(819,000)</u>
Net investment returns and expenditures	<u>89,842</u>	<u>475,217</u>	<u>59,793</u>	<u>624,852</u>
Endowment assets and those functioning as endowment assets, end of year	\$ <u><u>2,977,001</u></u>	\$ <u><u>2,906,742</u></u>	\$ <u><u>15,305,873</u></u>	\$ <u><u>21,189,616</u></u>

The investment return on permanently restricted net assets that was appropriated from temporarily restricted to unrestricted net assets for operations was \$622,440 for the year ended September 30, 2014.

MANOMET, INC.

Notes to Financial Statements

Note 7 – Net Assets and Endowment Matters (Continued)

Endowment Assets and Those Functioning as Endowment Assets (Continued)

The following represents required disclosure relative to the composition of endowment assets and those functioning as endowment assets at September 30, 2013:

	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ <u>2,679,401</u>	\$ <u>1,559,080</u>	\$ <u>14,623,290</u>	\$ <u>18,861,771</u>
Gifts and additions	<u>37,875</u>	<u>-</u>	<u>61,974</u>	<u>99,849</u>
Investment returns:				
Interest and dividends, net of management fees	22,647	118,079	21,024	161,750
Net realized and unrealized gains	<u>256,017</u>	<u>1,321,576</u>	<u>229,708</u>	<u>1,807,301</u>
Total investment returns	<u>278,664</u>	<u>1,439,655</u>	<u>250,732</u>	<u>1,969,051</u>
Expenditures:				
Amounts appropriated under endowment spending policy and spent for current operations	(131,462)	(685,472)	(122,069)	(939,003)
Amounts appropriated under endowment to be spent in future periods	<u>22,681</u>	<u>118,262</u>	<u>21,060</u>	<u>162,003</u>
Total expenditures	<u>(108,781)</u>	<u>(567,210)</u>	<u>(101,009)</u>	<u>(777,000)</u>
Net investment returns and expenditures	<u>169,883</u>	<u>872,445</u>	<u>149,723</u>	<u>1,192,051</u>
Endowment assets and those functioning as endowment assets, end of year	\$ <u><u>2,887,159</u></u>	\$ <u><u>2,431,525</u></u>	\$ <u><u>14,834,987</u></u>	\$ <u><u>20,153,671</u></u>

The investment return on permanently restricted net assets that was appropriated from temporarily restricted to unrestricted net assets for operations was \$567,210 for the year ended September 30, 2013.

Endowment

Manomet's endowment consists of approximately 28 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Bequests over \$50,000 are added to Board-designated endowment funds. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

MANOMET, INC.

Notes to Financial Statements

Note 7 – Net Assets and Endowment Matters (Continued)

Interpretation of Relevant Law and Spending Policy

Manomet follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted in Massachusetts. Accordingly, Manomet classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original gift value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Manomet in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Manomet considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Manomet and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Manomet
- (7) The investment policies of Manomet

The Board of Trustees has established a maximum spending rate of four and one half percent of the unrestricted, temporarily and permanently restricted endowment funds. The computation for spending is generally based on a twelve-quarter trailing market value unless donors provide for earlier inclusion of their gift in the spending computation. This policy is designed to preserve the principal of the endowment fund, allow for capital appreciation to meet or exceed inflation and to generate reasonable operating income.

In addition, the Board of Trustees may approve additional spending from unrestricted endowment funds to be used for certain program capacity building initiatives. No amounts were expended for the years ended September 30, 2014 and 2013.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Manomet to retain as a fund of perpetual duration. In accordance with accounting standards, deficiencies of this nature are reported in unrestricted net assets. There were no funds with deficiencies at September 30, 2014 and 2013.

Return Objectives and Risk Parameters

Manomet's investment portfolio is managed to provide for the long-term support of Manomet. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed-upon levels of risk. It is the goal of the aggregate long-term investments to generate a long-term target rate of return of at least 7.5%.

MANOMET, INC.

Notes to Financial Statements

Note 7 – Net Assets and Endowment Matters (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Manomet relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Manomet targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, Manomet seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Note 8 – Concentration of Credit Risk

Manomet maintains its cash and cash equivalents accounts at various financial institutions which may, at times, exceed federally insured limits. Manomet has not experienced any losses in such accounts. Financial instruments, which potentially subject Manomet to concentration of credit risk, consist principally of accounts receivable. Credit risk with receivables is concentrated among Federal agencies.

Note 9 – Commitments

Manomet leases office space and equipment under several lease agreements, which expire between September 2015 and October 2018. Minimum future rental payments under the non-cancelable operating leases for each of the remaining years and in the aggregate are:

<i>Year Ending September 30,</i>	
2015	\$ 35,880
2016	30,629
2017	7,926
2018	7,428
2019	<u>1,288</u>
Total minimum lease payments	\$ <u><u>83,151</u></u>

Rent expense was \$35,384 and \$31,355 for the years ended September 30, 2014 and 2013, respectively.

Note 10 – Volunteer Services

Many individuals volunteer their time and perform a variety of tasks that assist in Manomet's mission, but these services do not meet the criteria for recognition as contributed services. Manomet receives more than 1,500 volunteer hours per year.