



Financial Statements and Supplemental Information

Manomet, Inc.

September 30, 2015 and 2014



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

MANOMET, INC.

Financial Statements and Supplemental Information

Table of Contents

Financial Statements:

Independent Auditors' Report	1 – 2
Statements of Financial Position	3
Statements of Activities	4 – 5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 20

Supplemental Information:

Schedule of Expenditures of Federal Awards	21
Notes to Schedule of Expenditures of Federal Awards	22

Reporting Under Government Auditing Standards:

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	23 – 24
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Reporting Under OMB Circular A-133:

Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133	25 – 26
Schedule of Findings and Questioned Costs	27 – 28



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Independent Auditors' Report

The Board of Trustees and the Audit Committee
Manomet, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Manomet, Inc. ("Manomet"), which comprise the statements of financial position as of September 30, 2015 and 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2015 and 2014, 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.

Other Matters

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2016 on our consideration of Manomet's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manomet's internal control over financial reporting and compliance.

Mayer Hoffmann McCann P.C.

February 11, 2016
Providence, Rhode Island

MANOMET, INC.

Statements of Financial Position

	<i>September 30,</i>	
	<i>2015</i>	<i>2014</i>
Assets		
Cash and cash equivalents	\$ 2,730,872	\$ 3,216,770
Accounts receivable	704,742	563,025
Pledges receivable, net	607,315	948,968
Investments	19,650,057	21,189,616
Beneficial interest in trust	165,083	186,495
Investments held in split interest agreements	187,037	201,814
Other assets	2,995	15,783
Property and equipment, net	<u>814,694</u>	<u>843,257</u>
Total assets	<u>\$ 24,862,795</u>	<u>\$ 27,165,728</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 372,835	\$ 396,738
Deferred revenue	<u>242,317</u>	<u>233,176</u>
Total liabilities	<u>615,152</u>	<u>629,914</u>
Net assets:		
Unrestricted:		
Operating funds	1,652,257	1,671,356
Designated for capital projects	-	16,865
Gifts designated by the Board as unrestricted endowment	2,745,145	2,977,001
Plant	<u>814,694</u>	<u>843,257</u>
Total unrestricted	5,212,096	5,508,479
Temporarily restricted	3,247,692	5,353,954
Permanently restricted	<u>15,787,855</u>	<u>15,673,381</u>
Total net assets	<u>24,247,643</u>	<u>26,535,814</u>
Total liabilities and net assets	<u>\$ 24,862,795</u>	<u>\$ 27,165,728</u>

MANOMET, INC.

Statements of Activities

Years Ended September 30,

	2015			2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue and support:				
Grants and contracts	\$ 877,236	\$ -	\$ -	\$ 877,236
Contributions	961,685	-	-	961,685
Contributions designated for capital projects	-	-	-	(10,000)
Program fees	54,834	-	-	54,834
Interest	16,370	-	-	16,370
Loss on sales	3,379	-	-	3,379
Amounts appropriated under endowment spending policy and spent for current operations	799,988	-	-	799,988
Net assets released from restrictions	2,030,674	-	-	2,030,674
Total operating revenue and support	4,744,166	-	-	4,744,166
Expenses:				
Conservation science programs	3,364,034	-	-	3,364,034
Administration and support services	897,046	-	-	897,046
Development	482,823	-	-	482,823
Total expenses	4,743,903	-	-	4,743,903
Change in net assets from operations	263	-	-	263
Nonoperating revenue and gains (losses):				
Amounts appropriated under endowment spending policy reserved for future periods	69,012	-	-	69,012
Investment return, net of spending	(234,056)	(1,443,589)	-	(1,677,645)
Gain (loss) on investments held in charitable remainder unitrusts	484	(5,311)	(21,412)	(26,239)
Contributions	2,200	1,354,615	1,600	1,358,415
Contributions spent for future periods	-	-	-	(75,000)
Contributions designated for capital projects	-	-	-	10,000
Change in allowance and discount for pledges	-	18,697	-	18,697
Donor re-designation of funds	(134,286)	-	134,286	-
Net assets released from restrictions	-	(2,030,674)	-	(2,030,674)
Total nonoperating revenue and gains (losses)	(296,646)	(2,106,262)	114,474	(2,288,434)
Change in net assets	(296,383)	(2,106,262)	114,474	(2,288,171)
Net assets, beginning	5,508,479	5,353,954	15,673,381	26,535,814
Net assets, ending	\$ 5,212,096	\$ 3,247,692	\$ 15,787,855	\$ 24,247,643
				\$ 26,535,814

See accompanying notes to the financial statements.

MANOMET, INC.

Statement of Activities

Year Ended September 30, 2014

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Operating revenue and support:				
Grants and contracts	\$ 1,119,893	\$ -	\$ -	\$ 1,119,893
Contributions	1,012,191	-	-	1,012,191
Contributions designated for capital projects	(10,000)	-	-	(10,000)
Program fees	42,201	-	-	42,201
Interest	6,781	-	-	6,781
Loss on sales	1,496	-	-	1,496
Amounts appropriated under endowment spending policy and spent for current operations	805,662	-	-	805,662
Net assets released from restrictions	1,251,600	-	-	1,251,600
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenue and support	4,229,824	-	-	4,229,824
Expenses:				
Conservation science programs	3,065,643	-	-	3,065,643
Administration and support services	778,884	-	-	778,884
Development	380,478	-	-	380,478
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	4,225,005	-	-	4,225,005
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets from operations	4,819	-	-	4,819
Nonoperating revenue and gains (losses):				
Amounts appropriated under endowment spending policy (spent)/reserved for future periods	13,337	-	-	13,337
Investment return, net of spending	89,842	475,217	59,793	624,852
Gain (loss) on investments held in charitable remainder unitrusts	(413)	15,344	3,251	18,182
Contributions	-	1,869,620	411,093	2,280,713
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)
Net assets released from restrictions	134,278	(1,385,878)	-	(1,251,600)
	<hr/>	<hr/>	<hr/>	<hr/>
Total nonoperating revenue and gains (losses)	172,044	956,993	474,137	1,603,174
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	176,863	956,993	474,137	1,607,993
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, beginning	5,331,616	4,396,961	15,199,244	24,927,821
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, ending	\$ 5,508,479	\$ 5,353,954	\$ 15,673,381	\$ 26,535,814

See accompanying notes to the financial statements.

MANOMET, INC.

Statements of Cash Flows

	<i>Years Ended September 30,</i>	
	<i>2015</i>	<i>2014</i>
Cash flows from operating activities:		
Change in net assets	\$ (2,288,171)	\$ 1,607,993
Adjustments to reconcile change in net assets to cash and cash equivalents provided by (used in) operating activities:		
Depreciation	72,432	74,863
Contributions restricted for long-term investment, net amounts included in change in pledges receivable	(1,600)	(411,093)
Net realized and unrealized (gains) losses	924,290	(1,318,404)
Changes in:		
Accounts receivable	(141,717)	854,520
Pledges receivable	341,653	(51,794)
Beneficial interest in trust	21,412	(3,251)
Investments held in split interest agreements	14,777	(46,648)
Other assets	12,788	(8,324)
Accounts payable and accrued liabilities	(23,903)	856
Deferred revenue	9,141	(41,901)
	<u>(1,058,898)</u>	<u>656,817</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	753,355	882,658
Proceeds from sale of land held in trust	-	134,287
Purchase of investments	(138,086)	(600,199)
Purchase of property and equipment	(43,869)	(63,635)
	<u>571,400</u>	<u>353,111</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Contributions restricted for long-term investment	1,600	411,093
	<u>1,600</u>	<u>411,093</u>
Net cash provided by financing activities		
Change in cash and cash equivalents	(485,898)	1,421,021
Cash and cash equivalents, beginning	<u>3,216,770</u>	<u>1,795,749</u>
Cash and cash equivalents, ending	\$ <u>2,730,872</u>	\$ <u>3,216,770</u>

MANOMET, INC.

Notes to Financial Statements

Note 1 – Organization and Nature of Operations

Manomet, Inc. (“Manomet”) is a Massachusetts not-for-profit corporation established on September 13, 1968. Manomet’s mission is applying science and engaging people to sustain our world.

Manomet believes people can live and work today in ways that will enable our world to thrive and prosper tomorrow. Creating a thriving and prosperous world with finite resources is one of the biggest challenges of our time. To take on a challenge this big, most people will need to be a part of the solution. The good news is the vast majority of people want a thriving future and are willing to act.

By applying science and engaging people, Manomet provides practical ways to act—where people live and work. A nonprofit grounded in science, Manomet’s experts champion better practices in conservation, business sustainability, and science education in the United States and internationally. As a result, Manomet is showing how they can create a sustainable future.

Expert advisors bring decades of experience working across sectors, providing strategic advice and practical solutions. From their world-renowned bird conservation work to their sustainable business solutions, Manomet creates successful, scalable strategies. Lasting change must happen throughout an organization, so Manomet engages people at every level.

Manomet focuses its programs where it will have measurable impact and create the most opportunity for scale as follows:

- » CLIMATE SERVICES – Integrating science and stakeholder networks to identify and implement nature-based solutions to climate change.
- » LANDBIRD CONSERVATION – Using long-term research and education to connect people to nature.
- » SHOREBIRD RECOVERY – Engaging a diverse coalition of people and organizations across the Americas to develop and implement science-based solutions to conserve imperiled shorebirds.
- » SUSTAINABLE ECONOMIES – Advising partners on practices to enhance economic viability and human well-being while measurably reducing their environmental footprint.

Manomet is named for the coastal village in New England where their headquarters have been for more than 45 years. A Native American word, the name Manomet means portage path. Manomet embraces the legacy of this name in their mission by charting pathways to a thriving future and providing guidance along the way.

As Manomet approaches its sixth decade, they have achieved a great deal; yet there is still much work ahead. Manomet is forging a pathway for our generation and those to come.

Manomet’s revenues are derived primarily from grants and contracts and program fees from the Federal government and corporations, support from donor and investment returns from endowment and funds functioning as endowment. Federal funds are principally from the Department of Interior. Donors are primarily derived from individuals and organizations in the northeastern part of the United States.

MANOMET, INC.

Notes to Financial Statements

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.

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.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Bad Debts

Included in accounts receivable at September 30, 2015 and 2014 is approximately \$600,000 and \$550,000 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. Manomet routinely assesses its accounts and pledges receivables and establishes an allowance for doubtful accounts based on historical losses, the existing economic conditions, and the financial stability of its customers and donors as well as the related government agencies. Manomet rarely has issues or problems with collection of amounts earned on grants and contracts given prior authorization of spending. There was no allowance for doubtful accounts receivable at September 30, 2015 and 2014 as Manomet believes that all receivables are collectible. Allowance for pledges receivable is approximately \$12,000 and \$20,000 for the years ended September 30, 2015 and 2014, respectively.

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.

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. There were no amounts designated for the year ended September 30, 2015.

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.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Property and Equipment

Property 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 property 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; 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; donor re-designation of funds; and net assets for which restrictions expired during the fiscal year. All other activities are reported as operating.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

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, present value discount on 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.

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 2014. 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.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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 Manomet, management has concluded that disclosure relative to tax provisions is not necessary.

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 11, 2016, the date the financial statements were approved and authorized to be issued.

MANOMET, INC.

Notes to Financial Statements

Note 3 – Pledges Receivable

Pledges receivable are comprised of the following at September 30:

	<i>2015</i>	<i>2014</i>
Amounts due in:		
One year or less	\$ 275,750	\$ 445,081
One to five years	<u>357,730</u>	<u>548,750</u>
Total due	633,480	993,831
Less: Present value discount	(14,139)	(24,986)
Allowance for doubtful accounts	<u>(12,026)</u>	<u>(19,877)</u>
Pledges receivable, net	<u>\$ 607,315</u>	<u>\$ 948,968</u>

Note 4 – Property and Equipment

Property and equipment are comprised of the following at September 30:

	<i>2015</i>	<i>2014</i>
Land	\$ 375,113	\$ 375,113
Buildings and improvements	2,011,507	1,974,429
Equipment, furniture and fixtures	<u>548,037</u>	<u>541,246</u>
	2,934,657	2,890,788
Less accumulated depreciation	<u>(2,119,963)</u>	<u>(2,047,531)</u>
Property and equipment, net	<u>\$ 814,694</u>	<u>\$ 843,257</u>

MANOMET, INC.

Notes to Financial Statements

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:

	<i>2015</i>	<i>2014</i>
Cash and cash equivalents	\$ <u>1,564,643</u>	\$ <u>3,132,213</u>
Equities:		
Domestic equities	7,854,683	8,880,990
International equities	<u>5,605,869</u>	<u>4,358,370</u>
Total equities	<u>13,460,552</u>	<u>13,239,360</u>
Fixed income funds:		
Short-term funds	221,997	103,502
Intermediate funds	1,297,440	1,921,302
High-yield funds	<u>219,937</u>	<u>170,910</u>
Total fixed income funds	<u>1,739,374</u>	<u>2,195,714</u>
Other:		
Commodity funds	547,792	643,697
Real estate funds	-	799,605
Inflation-linked bond funds	<u>2,337,696</u>	<u>1,179,027</u>
Total other	<u>2,885,488</u>	<u>2,622,329</u>
Investments	\$ <u>19,650,057</u>	\$ <u>21,189,616</u>

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 \$66,000 and \$64,000 for the years ended September 30, 2015 and 2014, 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 \$44,492 and \$54,442 at September 30, 2015 and 2014, respectively, are also Level 2 and included in accounts payable and accrued liabilities in the statements of financial position.

MANOMET, INC.

Notes to Financial Statements

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 \$90,878 and \$85,016 for the years ended September 30, 2015 and 2014, 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>2015</i>	<i>2014</i>
Purpose restricted:		
Unitrust	\$ 98,080	\$ 103,391
Programs	1,686,459	2,343,821
Accumulated unspent investment income	<u>1,463,153</u>	<u>2,906,742</u>
Total	<u>\$ 3,247,692</u>	<u>\$ 5,353,954</u>

Permanently Restricted Net Assets

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

	<i>2015</i>	<i>2014</i>
Research initiatives	\$ 14,955,641	\$ 14,954,042
Beneficial interest in trust	165,083	186,495
General endowment	<u>667,131</u>	<u>532,844</u>
Total	<u>\$ 15,787,855</u>	<u>\$ 15,673,381</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted programs purpose.

MANOMET, INC.

Notes to Financial Statements

Note 7 – Net Assets and Endowment Matters (Continued)

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, 2015:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 1,463,153	\$ 15,441,759	\$ 16,904,912
Board-designated endowment funds	<u>2,745,145</u>	<u>-</u>	<u>-</u>	<u>2,745,145</u>
	<u>\$ 2,745,145</u>	<u>\$ 1,463,153</u>	<u>\$ 15,441,759</u>	<u>\$ 19,650,057</u>

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>\$ 2,977,001</u>	<u>\$ 2,906,742</u>	<u>\$ 15,305,873</u>	<u>\$ 21,189,616</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, 2015:

	<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>2,977,001</u>	\$ <u>2,906,742</u>	\$ <u>15,305,873</u>	\$ <u>21,189,616</u>
Gifts and additions	<u>2,200</u>	<u>-</u>	<u>1,600</u>	<u>3,800</u>
Investment returns:				
Interest and dividends, net of management fees	16,191	99,454	-	115,645
Net realized and unrealized losses	<u>(128,587)</u>	<u>(795,703)</u>	<u>-</u>	<u>(924,290)</u>
Total investment returns	<u>(112,396)</u>	<u>(696,249)</u>	<u>-</u>	<u>(808,645)</u>
Expenditures:				
Amounts appropriated under endowment spending policy and spent for current operations	<u>(121,660)</u>	<u>(747,340)</u>	<u>-</u>	<u>(869,000)</u>
Net investment returns and expenditures	<u>(234,056)</u>	<u>(1,443,589)</u>	<u>-</u>	<u>(1,677,645)</u>
Donor re-designation of funds *	<u>-</u>	<u>-</u>	<u>134,286</u>	<u>134,286</u>
Endowment assets and those functioning as endowment assets, end of year	<u><u>\$ 2,745,145</u></u>	<u><u>\$ 1,463,153</u></u>	<u><u>\$ 15,441,759</u></u>	<u><u>\$ 19,650,057</u></u>

The investment return on permanently restricted net assets that was appropriated from temporarily restricted to unrestricted net assets for operations was \$747,340 for the year ended September 30, 2015.

*During the year ended September 30, 2014, a parcel of donated property was sold for \$134,286 and the proceeds were recorded as unrestricted net assets as part of operating funds. During the year ended September 30, 2015, the donor changed his intent on the use of the proceeds intending it to be a contribution to the endowment. As such, Manomet has reclassified the proceeds by increasing permanently restricted net assets via an offsetting decrease to unrestricted operating net assets.

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.

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, 2015 and 2014.

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, 2015 and 2014.

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 at dates through June 2020. 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>	
2016	\$ 34,391
2017	11,826
2018	11,328
2019	3,950
2020	<u>2,925</u>
Total minimum lease payments	\$ <u><u>64,420</u></u>

Rent expense was \$42,210 and \$35,384 for the years ended September 30, 2015 and 2014, 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.

Supplemental Information

MANOMET, INC.

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2015

<i>Federal Grantor/Pass-through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Entity Identifying Number</i>	<i>Federal Expenditures</i>
Research and Development Cluster:			
Department of Interior			
Fish and Wildlife Service Direct Programs			
Using a Network of Sites to Evaluate How Climate-mediated Changes in the Arctic Ecosystem are Affecting Shorebird Distribution, Ecology, and Demography	15.650		\$ 52,201
The Impacts of Storm Surges on Breeding Waterbirds on the Yukon Delta Alaska	15.669		22,636
Atlantic Flyway Shorebird Initiative	15.635		6,610
American Oystercatcher Recovery on Nantucket	15.655		6,225
Central America Shorebird Conservation	15.640		43,451
The Arctic Shorebirds Demographic Network	15.635		26,207
Monitoring Shorebirds in the Yukon Delta National Wildlife Refuge	15.635		68,219
Total National Fish and Wildlife Service Direct Programs			<u>225,549</u>
Passed through National Fish and Wildlife Foundation			
Actic Shorebirds Demographics Network	15.663	0801.13.041129	30,825
Monitoring Shorebirds in the Yukon Delta National Wildlife Refuge	15.663	0801.14.045773	75,216
Atlantic Flyway Shorebird Initiative	15.663	0101.15.046725	1,553
American Oystercatcher Coastwide Aerial Survey	15.663	0101.12.030643	6,688
American Oystercatcher Recovery IV	15.663	0101.13.036543	104,667
American Oystercatcher Recovery V	15.663	0101.12.030642	15,588
Total Fish and Wildlife Service Pass-through Programs			<u>234,537</u>
Total Department of Interior			<u>460,086</u>
Department of Agriculture			
Forest Service Direct Programs			
Wings Across the Americas	10.RD		7,123
Wings Across the Americas	10.RD		68,831
Total Department of Agriculture			<u>75,954</u>
Environmental Protection Agency Direct Programs			
Supermarket Sustainability Training	66.717		1,725
P2 Training and Assessments for Grocery Stores	66.717		14,314
Composting in Schools: New England 2014 Healthy Communities Program	66.110		806
Total Environmental Protection Agency Direct Programs			<u>16,845</u>
National Science Foundation Direct Programs			
The Climate Lab: An Innovative Partnership Between Climate Research and Middle-school Practice	47.RD		49,631
Total National Science Foundation Direct Programs			<u>49,631</u>
Department of Commerce			
Passed through National Estuarine Research Reserve Association			
Carbon Management in Coastal Wetlands	11.419	NERRA 5-2011	1,953
NOAA Department of Commerce Direct Programs			
Municipal Outreach for Restoring and Growing the Softshell Clam Industry in Maine through aquaculture	11.427		19,994
Total Department of Commerce			<u>21,947</u>
Total Expenditures of Federal Awards and Research and Development Cluster			<u>\$ 624,463</u>

MANOMET, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2015

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Manomet, Inc. under programs of the federal government for the year ended September 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Manomet, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Manomet, Inc.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations* or the cost principles contained in Title 2 U.S., *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Reporting Under Government Auditing Standards



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*Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards*

The Board of Trustees and the Audit Committee
Manomet, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Manomet, Inc. ("Manomet"), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Manomet's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manomet's internal control. Accordingly, we do not express an opinion on the effectiveness of Manomet's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manomet's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maye Hoffman McCann P.C.

February 11, 2016
Providence, Rhode Island

Reporting Under OMB Circular A-133



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*Independent Auditors' Report on Compliance For Each Major Federal Program
and Report on Internal Control Over Compliance in
Accordance With OMB Circular A-133*

The Board of Trustees and the Audit Committee
Manomet, Inc.

Report on Compliance for Each Major Federal Program

We have audited Manomet, Inc.'s ("Manomet") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Manomet's major federal program for the year ended September 30, 2015. Manomet's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Manomet's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Manomet's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Manomet's compliance.

Opinion on Each Major Federal Program

In our opinion, Manomet complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.



Report on Internal Control Over Compliance

Management of Manomet is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Manomet's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Manomet's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mayer Heffman McCann P.C.

February 11, 2016
Providence, Rhode Island

MANOMET, INC.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2015

Section I

Summary of Auditors' Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 2. Type of auditors' report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |

4. Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

Cluster Program*

Research and Development Cluster

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

* See Schedule of Expenditures of Federal Awards for a complete listing of the Research and Development Cluster programs and their related CFDA numbers.

MANOMET, INC.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2015

Section 2

Financial Statement Findings

None noted.

Section 3

Federal Award Findings and Questioned Costs

None noted.

Section 4

Summary Schedule of Prior Year Findings

None noted.