

ASSOCIATION TO PRESERVE CAPE COD, INC.

Financial Statements

December 31, 2013

ASSOCIATION TO PRESERVE CAPE COD, INC.

Table of Contents

December 31, 2013

EXHIBIT

Independent Auditor's Report	
Statements of Financial Position	A
Statements of Activity	B
Statements of Cash Flows	C
Statement of Functional Expenses- 2013	D
Statement of Functional Expenses- 2012	E
Notes to Financial Statements	F

LAMB, MASON, BULGER & CO., P.C.
Certified Public Accountants
32 Village Landing, P.O. Box 1233
West Chatham, Massachusetts 02669

INDEPENDENT AUDITOR'S REPORT

September 29, 2014

To the Board of Trustees
Association to Preserve Cape Cod, Inc.
Barnstable, Massachusetts

We have audited the accompanying financial statements of Association to Preserve Cape Cod, Inc. (a non profit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Association to Preserve Cape Cod, Inc. as of December 31, 2013 and 2012 and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Lamb, Mason, Bulger & Co., P.C.

ASSOCIATION TO PRESERVE CAPE COD, INC.

Statements of Financial Position

December 31, 2013 and 2012

(See Independent Auditor's Report)

	<u>2013</u>	<u>2012</u>
Assets:		
Cash and equivalents	\$ 47,714	\$ 118,072
Grants receivable	28,028	44,857
Prepaid expenses	3,042	3,345
Security deposit	2,798	2,798
Long-term investments	1,095,332	853,611
Office equipment - net	<u>3,513</u>	<u>4,674</u>
Total Assets	<u>\$ 1,180,427</u>	<u>\$ 1,027,357</u>
Liabilities and Net Assets:		
Accounts payable	\$ 1,116	\$ 4,441
Total Liabilities	<u>1,116</u>	<u>4,441</u>
Net Assets:		
Unrestricted		
Operating	740,599	590,876
Board Designated	<u>50,000</u>	<u>50,000</u>
Total Unrestricted Net Assets	790,599	640,876
Temporarily restricted	<u>388,712</u>	<u>382,040</u>
Total Net Assets	<u>1,179,311</u>	<u>1,022,916</u>
Total Liabilities and Net Assets	<u>\$ 1,180,427</u>	<u>\$ 1,027,357</u>

See Accompanying Notes to Financial Statements

ASSOCIATION TO PRESERVE CAPE COD, INC.

Statement of Activity

For the Year Ended December 31, 2013

(See Independent Auditor's Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Support and Revenue:			
Membership dues	\$ 161,758	\$ -	\$ 161,758
Contributions	31,975	-	31,975
Bequests	114,847	-	114,847
Grants	275,189	20,100	295,289
Interest and dividends	15,087	4,260	19,347
Net unrealized and realized gains on investments	103,654	42,989	146,643
Net assets released from restrictions:			
Satisfaction of restrictions	<u>60,677</u>	<u>(60,677)</u>	<u>-</u>
Total Support and Revenue	<u>763,187</u>	<u>6,672</u>	<u>769,859</u>
Expenses:			
Program Services	469,278	-	469,278
Management & General	102,042	-	102,042
Fundraising	<u>42,144</u>	<u>-</u>	<u>42,144</u>
Total Expenses	<u>613,464</u>	<u>-</u>	<u>613,464</u>
Change in Net Assets	149,723	6,672	156,395
Net Assets at Beginning of Year	<u>640,876</u>	<u>382,040</u>	<u>1,022,916</u>
Net Assets at End of Year	<u>\$ 790,599</u>	<u>\$ 388,712</u>	<u>\$ 1,179,311</u>

See Accompanying Notes to Financial Statements

ASSOCIATION TO PRESERVE CAPE COD, INC.

Statement of Activity

For the Year Ended December 31, 2012

(See Independent Auditor's Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Support and Revenue:			
Membership dues	\$ 156,770	\$ -	\$ 156,770
Contributions	27,844	-	27,844
Bequests	500	-	500
Grants	359,100	103,300	462,400
Interest and dividends	12,459	5,270	17,729
Net unrealized and realized gains on investments	53,549	19,351	72,900
Net assets released from restrictions:			
Satisfaction of restrictions	<u>73,415</u>	<u>(73,415)</u>	<u>-</u>
Total Support and Revenue	<u>683,637</u>	<u>54,506</u>	<u>738,143</u>
Expenses:			
Program Services	512,642	-	512,642
Management & General	122,334	-	122,334
Fundraising	<u>37,138</u>	<u>-</u>	<u>37,138</u>
Total Expenses	<u>672,114</u>	<u>-</u>	<u>672,114</u>
Change in Net Assets	11,523	54,506	66,029
Net Assets at Beginning of Year	<u>629,353</u>	<u>327,534</u>	<u>956,887</u>
Net Assets at End of Year	<u>\$ 640,876</u>	<u>\$ 382,040</u>	<u>\$ 1,022,916</u>

See Accompanying Notes to Financial Statements

ASSOCIATION TO PRESERVE CAPE COD, INC.

Statements of Cash Flows

For the Years Ended December 31, 2013 and 2012

(See Independent Auditor's Report)

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 156,395	\$ 66,029
Adjustments to reconcile changes in net assets provided by operating activities:		
Depreciation	1,161	1,161
Net unrealized (gains) losses on long term investments	(124,914)	(59,975)
Realized (gains) losses on sale of securities	(21,729)	(12,925)
Changes in assets and liabilities:		
(Increase) decrease in prepaid expenses	303	(44)
(Increase) decrease in grants receivable	16,829	(15,325)
Increase (decrease) in accounts payable	(3,325)	(3,634)
Net Cash Provided (Used) by Operating Activities	<u>24,720</u>	<u>(24,713)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(191,274)	(17,803)
Proceeds from the sale of investments	96,196	8,031
(Increase) decrease in permanently restricted cash	<u>-</u>	<u>55,101</u>
Net Cash Provided (Used) by Investing Activities	<u>(95,078)</u>	<u>45,329</u>
Net Increase (Decrease) in Cash	(70,358)	20,616
Cash at Beginning of Year	<u>118,072</u>	<u>97,456</u>
Cash at End of Year	<u>\$ 47,714</u>	<u>\$ 118,072</u>

See Accompanying Notes to Financial Statements

ASSOCIATION TO PRESERVE CAPE COD, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2013

(See Independent Auditor's Report)

	Program Services	Management & General	Fund Raising	Totals
Functional Expenses:				
Salaries and wages	\$ 283,694	\$ 59,552	\$ 14,292	\$ 357,538
Employee benefits	13,862	575	288	14,725
Payroll taxes	21,479	5,980	2,848	30,307
Printing and publications	11,268	755	6,850	18,873
Postage	9,191	242	2,624	12,057
Office supplies	2,706	182	182	3,070
Occupancy	34,223	4,026	2,013	40,262
Professional fees	-	10,980	-	10,980
Travel and meetings	2,621	-	632	3,253
Education and outreach	38,831	-	8,799	47,630
Advertising	1,030	-	258	1,288
Insurance	-	2,237	-	2,237
Grant expense	30,815	-	-	30,815
Investment fees	-	7,996	-	7,996
Repairs and maintenance	1,176	-	-	1,176
Miscellaneous expenses	16,390	1,951	1,366	19,707
Depreciation	-	1,161	-	1,161
Special events	1,992	-	1,992	3,984
Contracted services	-	6,355	-	6,355
Donations	-	50	-	50
	<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>
Totals	<u>\$ 469,278</u>	<u>\$ 102,042</u>	<u>\$ 42,144</u>	<u>\$ 613,464</u>

See Accompanying Notes to Financial Statements

ASSOCIATION TO PRESERVE CAPE COD, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2012

(See Independent Auditor's Report)

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Totals</u>
Functional Expenses:				
Salaries and wages	\$ 241,634	\$ 80,606	\$ 20,438	\$ 342,678
Employee benefits	15,506	660	330	16,496
Payroll taxes	21,435	6,008	3,147	30,590
Printing and publications	8,892	468	2,340	11,700
Postage	11,291	245	736	12,273
Office supplies	4,654	317	317	5,289
Telephone	814	101	90	1,005
Occupancy	33,734	3,969	1,984	39,687
Professional fees	5,458	6,000	3,825	15,283
Travel and meetings	1,034	420	162	1,616
Education and outreach	35,333	-	-	35,333
Advertising	1,306	-	326	1,632
Insurance	-	5,674	-	5,674
Grant expense	110,701	-	-	110,701
Investment fees	-	8,031	-	8,031
Repairs and maintenance	2,404	-	-	2,404
Miscellaneous expenses	15,115	1,821	1,275	18,210
Depreciation	-	1,161	-	1,161
Special events	2,168	-	2,168	4,335
Contracted services	<u>1,163</u>	<u>6,853</u>	<u>-</u>	<u>8,016</u>
Totals	<u>\$ 512,642</u>	<u>\$ 122,334</u>	<u>\$ 37,138</u>	<u>\$ 672,114</u>

See Accompanying Notes to Financial Statements

ASSOCIATION TO PRESERVE CAPE COD, INC.

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

(See Independent Auditor's Report)

Note 1 - Summary of Significant Accounting Policies:

Organization - The Association to Preserve Cape Cod, Inc. (the Association) is involved in research, experimentation and analysis of all aspects of preservation and protection of the environment of Cape Cod and dissemination of related educational materials. The Association's support comes primarily from membership fees, individual donor's contributions and various private grants.

The Association is a not for profit corporation as described in the Internal Revenue Code Section 501 (c)(3) and is exempt from federal and state income taxes.

Accounting Method - The Association accounts for all transactions on the accrual basis of accounting for year-end reporting purposes.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Services - A substantial number of unpaid volunteers including board members have made significant contributions of their time to develop the Association's programs and policies. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Contributions - Contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received that are restricted for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions are reported as unrestricted net assets, if the restriction expires in the same year that the contribution was made. Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restriction.

Advertising - Advertising costs are expensed as incurred.

Cash and Cash Equivalents - The Association considers all highly liquid investments with maturity of three months or less when purchased, to be cash equivalents. Cash and cash equivalents, for purposes of the statement of cash flows, exclude cash and equivalents held for investment.

ASSOCIATION TO PRESERVE CAPE COD, INC.

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

(See Independent Auditor's Report)

Note 1 - Summary of Significant Accounting Policies (continued):

Investments- The Association's investments in equity securities with readily determinable fair market values and all investments in debt securities are valued at fair market value in the statement of financial position. Unrealized gains and losses are included in the statement of net assets and the statement of activities. Investment income earned in the endowment fund is classified as temporarily restricted in the statement of activities. Investments are stated at market, valuation being determined by national stock exchanges.

Fair Value Measurement-The Association values its investments in accordance with the Financial Standards Board (FASB) Accounting Standards Codification No. 820, Fair Value Measurement and Disclosure (ASC 820) which defines fair value as the price that the Association would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments in active markets, interest rates, prepayment speeds, credit risk, etc).

Level 3 – significant unobservable inputs (including the Association's own assumptions in determining the fair value of investments)

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Association utilizes techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs to the extent possible.

Subsequent Events - Events subsequent to December 31, 2013 have been evaluated through September 29, 2014, the date these financial statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management found no subsequent events that should be disclosed

ASSOCIATION TO PRESERVE CAPE COD, INC.

Notes to Financial Statements

For the Year Ended December 31, 2013 and 2012

(See Independent Auditor's Report)

Note 2 - Office Equipment and Depreciation:

Office equipment is recorded at cost or fair value, if contributed. It is the Association's policy to capitalize expenditures for items in excess of \$500, lesser amounts are expensed.

Depreciation of equipment is provided over the estimated useful lives of the respective assets using straight-line methods as follows:

Furniture and equipment	5 – 7 years	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
	2013	<u>\$ 55,846</u>	<u>\$ 52,333</u>	<u>\$ 3,513</u>
	2012	<u>\$ 55,846</u>	<u>\$ 51,172</u>	<u>\$ 4,674</u>

Note 3 – Concentration of Support:

The Association received a donation of \$100,000 during 2013 and 2012 from a single donor. The Association also received a bequest of \$114,846 in 2013.

Note 4 - Allocation of Functional Expenses:

The Association's direct expenses for program, management and general, and fundraising activities are allocated based specific identification and indirect expenses are allocated based on salaries and wages.

Note 5 - Grants receivable:

Receivables represent amounts due for services performed under various grants. These amounts were subsequently collected in full.

ASSOCIATION TO PRESERVE CAPE COD, INC.

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

(See Independent Auditor's Report)

Note 6 - Long Term Investments:

In accordance with ASC 820, the following methods and assumptions were used by the Association in estimating its fair value disclosure for investments:

Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments (Level 1).

Investments: The fair value of investments are based on quoted market prices for those or similar investments (Level 1).

The purpose of the Association's investments is provide an ongoing stream of income for various programs and general operations. The investment strategy is to preserve the future purchasing power of the Association's assets while building a well balanced and diversified portfolio. Accomplishing this objective means balancing the desire for maximum total return with the desire to maintain prudent and acceptable levels of risk.

The estimated fair values of the Association's financial instruments for the years ended December 31, are as follows:

	<u>2013</u>		
<u>Unrestricted:</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Fixed income:			
Non government bonds	\$ 51,124	\$ 51,176	\$ 52
Mutual funds	89,899	89,768	(131)
Certificates of deposit	100,000	99,592	(408)
Equities:			
Exchange Traded Funds	277,134	398,597	121,463
Mutual funds	93,683	121,041	27,358
Cash and equivalents	<u>59,216</u>	<u>59,216</u>	<u>-</u>
	<u>671,056</u>	<u>819,390</u>	<u>148,334</u>
<u>Temporarily Restricted Internship Fund:</u>			
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Fixed income:			
Mutual funds	\$ 65,000	\$ 64,884	\$ (116)
Certificates of deposit	20,000	19,914	(86)
Equities:			
Exchange Traded Funds	120,697	180,509	59,812
Cash and equivalents	<u>10,635</u>	<u>10,635</u>	<u>-</u>
	<u>216,332</u>	<u>275,942</u>	<u>59,610</u>
Total Long Term Investments	<u>\$ 887,388</u>	<u>\$ 1,095,332</u>	<u>\$ 207,944</u>

ASSOCIATION TO PRESERVE CAPE COD, INC.

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

(See Independent Auditor's Report)

Note 6 - Long Term Investments (continued):

	<u>2012</u>		<u>Unrealized Gain/(Loss)</u>
	<u>Cost</u>	<u>Fair Value</u>	
<u>Unrestricted:</u>			
Fixed income:			
Non government bonds	\$ 101,909	\$ 101,980	\$ 71
Mutual funds	90,000	90,934	934
Equities:			
Exchange Traded Funds	245,204	287,951	42,747
Mutual funds	90,000	105,803	15,803
Cash and equivalents	<u>22,919</u>	<u>22,919</u>	<u>-</u>
	<u>\$ 550,032</u>	<u>\$ 609,587</u>	<u>\$ 59,555</u>
 <u>Temporarily Restricted Internship Fund:</u>			
Fixed income:			
Mutual funds	\$ 74,861	\$ 76,109	\$ 1,248
Equities:			
Exchange Traded Funds	105,655	131,619	25,964
Mutual funds	30,000	26,263	(3,737)
Cash and equivalents	<u>10,033</u>	<u>10,033</u>	<u>-</u>
	<u>220,549</u>	<u>244,024</u>	<u>23,475</u>
 Total Long Term Investments	 <u>\$ 770,581</u>	 <u>\$ 853,611</u>	 <u>\$ 83,030</u>

Net unrealized and realized gain (loss) on investments were as follows:

	<u>2013</u>	<u>2012</u>
Realized gain (loss) on sale of investments	\$ 21,729	\$ 12,925
Unrealized gain (loss) on investments	<u>124,914</u>	<u>59,975</u>
	<u>\$ 146,643</u>	<u>\$ 72,900</u>

ASSOCIATION TO PRESERVE CAPE COD, INC.

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

(See Independent Auditor's Report)

Note 7 – Income Tax:

Section 501(c)(3) of the Internal Revenue Code provides that an organization exempt under that section will lose its tax exempt status and its qualification to receive deductible charitable contributions if a substantial part of its activities are carried on to influence legislation. Section 501(h), however, permits certain eligible 501(c)(3) organizations to elect to make limited expenditures to influence legislation. The Association made such an election on July 11, 1988, for the period ended December 31, 1988. This election is currently effective and will apply in all subsequent years until revoked. An Organization making the election will, however, be subject to an excise tax under Section 4911 if it spends more than the amounts permitted in that section. Furthermore, the organization may lose its exempt status if lobbying expenditures exceed permitted amounts by more than fifty percent over a four year period. For the years ended December 31, 2013 and 2012 there was no liability for excise tax under Section 4911. As of December 31, 2013 tax returns for 2013, 2012 and 2011 remain open for examination by federal and state authorities.

Note 8 - Restrictions on Net Assets:

Temporarily restricted net assets available as of December 31, are as follows:

	<u>2013</u>	<u>2012</u>
Donor restricted for internship	\$ 275,942	\$ 261,346
Donor restricted for equipment	3,461	15,358
Donor restricted for programs	59,309	55,336
Capital Campaign	<u>50,000</u>	<u>50,000</u>
	<u>\$ 388,712</u>	<u>\$ 382,040</u>

Note 9 – Commitments and Contingencies

The Association leases office space in Barnstable, Massachusetts at a monthly amount of \$2,910 plus a proportionate share of the property's real estate taxes. Total rent expense was \$34,920 for 2013 and 2012.

Note 10 – Restatement of Net Assets:

The Association has reclassified the principle portion of the internship fund from permanently restricted to temporarily restricted as the principle may be spent on the stated purpose. This change resulted in an increase to temporarily restrict net assets of \$191,280 and a decrease of the same amount to permanently restricted net assets.