

ASSOCIATION TO PRESERVE CAPE COD, INC.

Financial Statements

December 31, 2015 and 2014

ASSOCIATION TO PRESERVE CAPE COD, INC.

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December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

August 11, 2016

To the Board of Trustees
Association to Preserve Cape Cod, Inc.
Dennis, 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, 2015 and 2014, 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, 2015 and 2014 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, 2015 and 2014

(See Independent Auditor's Report)

	<u>2015</u>	<u>2014</u>
Assets:		
Cash and equivalents	\$ 60,315	\$ 43,264
Grants receivable	9,834	14,857
Prepaid expenses	2,318	2,863
Security deposit	2,798	2,798
Long-term investments	740,055	1,051,256
Building	582,152	-
Office equipment - net	<u>1,849</u>	<u>2,615</u>
Total Assets	<u>\$ 1,399,321</u>	<u>\$ 1,117,653</u>
Liabilities and Net Assets:		
Accounts payable	\$ 7,457	\$ 18,476
Note payable bolles	<u>400,000</u>	<u>-</u>
Total Liabilities	<u>407,457</u>	<u>18,476</u>
Net Assets:		
Unrestricted		
Operating	631,083	687,370
Board Designated	<u>50,000</u>	<u>50,000</u>
Total Unrestricted Net Assets	681,083	737,370
Temporarily restricted	<u>310,781</u>	<u>361,807</u>
Total Net Assets	<u>991,864</u>	<u>1,099,177</u>
Total Liabilities and Net Assets	<u>\$ 1,393,321</u>	<u>\$ 1,117,653</u>

See Accompanying Notes to Financial Statements

ASSOCIATION TO PRESERVE CAPE COD, INC.

Statement of Activity

For the Year Ended December 31, 2015

(See Independent Auditor's Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Support and Revenue:			
Membership dues	\$ 170,241	\$ -	\$ 170,241
Contributions	128,526	-	128,526
Bequests	2,142	-	2,142
Grants	133,533	42,000	175,533
Interest and dividends	13,581	3,674	17,255
Net unrealized and realized gains on investments	(14,031)	(4,535)	(18,566)
Net assets released from restrictions:			
Satisfaction of restrictions	<u>92,165</u>	<u>(92,165)</u>	<u>-</u>
Total Support and Revenue	<u>526,157</u>	<u>(51,026)</u>	<u>475,131</u>
Expenses:			
Program Services	455,707	-	455,707
Management & General	87,573	-	87,573
Fundraising	<u>39,164</u>	<u>-</u>	<u>39,164</u>
Total Expenses	<u>582,444</u>	<u>-</u>	<u>582,444</u>
Change in Net Assets	(56,287)	(51,026)	(107,313)
Net Assets at Beginning of Year	<u>737,370</u>	<u>361,807</u>	<u>1,099,177</u>
Net Assets at End of Year	<u>\$ 681,083</u>	<u>\$ 310,781</u>	<u>\$ 991,864</u>

See Accompanying Notes to Financial Statements

ASSOCIATION TO PRESERVE CAPE COD, INC.

Statement of Activity

For the Year Ended December 31, 2014

(See Independent Auditor's Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Support and Revenue:			
Membership dues	\$ 160,416	\$ -	\$ 160,416
Contributions	36,822	-	36,822
Bequests	10,000	-	10,000
Grants	282,750	17,530	300,280
Interest and dividends	15,679	3,401	19,080
Net unrealized and realized gains on investments	24,653	10,195	34,848
Net assets released from restrictions:			
Satisfaction of restrictions	<u>58,031</u>	(58,031)	<u>-</u>
Total Support and Revenue	<u>588,351</u>	<u>(26,905)</u>	<u>561,446</u>
Expenses:			
Program Services	493,702	-	493,702
Management & General	106,628	-	106,628
Fundraising	<u>41,250</u>	<u>-</u>	<u>41,250</u>
Total Expenses	<u>641,580</u>	<u>-</u>	<u>641,580</u>
Change in Net Assets	(53,229)	(26,905)	(80,134)
Net Assets at Beginning of Year	<u>790,599</u>	<u>388,712</u>	<u>1,179,311</u>
Net Assets at End of Year	<u>\$ 737,370</u>	<u>\$ 361,807</u>	<u>\$ 1,099,177</u>

See Accompanying Notes to Financial Statements

ASSOCIATION TO PRESERVE CAPE COD, INC.

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

(See Independent Auditor's Report)

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Change in net assets	\$(107,313)	\$(80,134)
Adjustments to reconcile changes in net assets provided by operating activities:		
Depreciation	766	898
Donated stock	(102,468)	(5,285)
Net unrealized (gains) losses on long term investments	155,438	36,476
Realized (gains) losses on sale of securities	(136,872)	(71,324)
Fees paid from investments	9,076	10,181
Changes in assets and liabilities:		
Decrease in prepaid expenses	545	179
Decrease in grants receivable	5,023	13,171
Increase (decrease) in accounts payable	(11,019)	17,359
Net Cash Provided (Used) by Operating Activities	<u>(186,824)</u>	<u>(78,479)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(13,973)	(15,971)
Purchase of building	(582,152)	-
Proceeds from the sale of investments	<u>400,000</u>	<u>90,000</u>
Net Cash Provided (Used) by Investing Activities	<u>(196,125)</u>	<u>74,029</u>
Cash Flows from Financing Activities:		
Proceeds of note payable	<u>400,000</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>400,000</u>	<u>-</u>
Net Increase (Decrease) in Cash	17,051	(4,450)
Cash at Beginning of Year	<u>43,264</u>	<u>47,714</u>
Cash at End of Year	<u>\$ 60,315</u>	<u>\$ 43,264</u>

See Accompanying Notes to Financial Statements

ASSOCIATION TO PRESERVE CAPE COD, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2015

(See Independent Auditor's Report)

	Program Services	Management & General	Fund Raising	Totals
Functional Expenses:				
Salaries and wages	\$ 277,363	\$ 45,827	\$ 25,459	\$ 348,649
Employee benefits	8,748	192	71	9,011
Payroll taxes	21,523	3,556	1,976	27,055
Printing and publications	8,262	-	8,262	16,524
Postage	2,874	62	187	3,123
Office supplies	1,926	131	131	2,188
Occupancy	34,053	6,009	-	40,062
Professional fees	-	6,000	-	6,000
Travel and meetings	-	3,640	-	3,640
Education and outreach	35,968	-	-	35,968
Insurance	-	3,903	-	3,903
Grant expense	47,050	-	-	47,050
Investment fees	-	9,076	-	9,076
Repairs and maintenance	1,284	-	-	1,284
Miscellaneous expenses	14,821	1,778	1,244	17,843
Depreciation	-	766	-	766
Special events	1,835	-	1,834	3,669
Contracted services	-	6,633	-	6,633
Totals	<u>\$ 455,707</u>	<u>\$ 87,573</u>	<u>\$ 39,164</u>	<u>\$ 582,444</u>

See Accompanying Notes to Financial Statements

ASSOCIATION TO PRESERVE CAPE COD, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2014

(See Independent Auditor's Report)

	Program Services	Management & General	Fund Raising	Totals
Functional Expenses:				
Salaries and wages	\$ 275,974	\$ 65,822	\$ 15,797	\$ 357,593
Employee benefits	17,147	730	365	18,242
Payroll taxes	20,696	5,732	2,729	29,157
Printing and publications	1,451	76	3,601	5,128
Postage	11,906	259	776	12,941
Office supplies	2,382	164	163	2,709
Occupancy	34,222	4,026	2,013	40,261
Professional fees	-	6,000	-	6,000
Travel and meetings	906	-	227	1,133
Education and outreach	38,947	-	12,983	51,930
Insurance	-	4,641	-	4,641
Grant expense	74,126	-	-	74,126
Investment fees	-	10,181	-	10,181
Repairs and maintenance	1,127	-	-	1,127
Miscellaneous expenses	13,163	1,586	1,110	15,859
Depreciation	-	898	-	898
Special events	1,486	-	1,486	2,972
Contracted services	<u>169</u>	<u>6,513</u>	<u>-</u>	<u>6,682</u>
Totals	<u>\$ 493,702</u>	<u>\$ 106,628</u>	<u>\$ 41,250</u>	<u>\$ 641,580</u>

See Accompanying Notes to Financial Statements

ASSOCIATION TO PRESERVE CAPE COD, INC.

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

(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, 2015 and 2014

(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, 2015 have been evaluated through August 11, 2016, 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, 2015 and 2014

(See Independent Auditor's Report)

Note 2 - Fixed Assets 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 expended.

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>
	2015	\$ 55,846	\$ 53,997	\$ 1,849
	2014	\$ 55,846	\$ 53,231	\$ 2,615

The Association purchased a building in December 2015 for \$582,152. The building will be used as office space and was placed in service in May 2016.

Note 3 – Concentration of Support:

The Association received a donation of \$104,468 during 2015 and \$100,000 in 2014 from a single donor.

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, 2015 and 2014

(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 to 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>2015</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
<u>Unrestricted:</u>			
Fixed income:			
Marketable CD'S	\$ 125,000	\$ 124,949	\$(51)
Equities:			
Exchange Traded Funds	303,527	315,877	12,350
Cash and equivalents	<u>50,453</u>	<u>50,453</u>	<u>-</u>
	<u>\$ 478,980</u>	<u>\$ 491,279</u>	<u>\$ 12,299</u>
<u>Temporarily Restricted Internship Fund:</u>			
Fixed income:			
Treasury and Federal agency bonds	\$ 9,863	\$ 9,824	\$(39)
Marketable CD'S	45,000	44,823	(177)
Equities:			
Exchange Traded Funds	153,026	156,973	3,947
Cash and equivalents	<u>37,156</u>	<u>37,156</u>	<u>-</u>
	<u>245,045</u>	<u>248,776</u>	<u>3,731</u>
Total Long Term Investments	<u>\$ 724,025</u>	<u>\$ 740,055</u>	<u>\$ 16,030</u>

ASSOCIATION TO PRESERVE CAPE COD, INC.

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

(See Independent Auditor's Report)

Note 6 - Long Term Investments (continued):

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

	<u>2015</u>	<u>2014</u>
Realized gain (loss) on sale of investments	\$ 136,872	\$ 71,324
Unrealized gain (loss) on investments	(155,438)	(36,476)
	<u>\$ (18,566)</u>	<u>\$ 34,848</u>

	<u>2014</u>		
<u>Unrestricted:</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Fixed income:			
Treasury and Federal agency bonds	\$ 75,446	\$ 75,255	\$ (191)
Non government bonds	50,877	50,221	(656)
Marketable CD'S	100,000	99,839	(161)
Mutual funds	39,869	39,829	(40)
Equities:			
Exchange Traded Funds	301,860	399,031	97,171
Mutual funds	70,736	109,653	38,917
Cash and equivalents	<u>10,341</u>	<u>10,341</u>	<u>-</u>
	<u>\$ 649,129</u>	<u>\$ 784,169</u>	<u>\$ 135,040</u>
<u>Temporarily Restricted Internship Fund:</u>			
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Fixed income:			
Treasury and Federal agency bonds	\$ 35,089	\$ 35,035	\$ (54)
Mutual funds	29,924	29,879	(45)
Marketable CD'S	20,000	19,970	(30)
Equities:			
Exchange Traded Funds	139,417	175,973	36,556
Cash and equivalents	<u>6,230</u>	<u>6,230</u>	<u>-</u>
	<u>230,660</u>	<u>267,087</u>	<u>36,427</u>
Total Long Term Investments	<u>\$ 879,789</u>	<u>\$ 1,051,256</u>	<u>\$ 171,467</u>

ASSOCIATION TO PRESERVE CAPE COD, INC.

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

(See Independent Auditor's Report)

Note 7 – Note Payable:

On December 29, 2015 The Association purchased a building in Dennis Massachusetts and obtained a seller financed mortgage of \$400,000 from Bolles Main St Realty Trust. This mortgage is secured by the real estate. Monthly payments of interest only at 3.60% in the sum of \$1,200 and are to be made beginning January 29, 2016 with a balloon payment of principle and any accrued interest to be made on or before June 29, 2016.

Note 8 – 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, 2015 and 2014 there was no liability for excise tax under Section 4911.

Note 9 - Restrictions on Net Assets:

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

	<u>2015</u>	<u>2014</u>
Donor restricted for internship	\$ 248,775	\$ 267,087
Donor restricted for programs	62,006	44,720
Capital Campaign	<u>-</u>	<u>50,000</u>
	<u>\$ 310,781</u>	<u>\$ 361,807</u>

Note 10 – 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 2015 and 2014. The lease expired in May 2016 when the Association moved into their new office building.