EARTHPLACE - THE NATURE DISCOVERY CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2013

EARTHPLACE - THE NATURE DISCOVERY CENTER, INC.

CONTENTS

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Independent Auditors' Report

To the Board of Trustees
Earthplace - The Nature Discovery Center, Inc.

We have audited the accompanying financial statements of Earthplace - The Nature Discovery Center, Inc. (the Center), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Earthplace - The Nature Discovery Center, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

As disclosed in Note 13 to the financial statements, the Center adopted a policy of preparing its financial statements in accordance with accounting principles generally accepted in the United States of America as of and for the year ended June 30, 2013. The Center previously reported its financial statements on the modified cash basis and its net assets as of July 1, 2012 have been restated to reflect the new basis of accounting adopted in 2013. Our opinion is not modified with respect to this matter.

Blum, Shapiro + Company, P.C.

Shelton, Connecticut
December 9, 2013

EARTHPLACE - THE NATURE DISCOVERY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

Cash and cash equivalents	$	377,441
Investments		704,302
Accounts receivable		18,123
Prepaid expenses and other assets		17,645
Museum collection		103,390
Property, buildings and equipment, net		2,367,078
Total Assets	$	3,587,979

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	$	92,078
Deferred revenue		235,751
Security deposits		7,600
Total liabilities		335,429
Net Assets		
Unrestricted		3,094,851
Temporarily restricted		93,980
Permanently restricted		63,719
Total net assets		3,252,550
Total Liabilities and Net Assets	$	3,587,979

The accompanying notes are an integral part of the financial statements

EARTHPLACE - THE NATURE DISCOVERY CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Changes in Unrestricted Net Assets		
Support and revenue:		
Program revenue	$	900,276
Contributions		385,511
Special events		128,778
Membership		48,880
Donations in-kind		41,438
Other revenue		23,683
Investment income		3,815
Net assets released from restriction		19,210
Total support and revenue		1,551,591
Expenses:		
Program services		1,564,120
Management and general		202,227
Development and fundraising		127,995
Total expenses		1,894,342
Change in Unrestricted Net Assets		(342,751)
Change in Temporarily Restricted Net Assets		
Contributions		62,500
Investment income		405
Net assets released from restriction		(19,210)
Change in temporarily restricted net assets		43,695
Decrease in Net Assets		(299,056)
Net Assets - Beginning of Year, As Restated		3,551,606
Net Assets - End of Year	$	3,252,550

The accompanying notes are an integral part of the financial statements

EARTHPLACE - THE NATURE DISCOVERY CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Cash Flows from Operating Activities		
Decrease in net assets	$	(299,056)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation		208,045
Loss on disposal of property, buildings and equipment		43,657
Realized and unrealized losses on investments , net		4,220
In-kind donations of properties, building and equipment		(1,000)
Increase in operating assets:		
Accounts receivable		(18,123)
Prepaid expenses and other assets		(8,472)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses		60,515
Deferred revenue		(47,921)
Security deposit		7,600
Net cash used in operating activities		(50,535)
Cash Flows from Investing Activities		
Acquisition of property, buildings and equipment		(51,968)
Proceeds from sale of investments		537,451
Purchase of investments		(578,790)
Net cash used in investing activities		(93,307)
Net Decrease in Cash and Cash Equivalents		(143,842)
Cash and Cash Equivalents - Beginning of Year		521,283
Cash and Cash Equivalents - End of Year	$	377,441

The accompanying notes are an integral part of the financial statements

NOTE 1 - ORGANIZATION

Earthplace - the Nature Discovery Center, Inc. (the Center) located in Westport, Connecticut, is a non-profit community resource organization dedicated to public environmental education, preservation and conservation and ways of taking action to preserve, protect and enjoy nature and the environment. Founded in 1958 and accredited by The American Association of Museums, the Center maintains a 62-acre wildlife sanctuary with trails, exhibits an interactive natural history museum with wildlife dioramas, houses live wildlife for public viewing and hosts many public nature programs and events. Other activities include a state-licensed preschool and summer camp, and the Harbor Watch water quality testing program. The Center is supported primarily through program fees, gifts and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation - The financial statements of the Center have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Center are reported in the following net asset categories:

Unrestricted Net Assets - Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Trustees. The Board of Trustees designated $26,346 of unrestricted net assets as Board designated at June 30, 2013 to be used for the Universal Trail.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and accumulated investment gains and income on donor-restricted endowment assets.

Permanently Restricted Net Assets - Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Center and its affiliates to expend the income earned thereon.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates. The Center's most sensitive estimate is management's estimate for donations in-kind.

Cash and Cash Equivalents - Cash and cash equivalents include cash in banks and certain highly liquid investments with original maturities of 90 days or less.

Accounts Receivable - The Center has accounts receivable related to fees for service which are reported net of an allowance for doubtful accounts. Based on management's assessment of outstanding balances, it has concluded that no reserve was deemed necessary at June 30, 2013. Accounts receivable balances are written-off when management has concluded that all reasonable methods of collection have been exhausted.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Valuation and Income Recognition- Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include the Center's gains and losses on investments bought and sold as well as held during the year.

The Center's Finance Committee determines the Center's valuation policies and procedures.

Museum Collection - Museum collection items are recorded at fair market value for donated items and at cost for purchased items. Items contributed prior to July 1, 1995 were not recorded.

Property, Buildings and Equipment - Property, buildings and equipment acquisitions and improvements are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Repairs and maintenance are charged to expense as incurred.

Deferred Revenue - Deferred revenue consists of funds that have been received from individuals for future services, which will be recognized as revenue when the related services are provided.

Contributions - Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. The Center reports contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. 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. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition.

Donated Property and Services - Donated services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the Center.

Donated property and the use of equipment and facilities are recorded as support and expensed at fair market value when determinable, otherwise at values indicated by the donor.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Allocation - Expenses are charged directly to program services, development and fundraising, and management and general based on specific identification to the extent practicable. Expenses related to more than one function have been allocated based on periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of the Center.

Advertising - The Center expenses advertising costs as incurred. Advertising expense totaled $2,760 for the year ended June 30, 2013.

Income Taxes - The Center is a not-for-profit organization and is exempt from federal and state income taxes as a public charity under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Center's informational returns for the years ended June 30, 2010 through 2013 are subject to examination by the Internal Revenue Service (IRS) and the State of Connecticut.

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through December 9, 2013, which represents the date the financial statements were available to be issued.

NOTE 3 - CONCENTRATIONS

The Center's financial instruments that are exposed to concentrations of credit risk consist of the following:

Cash and Cash Equivalents - The Center places its cash deposits with credit-quality institutions. Such deposits exceed federal depository insurance limits at various times during the year. However, management believes that the Center's deposits are not subject to significant credit risk.

Investments - The Center's investments are comprised of various U.S. treasury notes, mortgage-backed U.S. agency bonds and corporate bonds. The value of these investments is subject to fluctuations due to general market conditions and interest rates.

NOTE 4 - FAIR VALUE MEASURMENT

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

NOTE 4 - FAIR VALUE OF MEASURMENT (Continued)

The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. When, as a practical expedient, an investment is measured at fair value on the basis of net asset value, its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at net asset value at the measurement date. If there is uncertainty or the inability to redeem an investment at net asset value in the near term subsequent to the measurement date, the investment is categorized as Level 3.

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2013:

U.S. Treasuries - U.S. Treasuries are valued at the quoted price in the active market in which the individual treasuries are traded.

Mortgage-Backed U.S. Agency Bonds and Corporate Bonds - Certain mortgage-backed U.S. agency bonds and corporate bonds are valued at the closing price reported in the active market in which the individual securities are traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings.

NOTE 4 - FAIR VALUE OF MEASURMENT (Continued)

Assets Measured at Fair Value - The following is a summary of the source of fair value measurements for assets that are measured at fair value as of June 30, 2013:

	2013			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. Treasuries	$ 398,906	$ -	$ -	$ 398,906
Mortgage-backed U.S. agency bonds	60,790	-	-	60,790
Corporate bonds	-	244,606	-	244,606
Total Assets at Fair Value	$ 459,696	$ 244,606	$ -	$ 704,302

NOTE 5 - INVESTMENT INCOME

Investment income for the year ended June 30, 2013 consists of the following:

Realized and unrealized losses, net	$ (13,460)
Interest and dividends	17,680
Net Investment Income	$ 4,220

NOTE 6 - PROPERTY, BUILDINGS AND EQUIPMENT, NET

Property, buildings and equipment, net as of June 30, 2013, consists of the following:

Land	$ 640,196
Exhibits	1,006,720
Buildings and building improvements	2,314,801
Furniture and equipment	252,863
	4,214,580
Less accumulated depreciation	1,847,502
Property, Buildings and Equipment, Net	$ 2,367,078

The Center disposed of property, buildings and equipment totaling $628,492 resulting in a loss of $43,657 during the fiscal year ended June 30, 2013.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2013:

Programs:		
Harbor Watch	$	48,885
New Program Development		37,500
Universal Trail		7,595
Total Temporarily Restricted Net Assets	$	93,980

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the following purpose restrictions for the year ended June 30, 2013 and 2012:

Programs:		
Harbor Watch	$	14,125
Universal Trail		2,607
Equipment		2,478
Total Net Assets Released from Restrictions	$	19,210

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of $63,719 at June 30, 2013. Income is restricted for Harbor Watch and Animal Hall expenditures and has been recorded as temporarily restricted net assets for these programs until appropriated for expenditures.

NOTE 10 - DONATED PROPERTY AND SERVICES

The Center has recorded the estimated fair market value of donated property and services for the year ended June 30, 2013 as follows:

Included in revenue and support:		
Donated professional services	$	22,934
Donated program supplies		13,904
Donated lab space		3,600
Donated furniture and equipment		1,000
Total Donated In-Kind Support	$	41,438

NOTE 10 - DONATED PROPERTY AND SERVICES (Continued)

Included in statement of activities:		
Program services	$	39,904
Management and general		534
Total Expenses	$	40,438

NOTE 11 - ENDOWMENT

The Center's endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Trustees of the Center has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original 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 the Center in a manner consistent with the standard of prudence prescribed by CTPMIFA.

In accordance with CTPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The investment policies of the Center

NOTE 11 - ENDOWMENT (Continued)

Endowment Net Assets - Endowment net asset composition by type of fund is as follows as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 63,719	$ 70,714

Changes in endowment net assets for the years ended June 30, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2012	$	$ 6,590	$ 63,719	$ 70,309
Investment return:				
Investment income		405	-	405
Expenditures of endowment assets		(6,995)	-	(6,995)
Endowment Net Assets, June 30, 2013	$ -	$ -	$ 63,719	$ 63,719

Funds with Deficiencies - From time to time, the fair value of investments associated with donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires the Center to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There was no such deficiency as of June 30, 2013.

Return Objectives and Risk Parameters - The Center invests endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted assets that the Center must hold in perpetuity. The endowment assets are invested in a manner that is intended to meet the Center's primary objective of preservation of capital and secondary objective of investment return.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Center relies on a strategy in which investment returns are achieved through current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Center has not adopted a spending policy for appropriation of distributions.

NOTE 12 - LEASE COMMITMENT

The Center has an operating lease for office copier equipment which expires during June 2017.

Future minimum lease payments under this operating lease are as follows:

Year Ending June 30		
2014	$	5,664
2015		5,664
2016		5,664
2017		5,129
Total Minimum Lease Payments	$	22,121

Rent expense under this operating lease totaled $5,752 for the year ended June 30, 2013.

The Center also leases a building to an unrelated party under a lease which expires in March 2014. Terms of the lease require monthly rental payments of $3,800. Future lease payments expected to be received during 2014 total $11,400.

NOTE 13 - CHANGE IN BASIS OF ACCOUNTING

As of July 1, 2012, the Center changed the accounting basis for preparing its financial statements from the modified cash basis of accounting to accounting principles generally accepted in the United States of America (GAAP). Based on this change in its basis of accounting, the Center recognized accounts payable and accrued expenses of $31,563 and reduced unrestricted net assets by the same amount at July 1, 2012.

The impact of this change in the basis of accounting on the financial statements as of and for the year ended June 30, 2012 is as follows:

Financial Statement Caption	As Previously Reported on Modified Cash Basis	Change in Basis of Accounting	As Restated Under GAAP
Statement of Financial Position:			
Accounts payable and accrued expenses	$ -	$ 31,563	$ 31,563
Unrestricted net assets	3,469,165	(31,563)	3,437,602
Total net assets	3,583,169	(31,563)	3,551,606
Statement of Activities:			
Program services	1,382,949	31,563	1,414,512
Decrease in net assets	(498,688)	(31,563)	(530,251)