EARTHPLACE, INC.

Financial Statements for the Year Ended
June 30, 2017
And Independent Auditor's Report
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Independent Auditor's Report

The Board of Trustees
Earthplace, Inc.
10 Woodside Lane
Westport, CT 06880-2322

Report on the Financial Statements

We have audited the accompanying financial statements of Earthplace, Inc., (a not-for-profit organization) which comprise the statement of financial position as of June 30, 2017, 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.

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 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. 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, Inc. as of June 30, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the organization's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses 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 anc 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 audit 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 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.

Visconti Associates, P.C.
January 24, 2018
East Haven, CT
## EARTHPLACE, INC.

### STATEMENT OF FINANCIAL POSITION, JUNE 30, 2017

**WITH COMPARATIVE TOTALS FOR 2016**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>NOTES</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1</td>
<td>$110,967</td>
<td>$148,084</td>
</tr>
<tr>
<td>Investments</td>
<td>3</td>
<td>632,045</td>
<td>623,950</td>
</tr>
<tr>
<td>Accounts receivable, net of allowance</td>
<td>4</td>
<td>66,665</td>
<td>105,866</td>
</tr>
<tr>
<td>for doubtful accounts of $334 in 2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>5,8</td>
<td>18,154</td>
<td>8,438</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>827,851</td>
<td>886,338</td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Museum collection</td>
<td>1</td>
<td>103,390</td>
<td>103,390</td>
</tr>
<tr>
<td>Property, buildings and equipment, net</td>
<td>4</td>
<td>2,388,216</td>
<td>2,302,401</td>
</tr>
<tr>
<td>Investments - permanently restricted</td>
<td>3,7,8</td>
<td>63,719</td>
<td>63,719</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2,563,325</td>
<td>2,469,510</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>$3,381,176</td>
<td>$3,355,848</td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>NOTES</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>9</td>
<td>$128,413</td>
<td>$211,664</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td></td>
<td>435,364</td>
<td>250,543</td>
</tr>
<tr>
<td>Security deposits</td>
<td></td>
<td>8,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Current portion - note payable, net of</td>
<td>9</td>
<td>6,322</td>
<td></td>
</tr>
<tr>
<td>unamortized loan origination costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>578,119</td>
<td>470,207</td>
</tr>
<tr>
<td><strong>NON-CURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note payable, net of current portion and</td>
<td>9</td>
<td>162,588</td>
<td>92,203</td>
</tr>
<tr>
<td>unamortized loan origination costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
<td>740,707</td>
<td>562,410</td>
</tr>
<tr>
<td><strong>NET ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td></td>
<td>2,493,313</td>
<td>2,629,133</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td></td>
<td>83,437</td>
<td>100,586</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td></td>
<td>63,719</td>
<td>63,719</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2,640,469</td>
<td>2,793,438</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td></td>
<td>$3,381,176</td>
<td>$3,355,848</td>
</tr>
</tbody>
</table>

See notes to financial statements.
EARTHPLACE, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR 2016

<table>
<thead>
<tr>
<th>SUPPORT AND REVENUE:</th>
<th>UNRESTRICTED</th>
<th>TEMPORARILY RESTRICTED</th>
<th>PERMANENTLY RESTRICTED</th>
<th>TOTAL</th>
<th>(Note 1 Memorandum Only) 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions and gifts</td>
<td>$155,460</td>
<td>$20,000</td>
<td></td>
<td>$175,460</td>
<td>$317,043</td>
</tr>
<tr>
<td>Grants</td>
<td>452,188</td>
<td></td>
<td></td>
<td>452,188</td>
<td>386,724</td>
</tr>
<tr>
<td>Membership</td>
<td>34,187</td>
<td></td>
<td></td>
<td>34,187</td>
<td>37,290</td>
</tr>
<tr>
<td>Program fees</td>
<td>1,382,583</td>
<td></td>
<td></td>
<td>1,382,583</td>
<td>1,316,133</td>
</tr>
<tr>
<td>Special events</td>
<td>130,250</td>
<td></td>
<td></td>
<td>130,250</td>
<td>131,072</td>
</tr>
<tr>
<td>Investment Income</td>
<td>56,743</td>
<td>1,352</td>
<td></td>
<td>58,095</td>
<td>18,503</td>
</tr>
<tr>
<td>Other revenue</td>
<td>76,735</td>
<td></td>
<td></td>
<td>76,735</td>
<td>55,988</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>37,149</td>
<td>(37,149)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers</td>
<td>1,352</td>
<td></td>
<td></td>
<td>1,352</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,326,647</strong></td>
<td><strong>(17,149)</strong></td>
<td></td>
<td><strong>2,309,498</strong></td>
<td><strong>2,262,753</strong></td>
</tr>
</tbody>
</table>

EXPENSES:

<table>
<thead>
<tr>
<th></th>
<th>UNRESTRICTED</th>
<th>TEMPORARILY RESTRICTED</th>
<th>PERMANENTLY RESTRICTED</th>
<th>TOTAL</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>1,911,966</td>
<td></td>
<td></td>
<td>1,911,966</td>
<td>1,814,828</td>
</tr>
<tr>
<td>Management and general</td>
<td>271,996</td>
<td></td>
<td></td>
<td>271,996</td>
<td>243,528</td>
</tr>
<tr>
<td>Development and Fundraising</td>
<td>278,505</td>
<td></td>
<td></td>
<td>278,505</td>
<td>276,081</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,462,467</strong></td>
<td></td>
<td></td>
<td><strong>2,462,467</strong></td>
<td><strong>2,334,437</strong></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>(135,820)</td>
<td>(17,149)</td>
<td></td>
<td>(152,969)</td>
<td>(71,684)</td>
</tr>
</tbody>
</table>

NET ASSETS, beginning of year | 2,629,133 | 100,586 | $63,719 | 2,793,438 | 2,665,122 |
NET ASSETS, end of year | $2,493,313 | $83,437 | $63,719 | $2,640,469 | $2,793,438 |

See notes to financial statements.
EARTHPLACE, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR 2016

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES:</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$(152,969)</td>
<td>$(71,684)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>net assets to net cash provided by</td>
<td></td>
<td></td>
</tr>
<tr>
<td>operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>178,632</td>
<td>175,530</td>
</tr>
<tr>
<td>Realized and unrealized (gains) on</td>
<td>(43,328)</td>
<td>(2,641)</td>
</tr>
<tr>
<td>investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss (gain) on sale of property</td>
<td>11,667</td>
<td>(5,000)</td>
</tr>
<tr>
<td>Change in operating assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>39,181</td>
<td>(50,629)</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(9,716)</td>
<td>6,475</td>
</tr>
<tr>
<td>Loan origination costs</td>
<td></td>
<td>(4,972)</td>
</tr>
<tr>
<td>Change in operating liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(83,251)</td>
<td>65,309</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>184,841</td>
<td>25,902</td>
</tr>
<tr>
<td>Security deposits</td>
<td></td>
<td>(7,600)</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities

| 125,057 | 130,690 |

CASH FLOWS FROM INVESTING ACTIVITIES:

| Acquisition of property, buildings and equipment | (281,282) | (186,124) |
| Proceeds from sale of property                  | 7,500     | 5,000     |
| Purchase of investments                         | (14,767) | (165,838) |
| Proceeds from sale of investments               | 50,000    | 150,000   |

Net cash (used in) investing activities

| (238,549) | (196,962) |

CASH FLOWS FROM FINANCING ACTIVITIES:

| Proceeds from note payable                    | 79,269    | 96,927    |
| Principal payments on long-term debt          | (1,894)   |           |

Net cash provided by financing activities

| 76,375  | 96,927    |

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS

| (37,117) | 30,655    |

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

| 148,084  | 117,429   |

CASH AND CASH EQUIVALENTS, END OF YEAR

| $110,967 | $148,084  |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

| Interest | 11,753    | 402       |

See notes to financial statements.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations – Earthplace, Inc., formerly Earthplace – the Nature Discovery Center, Inc., ("Earthplace") is a not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Located in Westport, Connecticut, Earthplace is a community resource dedicated to experiencing nature and environmental learning from early childhood through adult forums. Founded in 1958, Earthplace maintains a 74 acre wildlife sanctuary including 2.5 miles of trails and an outdoor birds of prey live exhibit. It is home to 35 other live animals in an indoor exhibit area that includes many native ecosystem displays and nature education programming for children of all ages. Earthplace operates a state-licensed preschool, summer camp and afterschool nature enrichment programs for ages 5-13. The Harbor Watch water quality program monitors over 150 sites per year on rivers, streams and harbors on the Southwestern Connecticut watershed utilizing high school interns, adult volunteers and two dedicated state certified labs. Earthplace is supported through program fees, grants and contributions.

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

Unrestricted – 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 $6,763 of unrestricted net assets as Board designated at June 30, 2017 to be used for the Universal Trail.

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

Permanently Restricted – Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit Earthplace and its affiliates to expend the income earned thereon.
Prior Year Information – The financial information presented for 2016 in the accompanying financial statements is included to provide a basis for comparison with 2017 and presents summarized totals only. The 2016 amounts are not intended to include all the information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such amounts should be read in conjunction with the organization’s financial statements for the year ended June 30, 2016, from which the comparative amounts were derived. Certain 2016 amounts have been reclassified to conform to the 2017 presentation.

Cash and Cash Equivalents – For purposes of the statement of cash flows, Earthplace considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable – Earthplace has receivables related to fees for service which are reported net of an allowance for doubtful accounts. Receivable balances are written-off when management has concluded that all reasonable methods of collection have been exhausted.

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.

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 Earthplace’s gains and losses on investments bought and sold as well as held during the year.

Earthplace’s Finance Committee determines Earthplace’s valuation policies and procedures.

Museum Collection – Museum collectables are recorded at fair market value for donated items and at cost for purchased items.

Property and Equipment – Property and equipment is stated at cost or if donated, at the fair market value at the date of the gift. Expenditures for renewals and improvements that significantly add to productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged against revenue on a current basis. When depreciable properties are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. Earthplace’s capitalization threshold is $1,000.
Earthplace performs a test for impairment whenever events or changes in circumstances indicate that the carrying amount of an individual asset or asset group may not be recoverable. Should projected undiscounted future cash flows be less than the carrying amount of the asset group, an impairment charge reducing the carrying amount to fair value is required. Fair value is determined based on the most appropriate valuation technique, including discounted cash flows.

Revenue Realization – Membership, program fees and special events revenue are recorded when earned, with any unearned amounts received for future services recorded as deferred revenue.

Grant Revenue – Grant revenue is generally recorded at the time a grant is awarded to Earthplace, or, for pre-payment grants, upon actual expenses incurred.

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. Earthplace 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 statement 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.

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

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

Functional Expense Allocation – Expenses are charged directly to program services, management and general and development and fundraising, 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 Earthplace.
Advertising – Earthplace expenses advertising costs as incurred, which approximated $8,600 for the year ended June 30, 2017.

Income Taxes – Earthplace 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.

Management is not aware of any uncertain tax positions taken by Earthplace as of June 30, 2017. Tax years ended June 30, 2014 through June 30, 2017 remain subject to examination by major tax jurisdictions.

Adoption of New Accounting Standards – In May 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-07, Fair Value Measurement (Topic 820), Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent) which exempts investments using the net asset value (NAV) practical expedient in ASC 820, Fair Value Measurement, from categorization within the fair value hierarchy. The guidance requires retrospective application and is effective for public business entities for fiscal years beginning after December 15, 2015. For all other entities, the guidance is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. Management has not elected to early adopt this new standard, and does not anticipate any significant financial impact upon implementation.

In August 2016, the FASB issued ASU 2016-14, Not-For-Profit Entities. The update amends Topic 958, Not-for-Profit Entities and requires the presentation of two classes of net assets rather than three, requires certain changes to the statement of cash flows and provides enhanced disclosures regarding board designations, appropriations, and composition of net assets with donor restrictions, certain qualitative information and other disclosures. The update is effective for annual financial statements issued for fiscal years beginning after December 31, 2017. Early application is permitted and should be applied on a retrospective basis. Management has elected not to early adopt this new standard.

Earthplace adopted Accounting Standards Update ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 amends current presentation guidance by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for the interim and annual reporting periods beginning after December 31, 2015. Accordingly, Earthplace has presented the debt issuance costs, net of related accumulated amortization, as an offset to the relevant debt instrument in all periods presented. The application of this standard had no effect on the change in net assets for the
years ended June 30, 2017 and 2016. Deferred financing costs are amortized using the straight-line method over the term of the related financing agreements.

Use of Estimates in Financial Statements – Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Although management believes the estimates that have been used are reasonable, actual results could vary from the estimates that were used.

Subsequent Events – Earthplace adopted ASC Topic 855, Subsequent Events. ASC Topic 855 requires disclosure of the date through which subsequent events have been evaluated, and whether that date is the date that the financial statements were issued or available to be issued. Management has evaluated subsequent events for potential recognition and disclosure through January 24, 2018, the date the financial statements were available to be issued.

2. CONCENTRATIONS

Earthplace’s financial instruments that are exposed to concentrations of credit risk consist of the following:

    Cash and Cash Equivalents – Earthplace maintains its deposits in financial institutions which generally insure deposits with the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. Earthplace has not experienced any losses relating to temporarily uninsured cash balances and management believes that Earthplace’s deposits are not subject to significant credit risk. There were no uninsured cash balances at June 30, 2017.

3. INVESTMENT INCOME

Investment income for the year ended June 30, 2017 consisted of the following:

    Realized and unrealized gains  $ 43,328
    Interest and dividends  14,767

    Net Investment Income  $ 58,095

Earthplace, Inc.’s investments are reported at fair value in the accompanying statement of financial position.
Fair Value Measurement Using:

Quoted Prices In Active Markets for Identical Assets

<table>
<thead>
<tr>
<th>June 30, 2017</th>
<th>Fair Value (Level 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual Funds</td>
<td>$695,764</td>
</tr>
<tr>
<td>Total</td>
<td>$695,764</td>
</tr>
</tbody>
</table>

ASC Topic 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. Earthplace, Inc. uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. When available, Earthplace measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were available to Earthplace.

**Level 1 Fair Value Measurements**

The fair value of mutual funds are measured based on publically quoted daily net asset values.

**4. PROPERTY, BUILDINGS AND EQUIPMENT**

Property, buildings and equipment as of June 30, 2017 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>640,196</td>
</tr>
<tr>
<td>Exhibits</td>
<td>1,033,020</td>
</tr>
<tr>
<td>Buildings and building improvements</td>
<td>2,651,693</td>
</tr>
<tr>
<td>Furniture</td>
<td>233,804</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>255,222</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,813,935</td>
</tr>
</tbody>
</table>

Less: accumulated depreciation 2,427,719

**Property, Buildings and Equipment, Net** $2,386,216
5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30, 2017:

**Programs:**

- Harbor Watch: $ 9,488
- New Program Development: $ 37,500
- Universal Trail: $ 4,686
- John Horkel Sanctuary Fund: $ 6,763
- Trail Maintenance: $ 5,000
- Animal Hall: $ 10,000
- Animal Hall Restoration: $ 10,000

**Total:** $ 83,437

6. 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, 2017:

- Harbor Watch: $30,620
- Universal Trail: $270
- John Horkel Sanctuary Fund: $2,819
- Deer Enclosure: $1,000
- Conservation Management: $2,440

**Total:** $37,149

7. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of $63,719 at June 30, 2017. 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.

8. ENDOWMENT

As required by generally accepted accounting principles, 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.

**Interpretation of Relevant Law** - The Board of Trustees of Earthplace 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, Earthplace 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 Earthplace in a manner consistent with the standard of prudence prescribed by CTPMIFA.

In accordance with CTPMIFA, Earthplace 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 Earthplace
- The investment policies of Earthplace

**Endowment Net Assets** – Endowment net asset composition by type of fund is as follows as of June 30, 2017:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$</td>
<td>$</td>
<td>$63,719</td>
<td>$63,719</td>
</tr>
</tbody>
</table>

Changes in endowment net assets for the years ended June 30, 2017 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets, July 1, 2016</td>
<td>$</td>
<td>$</td>
<td>$63,719</td>
<td>$63,719</td>
</tr>
</tbody>
</table>

Investment return:
- Investment income 1,352

Transfer of Endowment assets (1,352)
At June 30, 2017, all assets of the endowment were invested in mutual funds.

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 Earthplace to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There was no such deficiency as of June 30, 2017.

Return Objectives and Risk Parameters – Earthplace 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 Earthplace must hold in perpetuity. The endowment assets are invested in a manner that is intended to meet Earthplace’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, Earthplace 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 – Earthplace has not adopted a spending policy for appropriation of distributions.

9. NOTE PAYABLE

Note Payable – During Fiscal 2016, Earthplace entered into an agreement with Connecticut Green Bank, a political subdivision of the State of Connecticut, secured by a benefit assessment lien on the organization’s property. The purpose of the loan is to fund energy efficient and renewable energy renovations. Loan repayments began April 1, 2017, upon completion of the projects. The total loan of $175,196 is to be repaid over 14 years at an interest rate of 5.4% per annum in quarterly payments of principal and interest of approximately $4,600. The outstanding principal balance at June 30, 2017 was $173,302.

Earthplace incurred loan origination costs of $4,972, which are being amortized over 15 years and have a carrying value of $4,392 at June 30, 2017. Amortization expense for fiscal 2017 was $331. Loan origination costs
Reconciliation of long-term debt to long-term debt, net of debt issuance costs, is as follows as of June 30, 2017:

<table>
<thead>
<tr>
<th></th>
<th>Principal</th>
<th>Issuance Costs</th>
<th>Net Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current portion of</td>
<td>$ 6,653</td>
<td>$ 331</td>
<td>$ 6,322</td>
</tr>
<tr>
<td>long-term debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>166,649</td>
<td>4,061</td>
<td>162,588</td>
</tr>
<tr>
<td></td>
<td>$ 173,302</td>
<td>$ 4,392</td>
<td>$ 168,910</td>
</tr>
</tbody>
</table>

Total maturities of long-term debt as of June 30, 2017 are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>principal</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 6,653</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>9,314</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>9,812</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>10,382</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>10,963</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>126,178</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>173,302</td>
<td></td>
</tr>
</tbody>
</table>

Less: current portion (6,653)

Long-Term portion $166,649

Interest expense, including amortization, on long-term debt during fiscal year 2017 was $12,084.

10. LEASE COMMITMENTS

Earthplace has operating leases for office equipment and vehicle rental which expire through June 2021.

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

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 12,280</td>
</tr>
<tr>
<td>2019</td>
<td>11,903</td>
</tr>
<tr>
<td>2020</td>
<td>7,750</td>
</tr>
<tr>
<td>2021</td>
<td>1,822</td>
</tr>
<tr>
<td>Total</td>
<td>$ 33,755</td>
</tr>
</tbody>
</table>
Rent expense under operating leases was approximately $16,500 for the year ended June 30, 2017.

As lessor, Earthplace leases buildings to unrelated parties under lease agreements which expire through August 28, 2017. Terms of the leases require monthly rental payments of $4,000 and $450. Rental income under these lease agreements was $49,950 for the year ended June 30, 2017.

Future lease payments expected to be received during 2018 total $8,000.

11. SUBSEQUENT EVENTS

Earthplace, Inc. had a fire on April 14, 2017, in which there was damage to Animal Hall, a part of Exhibits at 10 Woodside Lane. Damage to the building approximated $112,000. Subsequent to year end, the organization received insurance reimbursement of $123,254 to make the necessary repairs and replacements in Fiscal 2018.
EARTHPLACE, INC.

SCHEDULE OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR 2016

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Management and General</th>
<th>Development and Fundraising</th>
<th>Total</th>
<th>(Note 1 Memorandum Only) 2016 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$1,165,297</td>
<td>$192,175</td>
<td>$165,920</td>
<td>$1,523,392</td>
<td>$1,485,781</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>86,158</td>
<td>13,691</td>
<td>12,537</td>
<td>112,386</td>
<td>105,579</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>79,802</td>
<td>16,392</td>
<td>20,727</td>
<td>116,921</td>
<td>102,342</td>
</tr>
<tr>
<td>Program expenses</td>
<td>93,403</td>
<td>2,300</td>
<td>1,340</td>
<td>97,043</td>
<td>72,258</td>
</tr>
<tr>
<td>Insurance</td>
<td>35,853</td>
<td>3,476</td>
<td>2,698</td>
<td>42,027</td>
<td>35,097</td>
</tr>
<tr>
<td>Professional fees</td>
<td>29,042</td>
<td>6,085</td>
<td>4,306</td>
<td>39,433</td>
<td>50,209</td>
</tr>
<tr>
<td>Administrative</td>
<td>46,929</td>
<td>10,346</td>
<td>4,151</td>
<td>61,426</td>
<td>34,856</td>
</tr>
<tr>
<td>Utilities</td>
<td>34,199</td>
<td>9,047</td>
<td>614</td>
<td>43,860</td>
<td>52,470</td>
</tr>
<tr>
<td>Occupancy</td>
<td>42,485</td>
<td>5,122</td>
<td>531</td>
<td>48,138</td>
<td>44,859</td>
</tr>
<tr>
<td>Maintenance</td>
<td>21,300</td>
<td>8,259</td>
<td>27</td>
<td>29,586</td>
<td>23,633</td>
</tr>
<tr>
<td>Development and marketing</td>
<td>3,094</td>
<td></td>
<td>35,373</td>
<td>38,467</td>
<td>35,780</td>
</tr>
<tr>
<td>Fundraising</td>
<td>9,109</td>
<td>27,520</td>
<td>36,629</td>
<td>39,162</td>
<td>39,162</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>178,632</td>
<td></td>
<td>178,632</td>
<td>175,530</td>
<td></td>
</tr>
<tr>
<td>Dues, licenses, permits</td>
<td>2,661</td>
<td>992</td>
<td>1,185</td>
<td>4,838</td>
<td>2,727</td>
</tr>
<tr>
<td>Travel</td>
<td>46,271</td>
<td>1,634</td>
<td>1,185</td>
<td>47,905</td>
<td>40,638</td>
</tr>
<tr>
<td>Meetings</td>
<td>3,430</td>
<td>1,404</td>
<td>125</td>
<td>4,959</td>
<td>3,392</td>
</tr>
<tr>
<td>Credit card fees</td>
<td>22,634</td>
<td>1,073</td>
<td>1,451</td>
<td>25,158</td>
<td>29,624</td>
</tr>
<tr>
<td>Loss on disposal</td>
<td>11,667</td>
<td></td>
<td></td>
<td>11,667</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$1,911,966</td>
<td>$271,996</td>
<td>$278,505</td>
<td>$2,462,467</td>
<td>$2,334,437</td>
</tr>
</tbody>
</table>

See notes to financial statements and independent auditor's report.