

EARTHPLACE, INC.

Financial Statements for the Year Ended
June 30, 2015
And Independent Auditor's Report

EARTHPLACE, INC.

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John J. Visconti, MS, CPA

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, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the organization's 2014 financial statements and in our report dated November 10, 2014, we expressed an unmodified opinion on those 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, 2015, 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.

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 and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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.

November 9, 2015
North Haven, CT

EARTHPLACE, INC.**STATEMENT OF FINANCIAL POSITION, JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR 2014**

			(Note 1 Memorandum Only)
	NOTES	2015	2014
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	1	\$ 117,429	\$ 899,243
Investments	3	605,471	
Accounts receivable		55,237	26,600
Prepaid expenses and other assets		14,913	27,014
Total		<u>793,050</u>	<u>952,857</u>
NON-CURRENT ASSETS:			
Museum collection	1	103,390	103,390
Property, buildings and equipment, net	4	2,291,559	2,272,197
Investments - permanently restricted	7,9	63,719	63,719
Total		<u>2,458,668</u>	<u>2,439,306</u>
TOTAL ASSETS		<u><u>\$ 3,251,718</u></u>	<u><u>\$ 3,392,163</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses		\$ 146,355	\$ 105,773
Deferred revenue		224,641	255,494
Security deposits		15,600	7,600
Total		<u>386,596</u>	<u>368,867</u>
NET ASSETS:			
Unrestricted	1	2,708,766	2,821,648
Temporarily restricted	5	92,637	137,929
Permanently restricted	7,9	63,719	63,719
Total		<u>2,865,122</u>	<u>3,023,296</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 3,251,718</u></u>	<u><u>\$ 3,392,163</u></u>

See notes to financial statements.

EARTHPLACE, INC.

**STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR 2014**

	2015			TOTAL	Memorandum Only) 2014
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED		
SUPPORT AND REVENUE:					
Contributions and gifts	\$ 415,665	\$ 37,925		\$ 453,590	\$ 314,839
Grants	167,737	5,000		172,737	170,930
Membership	46,416			46,416	50,430
Program fees	1,175,381			1,175,381	1,041,770
Special events	137,162			137,162	74,049
Investment income	17,474	1,262		18,736	6,056
Other revenue	49,583			49,583	50,688
In-kind	53,925			53,925	35,585
Net assets released from restrictions	88,217	(88,217)			
Transfers	1,262	(1,262)			
Total	2,152,822	(45,292)	-	2,107,530	1,744,347
EXPENSES:					
Program services	1,802,962			1,802,962	1,607,199
Management and general	224,360			224,360	181,017
Development and Fundraising	238,382			238,382	185,385
Total	2,265,704			2,265,704	1,973,601
Change in net assets	(112,882)	(45,292)		(158,174)	(229,254)
NET ASSETS, beginning of year	2,821,648	137,929	63,719	3,023,296	3,252,550
NET ASSETS, end of year	\$ 2,708,766	\$ 92,637	\$ 63,719	\$ 2,865,122	\$ 3,023,296

See notes to financial statements.

EARTHPLACE, INC.**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR 2014**

	2015	(Note 1 Memorandum Only) 2014
CASH FLOWS FROM OPERATING ACTIVITIES :		
Change in net assets	\$ (158,174)	\$ (229,254)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	184,912	186,772
Loss on disposal of property, buildings and equipment		2,459
Realized and unrealized (gains) losses on investments	(4,818)	5,646
In-kind donations of properties, building and equipment	(34,500)	(35,585)
Change in operating assets:		
Accounts receivable	(28,637)	(8,477)
Prepaid expenses and other assets	12,101	(9,369)
Change in operating liabilities:		
Accounts payable and accrued expenses	40,582	13,695
Deferred revenue	(30,853)	19,743
Security deposits	8,000	
Net cash (used in) operating activities	<u>(11,387)</u>	<u>(54,370)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, buildings and equipment	(169,774)	(58,765)
Purchase of investments	(650,653)	
Proceeds from sale of investments	50,000	634,937
Net cash (used in) provided by investing activities	<u>(770,427)</u>	<u>576,172</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(781,814)	521,802
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	899,243	377,441
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 117,429</u>	<u>\$ 899,243</u>

See notes to financial statements.

EARTHPLACE – THE NATURE DISCOVERY CENTER, INC.

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 \$12,582 of unrestricted net assets as Board designated at June 30, 2015 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 2014 in the accompanying financial statements is included to provide a basis for comparison with 2015 and presents summarized totals only. The 2014 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, 2014, from which the comparative amounts were derived. Certain 2014 amounts have been reclassified to conform to the 2015 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. Based on management's assessment, no allowance was deemed necessary at June 30, 2015. 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, programs 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 \$8,400 for the year ended June 30, 2015.

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, 2015. Tax years ended June 30, 2012 through June 30, 2015 remain subject to examination by major tax jurisdictions.

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 November 9, 2015, 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, 2015.

3. INVESTMENT INCOME

Investment income for the year ended June 30, 2015 consisted of the following:

Realized and unrealized gains	\$ 4,818
Interest and dividends	<u>13,918</u>
Net Investment Income	<u>\$ 18,736</u>

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 (Level 1)
June 30, 2015	<u>Fair Value</u>	
Mutual Funds	<u>\$669,190</u>	<u>\$669,190</u>
Total	<u>\$669,190</u>	<u>\$669,190</u>

ASC Topic 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuations 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.

The following methods may produce fair value calculations that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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, 2015, consisted of the following:

Land	\$ 640,196
Exhibits	996,821
Buildings and building improvements	2,361,528
Furniture	230,835
Machinery and equipment	99,625
Construction in progress	<u>154,503</u>
	4,483,508
Less: accumulated depreciation	<u>2,191,949</u>
Property, Buildings and Equipment, Net	<u>\$ 2,291,559</u>

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30, 2015:

Programs:

Harbor Watch	\$ 30,159
New Program Development	37,500
Universal Trail	9,956
John Horkel Sanctuary Fund	12,582
Conservation Management	<u>2,440</u>
Total	<u>\$ 92,637</u>

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, 2015:

Habor Watch Program	<u>\$88,217</u>
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7. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of \$63,719 at June 30, 2015. 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. DONATED PROPERTY AND SERVICES

Earthplace has recorded the estimated fair market value of donated property and services received for the year ended June 30, 2015 as follows:

<u>Included in revenue and support:</u>	
Donated program services	\$ 51,425
Donated machinery and equipment	<u>2,500</u>
Total	<u>\$ 53,925</u>
<u>Included in program expenses:</u>	
Program services	<u>\$ 19,425</u>
<u>Included in property and equipment:</u>	<u>\$ 34,500</u>

9. 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, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$	\$	\$ 63,719	\$ 63,719

Changes in endowment net assets for the years ended June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2014	\$	\$	\$ 63,719	\$ 63,719
Investment return: Investment income		1,262		
Transfer of Endowment assets		(1,262)		
Endowment Net Assets, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,719</u>	<u>\$ 63,719</u>

At June 30, 2015, 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, 2015.

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.

10. LEASE COMMITMENTS

Earthplace has operating leases for office equipment and vehicle rental which expire through April 2018.

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

Year Ending June 30

2016	\$ 11,518
2017	10,093
2018	<u>3,691</u>
Total	<u>\$ 25,302</u>

Rent expense under this operating lease totaled \$7,989 for the year ended June 30, 2015.

As lessor, Earthplace leases a building to an unrelated party under a lease which expires July 31, 2016. Terms of the lease require monthly rental payments of \$4,000. Future lease payments expected to be received during 2016 total \$48,000.

EARTHPLACE, INC.

**SCHEDULE OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR 2014**

	Program Services	Management and General	Development and Fundraising	Total	(Note 1)	
					Memorandum Only)	Total
					2014	Total
Salaries	\$ 1,032,316	\$ 183,493	\$ 153,532	\$ 1,369,341	\$	\$ 1,144,800
Payroll taxes	76,712	10,198	11,037	97,947		82,030
Fringe benefits	87,191	12,755	8,826	108,772		95,796
Program expenses	83,457			83,457		69,964
Insurance	34,719	735	392	35,846		33,285
Professional fees	48,159	3,730	9,758	61,647		102,157
Administrative	31,248	4,676	3,571	39,495		42,686
Utilities	52,004	1,660	867	54,531		52,807
Occupancy	51,994	1,021	402	53,417		54,236
Maintenance	37,759	201	79	38,039		27,229
Development and marketing	2,211	3,210	13,569	18,990		17,644
Fundraising	13,358		32,686	46,044		12,602
Depreciation	184,912			184,912		186,772
Dues, licences, permits	4,386	450	280	5,116		4,057
Travel	39,739	551		40,290		22,072
Meetings	2,319	1,080	691	4,090		4,312
Bank charges	193	303	49	545		162
Credit card fees	20,242		2,249	22,491		17,367
Volunteer expenses	43	297	394	734		1,021
Miscellaneous						143
Loss on disposal of property and equipment						2,459
TOTAL	\$ 1,802,962	\$ 224,360	\$ 238,382	\$ 2,265,704	\$	\$ 1,973,601

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