

Merrohawke Nature School, Inc.

Financial Statements

December 31, 2014

Merrohawke Nature School, Inc.

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December 31, 2014

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FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Merrohawke Nature School, Inc.
Newburyport, Massachusetts

We have reviewed the accompanying statement of assets, liabilities, and net assets – cash basis of Merrohawke Nature School, Inc. (a nonprofit organization) as of December 31, 2014, and the related statements of revenues, expenses, and other changes in net assets – cash basis, and functional expenses – cash basis for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the cash basis of accounting, as described in Note B.

Fritz Deguglielmo LLC

Certified Public Accountants

September 17, 2015

Merrohawke Nature School, Inc.
Statement of Assets, Liabilities, and Net Assets - Cash Basis
December 31, 2014

ASSETS		
Current Assets		
Cash		\$ 18,594
Total Current Assets		<u>18,594</u>
Fixed Assets		
Equipment		3,236
Less: Accumulated depreciation and amortization		<u>(557)</u>
Net property and equipment		<u>2,679</u>
Total Assets		<u><u>\$ 21,273</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Credit card payable		\$ -
Total Current Liabilities		<u>-</u>
Net Assets		
Unrestricted net assets		16,718
Temporarily restricted net assets		<u>4,555</u>
Total Net Assets		<u>21,273</u>
Total Liabilities and Net Assets		<u><u>\$ 21,273</u></u>

See accompanying notes and independent accountant's review report

Merrohawke Nature School, Inc.

Statement of Revenues, Expenses, and Other Changes in Net Assets - Cash Basis

For the year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support, revenue and reclassifications			
Contributions, gifts & grants	\$ 88,558	15,370	\$ 103,928
Program revenues	327,344	-	327,344
Gift shop sales	33	-	33
	<u>415,935</u>	<u>15,370</u>	<u>431,305</u>
Net assets released from restrictions	<u>10,815</u>	<u>(10,815)</u>	<u>-</u>
Total support, revenue and reclassifications	<u>426,750</u>	<u>4,555</u>	<u>431,305</u>
 Expenses			
Program	364,080	-	364,080
Fundraising	14,465	-	14,465
Management and general	43,618	-	43,618
Total Expenses	<u>422,163</u>	<u>-</u>	<u>422,163</u>
 Change in Net Assets	4,587	4,555	9,142
 Net Assets, beginning of year	<u>12,131</u>	<u>-</u>	<u>12,131</u>
 Net Assets, end of year	<u>\$ 16,718</u>	<u>\$ 4,555</u>	<u>\$ 21,273</u>

See accompanying notes and independent accountant's review report

Merrohawke Nature School, Inc.
Statement of Functional Expenses - Cash Basis
For the year ended December 31, 2014

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Payroll and related expenses	\$ 142,839	\$ -	\$ 10,611	\$ 153,450
Contract instructors	10,083	-	-	10,083
Advertising and promotion	7,981	826	4,989	13,796
Boat lease/rental	120,432	-	-	120,432
Materials and supplies	10,203	-	647	10,850
Program expenses	23,782	-	-	23,782
Professional development	7,369	-	5,078	12,447
Credit card processing and bank fees	9,990	11	508	10,509
Equipment and facilities expense	17,391	-	13	17,404
Depreciation	124	-	316	440
Insurance	8,445	-	5,518	13,963
Miscellaneous	10	-	19	29
Office and administration	1,389	1,153	7,144	9,686
Printing and reproduction	684	369	536	1,589
Fundraising expenses	-	8,685	-	8,685
Travel and entertainment	183	-	96	279
Professional fees	3,175	3,421	8,143	14,739
	<u>\$ 364,080</u>	<u>\$ 14,465</u>	<u>\$ 43,618</u>	<u>\$ 422,163</u>

See accompanying notes and independent accountant's review report

Merrohawke Nature School, Inc.
Notes to Financial Statements – Cash Basis
December 31, 2014

NOTE A – NATURE OF ORGANIZATION

Merrohawke Nature School, Inc. was organized in 2007 for the purpose of providing education about marine environments, fisheries, ecology, history, and conservation. On March 14, 2014, the name of the Organization was changed from BOAT CAMP Nature School, Inc. to Merrohawke Nature School, Inc.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's policy is to prepare its financial statements on the cash basis of accounting; consequently, contributions and other revenues are recognized when received rather than when promised or earned, and certain expenses and purchases of assets are recognized when cash disbursed rather than when the obligation is incurred.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958 (formerly SFAS No. 117, "*Financial Statements of Not-for-Profit Organizations*"). Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as defined below:

Unrestricted Net Assets – consists of assets, public support and program revenues which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets – includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment incomes earned on restricted funds.

Permanently Restricted Net Assets – includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short-term investments purchased with an initial maturity of three months or less to be cash equivalents. As of December 31, 2014, the Organization held no cash equivalents.

Recognition of Donor-restricted Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. Restricted contributions received and expended in accordance with the donor's restrictions in the same fiscal year are recognized as unrestricted public support in these financial statements.

Merrohawke Nature School, Inc.
Notes to Financial Statements – Cash Basis
December 31, 2014

NOTE B – *continued*

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Functional Expenses

Merrohawke Nature School, Inc. allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases used in conjunction with the Organization's cost allocation plan.

Supporting services are those related to operating and managing Merrohawke Nature School, Inc. and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Management and General – includes all activities related to Merrohawke Nature School, Inc.'s internal management and accounting for program services.

Fundraising – includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of funds for Merrohawke Nature School, Inc.'s programs.

Fair Value Measurements

Management has adopted the criteria of FASB ASC 820-10, (formerly SFAS No. 157, "*Fair Value Measurements*"). FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosure about fair value measurements. FASB ASC 820-10 establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework under FASB ASC 820-10 are as follows:

- | | |
|---------|---|
| Level 1 | Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. |
| Level 2 | Inputs other than quoted market prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active. |
| Level 3 | Inputs that are unobservable. |

An asset or liability's level within the framework is based on the lowest level of any input that is significant to the fair value measurement.

Merrohawke Nature School, Inc.
Notes to Financial Statements – Cash Basis
December 31, 2014

NOTE B – *continued*

In-kind Donations

Donations of property, equipment, and supplies are recorded as contributions at fair value at the date of donation. Donations of capitalized property and equipment are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Donations of non-capital supplies are reported as unrestricted revenue and expense unless the donor has restricted the donated supplies to a specific purpose. Supplies donated with explicit instruction regarding their use are reported as restricted contributions and are released to unrestricted net assets when the supplies are used toward their specific purpose. Donated services are recognized as contributions in accordance with FASB ASC 958-10-20, (formerly SFAS No. 116, “*Accounting for Contributions Received and Contributions Made*”), if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During 2014, the Organization received contract services and other supplies which were donated for use in its programs. The donations were recorded at their estimated market value on the dates they were made in the total amount of \$26,953

Property and Equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Advertising

Advertising costs are expensed as incurred. For the year ended December 31, 2014, advertising costs of \$13,796 were charged to expense.

Subsequent Events

Subsequent events have been evaluated through September 17, 2015, which is the date the financial statements were available to be issued.

NOTE C – RELATED PARTY AND LEASE OBLIGATIONS

The Organization has entered into a lease agreement with an entity co-owned by the Organization’s CEO and a board member, who is also an employee. Under the terms of the renewable lease, the Organization pays the related organization for use of a boat owned by the related organization. The lease is renewed each year and the fair market value rental fee is determined as part of the renewal process. For 2014, the Organization paid \$55,700 to the related organization for use of the boat. The obligation for 2015 under the lease agreement is \$25,000, which is based on an expected three months of use in 2015 for no more than 12 hours per day. Additional use will be at a rate of \$200 per hour.

Merrohawke Nature School, Inc.
Notes to Financial Statements – Cash Basis
December 31, 2014

NOTE C – *continued*

In addition to the boat lease with the related party described above, the Organization rents boats from other organizations to provide program services. The boats are rented on an as needed basis and the Organization has not entered into any lease agreements in connection with the use of the boats. For the year ended December 31, 2014, the Organization paid \$64,732 for the rental of other boats.

The Organization has a lease agreement for office and program space in Newburyport, Massachusetts. Monthly rental payments in 2014 under the lease were \$833. The lease expires on February 28, 2018. Monthly rental payments under the expanded lease increase by 5% every second year. Rent expense under the lease for the year ended December 31, 2014 was \$10,000. Future minimum lease payments for the space are as follows:

2015	\$ 10,417
2016	10,500
2017	10,917
2018	<u>1,838</u>
	<u>\$ 33,672</u>

In April, 2012, the Organization entered into a lease agreement for vacant land in Newbury, Massachusetts. Under the terms of the lease, the Organization paid \$1 for use of the land for an initial term of six months. The initial term was extended until August 17, 2013 and in exchange, the Organization agreed to pay the property taxes on the land. Since that date, the Organization has continued to use the land and to pay the property tax. For the year ended December 31, 2014 total expense for the use of the land was \$3,051. In June 2015, the Organization entered into a renewable license agreement with the owner of the land, which grants the Organization limited use until December 31, 2020.

NOTE D - TAX POSITION

The Organization has adopted the application of the provisions of FASB ASC 740-10 (formerly FASB Interpretation No. 48, “*Accounting For Uncertainty in Income Taxes*”). The primary tax positions made by the Organization are the existence of Unrelated Business Income Tax and the Organization’s status as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization currently evaluates all tax positions, and makes determinations regarding the likelihood of those positions being upheld under review. For the years presented, and as a result of adoption, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on its evaluations. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2014, 2013, 2012, and 2011 are subject to examination by the IRS, generally for 3 years after they are filed.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014 consisted of \$1,555 restricted for scholarships and \$3,000 restricted for use in one of the Organization’s programs. During the year ended December 31, 2014, the Organization received restricted contributions for scholarships in the amount of \$12,370 and for use in programs in the amount of \$3,000. Net assets totaling \$10,815 were released from donor restrictions.