

Provincetown Center for Coastal Studies, Inc.

FINANCIAL STATEMENTS

For the year ended
December 31, 2012

Independent Auditor's Report

To the Board of Directors of
Provincetown Center for Coastal Studies, Inc.

We have audited the accompanying financial statements of Provincetown Center for Coastal Studies, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and related statements of activities, functional expenses, 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 conduct 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Provincetown Center for Coastal Studies, Inc. as of December 31, 2012, 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.

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Provincetown Center for Coastal Studies, Inc.

Statement of Financial Position December 31, 2012

	<u>2012</u>
<u>Assets</u>	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 155,558
Inventory	14,350
Investments	135,372
Accounts Receivable	322,575
Prepaid Expenses	583
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Total Current Assets	628,438
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OTHER ASSETS	
Land, Buildings, and Equipment (Net)	2,963,090
Dock Rights	250,000
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Total Other Assets	3,213,090
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Total Assets	\$ 3,841,528
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<u>Liabilities and Net Assets</u>	
CURRENT LIABILITIES	
Accounts Payable	\$ 46,606
Accrued Expenses	6,267
Current Portion of Long Term Debt	14,118
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Total Current Liabilities	66,991
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LONG TERM LIABILITIES	
Mortgage Payable- Seaman's Bank	335,619
Mortgage Payable- Seaman's Bank	62,398
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Total Long Term Liabilities	398,017
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Total Liabilities	465,008
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NET ASSETS	
Unrestricted Net Assets	3,175,410
Temporarily Restricted Net Assets	134,354
Permanently Restricted Net Assets	66,756
	<hr/>
Total Net Assets	3,376,520
	<hr/>
Total Liabilities and Net Assets	\$ 3,841,528
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See accompanying notes and independent auditor's report.

Provincetown Center for Coastal Studies, Inc.

Statement of Activities For the year ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue:				
Memberships	\$ 82,878	\$ -	\$ -	\$ 82,878
Contributions, Grants, Contracts	2,296,511	50,000	3,500	2,350,011
Special Events	23,919	-		23,919
Merchandise Sales (Net)	26,321	-		26,321
Lectures and Field Walks	32,531	-		32,531
Investment Income		3,583	3,045	6,628
Net assets released from restrictions	<u>32,905</u>	<u>(93,116)</u>	<u>60,211</u>	<u>-</u>
Total Revenue	<u>2,495,065</u>	<u>(39,533)</u>	<u>66,756</u>	<u>2,522,288</u>
Expenses:				
Program Services	1,898,126	-	-	1,898,126
General and Administrative	448,193	-	-	448,193
Fund Raising	<u>122,358</u>	<u>-</u>	<u>-</u>	<u>122,358</u>
Total Expenses	<u>2,468,677</u>	<u>-</u>	<u>-</u>	<u>2,468,677</u>
Net increase/(decrease) in net assets	26,388	(39,533)	66,756	53,611
Net assets at beginning of year	<u>3,149,022</u>	<u>173,887</u>	<u>-</u>	<u>3,322,909</u>
Net assets at end of year	<u><u>\$ 3,175,410</u></u>	<u><u>\$ 134,354</u></u>	<u><u>\$ 66,756</u></u>	<u><u>\$ 3,376,520</u></u>

See accompanying notes and independent auditor's report.

Statement of Functional Expenses
For the year ended December 31, 2012

	Program Services	Management & General	Fund Raising	Totals
Personnel:				
Salaries and Taxes	\$ 1,004,884	\$ 266,834	\$ 62,429	\$ 1,334,147
Employee Benefits	111,130	29,565	6,904	147,599
Fees	83,215	16,179	6,472	105,866
Total Personnel Expenses	<u>1,199,229</u>	<u>312,578</u>	<u>75,805</u>	<u>1,587,612</u>
Advertising and Promotions	2,791	6,651	5,897	15,339
Accounting and Bookkeeping	-	-	-	-
Auto Expense	6,596	-	-	6,596
Maintenance and Repairs	10,497	2,699	-	13,196
Insurance	71,441	27,152	-	98,593
Intern Housing and Stipend	13,245	-	-	13,245
Miscellaneous	1,904	3,482	10,338	15,724
Office Supplies and Photocopy	5,161	7,033	(424)	11,770
Postage	3,889	4,340	7,937	16,166
Outside Printing	2,110	4,501	12,629	19,240
Program Operations	199,688	-	-	199,688
Telephone	16,728	7,796	-	24,524
Travel	17,225	2,579	95	19,899
Training and Conferences	15,933	4,950	144	21,027
Utilities	18,063	7,322	-	25,385
Vessel Operations and Insurance	96,659	-	-	96,659
Premiums	-	-	3,134	3,134
Depreciation	187,446	20,827	-	208,273
Computer Expense	11,244	2,098	4,076	17,418
Interest	5,102	19,502	-	24,604
Legal Expense	-	8,500	-	8,500
Rent	10,403	-	-	10,403
Fees and Taxes	2,772	6,183	2,727	11,682
Total Non Personnel Expenses	<u>698,897</u>	<u>135,615</u>	<u>46,553</u>	<u>881,065</u>
	<u>\$ 1,898,126</u>	<u>\$ 448,193</u>	<u>\$ 122,358</u>	<u>\$ 2,468,677</u>

See accompanying notes and independent auditor's report.

Provincetown Center for Coastal Studies, Inc.

Statement of Cash Flows For the year ended December 31, 2012

	<u>2012</u>
<u>Cash Flows from Operating Activities</u>	
Increase in net assets	\$ 53,611
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	208,273
Unrealized Gain on Investments	(3,337)
(Increase)/decrease in:	
Inventory	(6,731)
Accounts Receivable	(67,111)
Prepaid Expenses	1,852
Increase/(decrease) in:	
Accounts Payable	8,398
Accrued Expenses	(9,025)
Net cash provided by operating activities	<u>185,930</u>
<u>Cash Flows from Investing Activities</u>	
Purchases of Fixed Assets	(135,965)
Purchases of Investments	<u>(132,035)</u>
Net cash used in investing activities	<u>(268,000)</u>
<u>Cash Flows from Financing Activities</u>	
Repayment of Note Payable	(75,000)
Repayment of Long Term Debt	(13,091)
Net cash used in financing activities	<u>(88,091)</u>
Net decrease in cash and cash equivalents	(170,161)
Cash and cash equivalents, beginning of year	<u>325,719</u>
Cash and cash equivalents, end of year	<u><u>\$ 155,558</u></u>

See accompanying notes and independent auditor's report.

Provincetown Center for Coastal Studies, Inc.

Notes to financial statements December 31, 2012

Note A - Summary of Significant Accounting Policies

Organization and Nature of Activities

Provincetown Center for Coastal Studies, Inc. (the Center), was formed to engage in education, research, conservation and related activities in the coastal marine environment.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Grants and other contributions of cash and other assets are reported as temporarily 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.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services are received from unpaid volunteers assisting the Center in carrying out its exempt purpose. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116.

Fair Value Measurements

Fair value as defined under generally accepted accounting principles is an exit price, representing 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. Generally accepted accounting principles establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values. Those tiers include:

Provincetown Center for Coastal Studies, Inc.

Notes to financial statements December 31, 2012

Note A - Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Level 1 - Observable inputs such as quoted prices in active markets.

Level 2 - Inputs other than quoted prices in active markets that are either directly or indirectly observable for similar securities, interest rates, prepayment spreads, and credit risk.

Level 3 - Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Center's assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Income Taxes

The Center is a tax-exempt organization subject to Section 501(c)(3) of the Internal Revenue Code. However, the Center may be required to pay income taxes on unrelated business income. For the year ended December 31, 2012, the Center had no unrelated business income and, therefore, no income tax liability.

On July 1, 2009, the Center adopted the provisions of Financial Accounting Standards Board's, "Accounting for Uncertainty in Income Taxes." At December 31, 2012, the Center had no material unrecognized tax benefits and no adjustments to liabilities or operations were required. The Center's tax returns for the years ended December 31, 2009 through 2012 are subject to examination by the Internal Revenue Service and state taxing authorities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Provincetown Center for Coastal Studies, Inc.

Notes to financial statements December 31, 2012

Note A - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Center considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents, for purposes of the statement of cash flows, exclude permanently restricted cash and cash equivalents.

Investments

Investments are composed primarily of mutual funds investing in debt and equity securities and are carried at fair value in the statement of financial condition. Interest, dividends and realized gains and losses on sales of investments are included in the statement of activities. Unrealized gains and losses are also included in the statement of activities.

Inventories

Inventories are stated at the lower of cost or market and accounted for on the first in - first out basis and consist of clothing, books, etc.

Land, Buildings and Equipment

Land, buildings and equipment are capitalized at cost or fair value on the date donated. It is the Center's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. Buildings and equipment are depreciated using the straight line method.

Advertising

Advertising costs are expensed as incurred.

Functional Expenses

Expenses are charged directly to program services, management and general or fund raising categories based on specific identification. Indirect expenses have been allocated based on salary expenditures.

Provincetown Center for Coastal Studies, Inc.

Notes to financial statements December 31, 2012

Note B - Concentration of Credit Risk

Financial instruments which potentially expose the Center to concentration of credit risk consist primarily of cash and cash equivalents. The Center maintains its cash and cash equivalents in bank deposit accounts with two financial institutions which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with its cash and cash equivalents.

Note C - Investments

The Center's investments of \$135,572 are in mutual funds and are accounted for at fair value at December 31, 2012. All investments have been valued at Level 1 in the fair value measurement hierarchy.

Investment income for the year ended December 31, 2012 follows:

Interest & Dividends	\$ 3,291
Net Unrealized Gains on Investments	3,337
	<u>\$ 6,628</u>

Note D - Land, Buildings and Equipment

Land, Buildings and Equipment as of December 31, 2012 consisted of the following:

	<u>2012</u>
Land	\$ 751,449
Building and Improvements	2,545,084
Vehicles and Trailers	27,759
Boat R/V Shearwater	253,472
Boat R/V Ibis	281,560
Boat R/V Alert	35,000
Boat R/V SeaSprite	9,330
Boat R/V Seaway	10,000
Boat R/V Marindin	15,000
Equipment	<u>986,913</u>
	4,915,567
Accumulated Depreciation	<u>(1,952,478)</u>
Net Land, Buildings and Equipment	<u>\$ 2,963,089</u>

Depreciation Expense for the year ended December 31, 2012 was \$208,273.

Provincetown Center for Coastal Studies, Inc.

Notes to financial statements December 31, 2012

Note E- Dock Rights

The Center is the sole shareholder of a corporation that owns dock rights on MacMillan Wharf in Provincetown, Massachusetts. The dock rights are carried on the statement of financial position at \$250,000, the cost of acquiring the corporation's stock.

Note F - Line of Credit

The Center has a line of credit in the amount of \$175,000 with a local financial institution. The line of credit is renewable on an annual basis, must be paid in full for thirty consecutive days in a twelve month period and has an interest rate based on the Wall Street Journal Prime Rate plus one half of a percent. The line is collateralized by all of the Center's business and personal property. No amount was outstanding on this line of credit at December 31, 2012.

Note G- Mortgages Payable

The Center has two mortgages with a local financial institution. One mortgage is secured by the Center's administration building located at 115 Bradford Street in Provincetown, MA and the other mortgage is secured by the Annex building located at 5 Holway Avenue in Provincetown, MA. At December 31, 2012 the two mortgages had balances as follows:

Mortgage- Seaman's Bank (115 Bradford Street)
Payable in monthly installments of \$2,420 with
interest of 5% per year through April 2031

\$ 347,558

Mortgage- Seaman's Bank (5 Holway Avenue)
Payable in monthly installments of \$447 with
interest at 5% per year through August 2013

64,577

Mortgage Payable
Less Current Portion
Long Term Mortgage Payable

412,135

(14,118)

\$ 398,017

Provincetown Center for Coastal Studies, Inc.

Notes to financial statements December 31, 2012

Note G - Mortgage Payable (continued)

Maturities of Long-Term Debt are as follows:

2013	\$	14,118
2014		14,841
2015		15,600
2016		16,398
2017 and thereafter		351,178
	\$	<u>412,135</u>

Note H - Retirement Plan

The Center has established a 403 (b) retirement plan for all eligible employees. Under the terms of the plan, employees may make voluntary before tax contributions, limited to amounts specified by the Internal Revenue Code. The Center's funding policy is to contribute up to 4% of compensation to each covered employee. The percentage is to be determined by the Board of Directors annually. Contributions to the plan were \$20,917 in 2012.

Note I - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2012 are available for the following purpose:

	2012
Barbara Mayo Education Fund	\$ 32,466
Marine Vessels Fund	51,094
Giese Eco Fund	25,000
Sea Floor Mapping Project	2,659
Operating Reserve Fund	10,057
All Other	13,078
	<u>\$ 134,354</u>

Note J - Subsequent Events

Management has evaluated events occurring subsequent to the year end through February 15, 2013, the date the financial statements were available to be issued. At February 15, 2013 there were no subsequent events to report.