

CENTER FOR COASTAL STUDIES, INC.
(a nonprofit organization)

FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

CENTER FOR COASTAL STUDIES, INC.

Table of Contents

For the Years Ended December 31, 2017 and 2016

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 15
SUPPLEMENTAL INFORMATION:	
Schedule of Expenditures of Federal Awards	16 - 17
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	18
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	19 - 20
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	21 - 22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	23

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Center for Coastal Studies, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and related statements of activities, functional expenses, and cash flows for the years 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 audits. We conduct our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audits 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 the Center for Coastal Studies, Inc. as of December 31, 2017 and 2016, 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 to 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2018, on our consideration of the Center for Coastal Studies, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center for Coastal Studies, Inc.'s internal control over financial reporting and compliance.

Osterville, Massachusetts
February 18, 2018

CENTER FOR COASTAL STUDIES, INC.**Statements of Financial Position**

December 31, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 714,595	\$ 889,158
Inventory	9,858	9,431
Investments	171,648	426,301
Accounts receivable	374,604	445,569
Prepaid expenses	4,019	9,261
Total Current Assets	<u>1,274,724</u>	<u>1,779,720</u>
Fixed Assets:		
Land	499,950	499,950
Building and improvements	3,949,449	3,372,716
Equipment	1,904,210	1,842,157
Total Fixed Assets	<u>6,353,609</u>	<u>5,714,823</u>
Accumulated depreciation	<u>(2,495,248)</u>	<u>(2,430,078)</u>
Net Fixed Assets	<u>3,858,361</u>	<u>3,284,745</u>
Other Assets:		
Dock rights	250,000	250,000
Total Other Assets	<u>250,000</u>	<u>250,000</u>
Total Assets	<u><u>\$ 5,383,085</u></u>	<u><u>\$ 5,314,465</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 111,517	\$ 283,446
Accrued expenses	34,012	10,205
Current portion of long-term debt	14,723	8,719
Total Current Liabilities	<u>160,252</u>	<u>302,370</u>
Long-Term Liabilities:		
Notes payable	9,888	15,712
Mortgage payable - Seaman's Bank	358,939	52,711
Total Long-Term Liabilities	<u>368,827</u>	<u>68,423</u>
Total Liabilities	<u>529,079</u>	<u>370,793</u>
Net Assets:		
Unrestricted net assets	4,512,741	4,517,416
Temporarily restricted net assets	236,879	336,656
Permanently restricted net assets	104,386	89,600
Total Net Assets	<u>4,854,006</u>	<u>4,943,672</u>
Total Liabilities and Net Assets	<u><u>\$ 5,383,085</u></u>	<u><u>\$ 5,314,465</u></u>

The accompanying notes are an integral part of these financial statements.

CENTER FOR COASTAL STUDIES, INC.

Statement of Activities

For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Memberships	\$ 92,278	\$ -	\$ -	\$ 92,278
Contributions, grants, contracts	3,169,030	-	-	3,169,030
Special events	33,787	-	-	33,787
Merchandise sales	208,459	-	-	208,459
Other earned income	29,414	-	-	29,414
Gain from sale of assets	5,000	-	-	5,000
Investment income (loss)	3,703	9,215	14,786	27,704
Net assets release from restrictions due to satisfaction of the purpose of restrictions	108,992	(108,992)	-	-
Total Revenue	3,650,663	(99,777)	14,786	3,565,672
	3,650,663	(99,777)	14,786	3,565,672
Expenses:				
Program services	2,794,131	-	-	2,794,131
General and administrative	432,803	-	-	432,803
Fund raising	428,404	-	-	428,404
Total Expenses	3,655,338	-	-	3,655,338
Net increase (decrease) in net assets	(4,675)	(99,777)	14,786	(89,666)
Net assets at beginning of year	4,517,416	336,656	89,600	4,943,672
Net assets at end of year	\$ 4,512,741	\$ 236,879	\$ 104,386	\$ 4,854,006

The accompanying notes are an integral part of these financial statements.

CENTER FOR COASTAL STUDIES, INC.**Statement of Activities**

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue:				
Memberships	\$ 80,589	\$ -	\$ -	\$ 80,589
Contributions, grants, contracts	3,580,602	313,522	-	3,894,124
Special events	43,603	-	-	43,603
Merchandise sales	77,449	-	-	77,449
Other earned income	68,355	-	-	68,355
Gain from sale of assets	18,466	-	-	18,466
Investment income (loss)	2,007	5,014	6,470	13,491
Net assets release from restrictions due to satisfaction of the purpose of restrictions	313,617	(313,605)	(12)	-
Total Revenue	<u>4,184,688</u>	<u>4,931</u>	<u>6,458</u>	<u>4,196,077</u>
Expenses:				
Program services	2,537,466	-	-	2,537,466
General and administrative	607,382	-	-	607,382
Fund raising	118,915	-	-	118,915
Total Expenses	<u>3,263,763</u>	<u>-</u>	<u>-</u>	<u>3,263,763</u>
Net increase (decrease) in net assets	920,925	4,931	6,458	932,314
Net assets at beginning of year	<u>3,596,491</u>	<u>331,725</u>	<u>83,142</u>	<u>4,011,358</u>
Net assets at end of year	<u>\$ 4,517,416</u>	<u>\$ 336,656</u>	<u>\$ 89,600</u>	<u>\$ 4,943,672</u>

The accompanying notes are an integral part of these financial statements.

CENTER FOR COASTAL STUDIES, INC.**Statement of Functional Expenses**

For the Year Ended December 31, 2017

	Program Services	Management & General	Fund Raising	Totals
Salaries and taxes	\$ 1,482,110	\$ 225,454	\$ 291,127	\$ 1,998,691
Employee benefits	188,236	28,634	36,975	253,845
Consulting fees	187,687	23,396	1,800	212,883
Advertising/promotion	5,230	3,862	850	9,942
Auto expense	4,527	-	-	4,527
Bad debt	-	74,226	-	74,226
Contributions	-	3,600	-	3,600
Cost of merchandise sold	68,838	-	-	68,838
Dues and subscriptions	634	2,557	4,704	7,895
Maintenance and repairs	7,463	-	-	7,463
Insurance	95,457	4,215	4,195	103,867
Intern housing and stipend	7,000	-	-	7,000
Miscellaneous	15,031	6,539	28,816	50,386
Office supplies and photocopy	10,132	4,520	2,507	17,159
Postage	4,819	1,577	5,519	11,915
Outside printing	2,486	5,785	10,477	18,748
Program operations	430,157	-	-	430,157
Telephone	14,824	12,378	970	28,172
Travel	12,626	1,249	1,316	15,191
Training and conferences	23,852	2,373	13,372	39,597
Utilities	28,418	3,287	115	31,820
Membership premiums	599	25	2,816	3,440
Depreciation	150,170	15,000	-	165,170
Computer expense	23,643	3,144	3,219	30,006
Interest	14,071	87	-	14,158
Rent	14,309	-	-	14,309
Fees and taxes	1,812	10,895	19,626	32,333
Total Expenses	<u>\$ 2,794,131</u>	<u>\$ 432,803</u>	<u>\$ 428,404</u>	<u>\$ 3,655,338</u>
	\$ 2,794,131	\$ 432,803	\$ 428,404	\$ 3,655,338

The accompanying notes are an integral part of these financial statements.

CENTER FOR COASTAL STUDIES, INC.**Statement of Functional Expenses**

For the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Totals</u>
Salaries and taxes	\$ 1,399,640	\$ 461,214	\$ 57,474	\$ 1,918,328
Employee benefits	138,673	45,696	5,694	190,063
Consulting fees	182,199	13,350	185	195,734
Advertising/promotion	2,567	3,316	934	6,817
Auto expense	4,268	141	-	4,409
Bad debt	-	14,146	-	14,146
Contributions	1,000	700	-	1,700
Cost of merchandise sold	41,243	-	-	41,243
Dues and subscriptions	1,250	2,062	320	3,632
Maintenance and repairs	9,070	-	-	9,070
Insurance	89,327	8,610	-	97,937
Intern housing and stipend	5,435	200	-	5,635
Miscellaneous	9,770	4,341	11,222	25,333
Office supplies and photocopy	6,575	4,466	2,189	13,230
Postage	4,566	3,066	10,648	18,280
Outside printing	1,465	639	13,273	15,377
Program operations	360,445	-	-	360,445
Telephone	15,719	6,095	243	22,057
Travel	14,756	2,322	123	17,201
Training and conferences	59,220	3,290	784	63,294
Utilities	20,424	4,615	315	25,354
Membership premiums	-	-	4,965	4,965
Depreciation	128,518	18,000	-	146,518
Computer expense	16,343	2,716	5,761	24,820
Interest	4,054	-	-	4,054
Rent	14,692	-	-	14,692
Fees and taxes	6,247	8,397	4,785	19,429
Total Expenses	<u>\$ 2,537,466</u>	<u>\$ 607,382</u>	<u>\$ 118,915</u>	<u>\$ 3,263,763</u>

The accompanying notes are an integral part of these financial statements.

CENTER FOR COASTAL STUDIES, INC.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
(Decrease)/Increase in net assets	\$ (89,666)	\$ 932,314
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	165,170	146,518
Unrealized (gain)/loss on investments	(23,019)	(7,429)
(Gain)/ loss on sale of asset	(5,000)	(18,466)
(Increase)/decrease in:		
Inventory	(427)	4,954
Account receivable	70,965	(163,999)
Prepaid expenses	5,242	211
Increase/(decrease) in:		
Accounts payable	(171,929)	251,552
Accrued expenses	23,807	(855)
Net cash used in (provided by) operating activities	(24,857)	1,144,800
Cash Flows from Investing Activities:		
Sale of fixed assets	5,000	10,597
Purchases of fixed assets	(643,786)	(1,414,297)
Sale of investments	182,672	(4,017)
Net cash used in investing activities	(456,114)	(1,407,717)
Cash Flows from Financing Activities:		
Proceeds from note/mortgage payables	367,856	21,782
Payments of notes payable	(6,088)	-
Repayment of long-term debt	(55,360)	(2,476)
Net cash provided by financing activities	306,408	19,306
 Net increase /(decrease) in cash and cash equivalents	(174,563)	(243,611)
Cash and cash equivalents, beginning of year	889,158	1,132,769
Cash and cash equivalents, end of year	\$ 714,595	\$ 889,158
 Supplemental Cash Flow Informaion		
Cash expended for interest	\$ 14,158	\$ 4,054

The accompanying notes are an integral part of these financial statements.

CENTER FOR COASTAL STUDIES, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed by Center for Coastal Studies, Inc. are described below to enhance the usefulness of the financial statements to the reader.

Nature of Activities

Center for Coastal Studies, Inc. (the Center) was formed in 1977 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.

Net Assets

The Center's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Statement of Financial Position presents three classes of net assets (unrestricted, temporarily restricted and permanently restricted) and the Statement of Activities displays the change in each class of net assets. The classes of net assets applicable to the Center are presented as follows:

- **Unrestricted** – Unrestricted net assets are not subject to donor imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations. Unrestricted net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.
- **Temporarily Restricted** – Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.
- **Permanently Restricted** – Reflects the original amount of gifts and investment earnings required by the donor to be permanently retained. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Fair Value Measurements

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

CENTER FOR COASTAL STUDIES, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Fair Value Measurements

Level 1 - Quoted prices for identical instruments traded in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant inputs to the valuation method are unobservable.

Recurring Fair Value Measurements

The following section describes the valuation methodologies used to measure financial assets and liabilities at fair value on a recurring basis:

Investments in Securities: Quoted market prices are used to determine the fair value of investment securities, and they are included in Level 1. Level 1 securities primarily include publicly traded equity and debt securities. Details of the investments are discussed in Note B.

Nonrecurring Fair Value Measurements

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances. Assets that are written down to fair value when impaired are not subsequently adjusted to fair value unless further impairment occurs. The Center had no assets or liabilities measured at fair value on a non-recurring basis as of December 31, 2017.

Tax Exempt Status

The Center is a tax-exempt organization subject to Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. The Center has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Sections 170(b)(1)(A)(vi).

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.

Cash and Cash Equivalents

The Center considers all highly liquid short-term instruments with a maturity of three months or less to be cash equivalents.

Investments

The Center carries investments at fair value. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period. Investments are exposed to risks such as interest rates, credit and overall market volatility.

CENTER FOR COASTAL STUDIES, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Inventory

Inventory is stated at the lower of cost or market. Inventory is accounted for on the first in-first out basis. The inventory contains merchandise and was \$9,858 and \$9,431 for the years ended December 31, 2017 and 2016, respectively.

Compensated Absences

Compensated absences other than vacation time has not been accrued because the amount cannot be reasonably estimated.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on a history of past write-offs and collections and current credit conditions. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2017 and 2016, management has determined that any allowances would be immaterial.

Land, Property and Equipment

Land, property and equipment are recorded at cost or, if donated, fair value on the date of receipt. The Center's capitalization policy is to capitalize fixed assets in excess of \$500. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities, are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the Statement of Activities.

The Center computes depreciation using the straight-line method over the following estimated lives:

Equipment	5-10 years
Buildings	5-39 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes, or another indicator or possible impairment, is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

Advertising

Advertising costs are expensed as incurred. Total advertising costs were \$9,942 and \$6,817 for the years ended December 31, 2017 and 2016, respectively.

Functional Allocation of Expenses

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

Fundraising

Fundraising relates to the activities of raising general and specific contributions to the Center and promoting special events. Fundraising expenses as a percentage of the total contribution and special event revenue was 13% and 3%, for the years ended December 31, 2017 and 2016, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

CENTER FOR COASTAL STUDIES, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Special events

The Center has determined that special events are incidental to its operations and therefore the direct costs of benefit to the donors is reported with fundraising expense and is not included with special events revenue.

Donated services, facilities and materials

Donated services, facilities and materials are recorded at fair value. Donated services that (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated are recorded as contributions in the financial statements.

Donated services such as fundraising, clerical assistance or other volunteer efforts not requiring specialized skills are not recorded in the financial statements.

NOTE B - INVESTMENTS:

Investments are valued at fair value using Level 1 inputs, unadjusted quoted prices in active markets. The Center's investments are comprised of mutual funds. The fair value of the investments was \$171,648 and \$426,301 at December 31, 2017 and 2016, respectively.

Investment income consists of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Interest and Dividends	\$ 4,636	\$ 6,040
Net Realized Gain (Loss)	49	22
Net Unrealized Gain (Loss) on Investments	23,019	7,429
	<u>\$ 27,704</u>	<u>\$ 13,491</u>

NOTE C - LAND, BUILDINGS, EQUIPMENT:

Land, buildings and equipment as of December 31, 2017 and 2016 consisted of the following:

	2017	2016
Land	\$ 499,950	\$ 499,950
Building and improvements	3,949,449	2,034,487
Vehicles and trailers	93,237	93,237
Boat R/V Shearwater	323,406	253,472
Boat R/V Ibis	316,395	281,560
Boat R/V SeaSprite	9,330	9,330
Boat R/V Seaway	10,000	10,000
Boat R/V Marindin	11,220	11,220
Boat R/V Norma C	16,000	16,000
Equipment	1,124,622	1,167,339
Construction in progress (CIP)	-	1,338,228
	<u>6,353,609</u>	<u>5,714,823</u>
Accumulated depreciation	<u>(2,495,248)</u>	<u>\$ (2,430,078)</u>
Net Land, Buildings and Equipment	<u>\$ 3,858,361</u>	<u>\$ 3,284,745</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$165,170 and \$146,518, respectively

CENTER FOR COASTAL STUDIES, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE D - CONCENTRATION OF CREDIT RISK:

The Center maintains its cash balances at several financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, certain accounts are insured by the Depositors Insurance Fund (DIF). The DIF is a private industry-sponsored insurance fund that insures all deposits above the FDIC limits at Massachusetts chartered savings banks. At times balances not covered by DIF may exceed FDIC insured limits; however, the Center has not experienced any losses. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2017 and 2016.

The Center's program services are funded significantly by the US Department of Commerce (DOC). The Center received \$690,529 or 19% and \$736,679 or 18% of its total revenues from this department for the years ended December 31, 2017 and 2016, respectively. Receivables from DOC were \$93,601 or 25% and \$101,866 or 23% of the total account receivables for the years ended December 31, 2017 and 2016, respectively.

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. The outstanding balance was \$0 at December 31, 2017 and 2016, respectively.

NOTE G - LOAN PAYABLE:

In 2016, the Center bought a new truck and financed the purchase by obtaining a loan with Cape Cod Five Cents Savings Bank. The note is for four years and is payable in monthly installments of \$570.71, including interest and is collateralized by the new truck. The interest percentage of the loan is fixed at 4.09%. Loan maturities for each of the years following December 31, 2017 are as follows:

2018	5,806
2019	6,586
2020	3,302
	<u>\$ 15,694</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 \$54,183 and \$53,488 for the years ended December 31, 2017 and 2016, respectively.

CENTER FOR COASTAL STUDIES, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE I - MORTGAGE PAYABLE:

On February 6, 2017, the Center signed a 25 years mortgage for \$375,000 with Seamen's Bank to refinance the outstanding mortgage balance of the building at 5 Holway Ave. and to bridge the gap between the renovation costs and the revenue secured to complete the renovation of the building. For the first 60 months, the interest rate will be 4.25% and the monthly payment will be \$2,044.16, including principal and interest. Thereafter, the interest rate on the note is subject to change based on the changes in the Wall Street Journal Prime Rate plus a margin of 1%. At December 31, 2017, the Center's outstanding mortgage balance is as follows:

Mortgage - Seaman's Bank (5 Holway Avenue).
Payable in monthly installments of \$2,044.16 with
interest at 4.25% per year through March 6, 2022,
thereafter a variable interest rate will be applied.

	\$ 367,856
Mortgages payable	367,856
Less current portion	(8,917)
Long-term mortgages	\$ 358,939

Maturities of mortgage debt for the next five years are as follows:

Year ending December 31,	
2018	\$ 8,917
2019	9,303
2020	9,706
2021	10,127
2022	10,566
Thereafter	319,237
	\$ 367,856

NOTE J - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS:

Temporarily restricted net assets at December 31, 2017 and 2016 are available for the following purpose:

	2017	2016
Barbara Mayo Education Fund	\$ 50,989	\$ 43,759
Marine Vessels Fund	170,709	279,701
Operating Reserve Fund	15,181	13,196
	\$ 236,879	\$ 336,656

Permanently restricted net assets at December 31, 2017 and 2016 are available for the following purpose:

	2017	2016
Mayo Endangered Species Fund	\$ 16,056	\$ 13,957
Giese Coastal & Ocean Education Fund	32,119	27,370
Mayo Education Fund	56,211	48,273
	\$ 104,386	\$ 89,600

CENTER FOR COASTAL STUDIES, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE K- SUBSEQUENT EVENTS:

Management has evaluated events occurring subsequent to the year end through February 18, 2018, the date the financial statements were available to be issued. No material subsequent events have occurred since February 18, 2018 that required recognition or disclosure in these financial statements.

CENTER FOR COASTAL STUDIES, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor /Program Name	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Commerce/NOAA			
Pass Through MA Division of Marine Fisheries Unallied Science Programs	11.472	04-6002-284	\$ 536,611
U.S. Department of Defense/SPAWAR			
Pass Through Virginia Aquarium & Marine Science Center Foundation Navy Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance	12.335		5,642
U.S. Department of Defense/Office of the Chief of Naval Research			
Pass Through Cascadia Research Collective Basic and Applied Scientific Research	12.300		64,858
U.S. Department of Interior/U.S. Geological Survey			
Pass Through UMASS Amherst National Cooperative Geologic Mapping	15.810	G16AC00125	40,236
Total Pass Through Programs			<u>647,347</u>
 Direct Programs Through NOAA and NPS			
Marine Debris Program	11.999		77,737
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427		76,181
National Park Service Conservation, Protection, Outreach and Education	15.954		185,116
Total Direct Programs			<u>339,034</u>
 Total Federal Financial Assistance			 <u><u>\$ 986,381</u></u>

Type A programs are determined to be the larger of \$750,000 or three (3) percent of total federal awards expended if total awards exceed \$750,000. There were no awards received that were passed through to sub recipients.

Pass-through entity identifying numbers are presented where available.

CENTER FOR COASTAL STUDIES, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Center for Coastal Studies, Inc. under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Center for Coastal Studies, Inc., it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Center for Coastal Studies, Inc.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *the Uniform Guidance and OMB Circular A-122, Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE:

Center for Coastal Studies, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. Instead, Center for Coastal Studies, Inc. has used a negotiated indirect cost rate.