

# **Hawk Mountain Sanctuary Association**

Financial Statements and  
Supplementary Information

March 31, 2016 and 2015

# Hawk Mountain Sanctuary Association

---

Table of Contents

March 31, 2016 and 2015

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8
<b>Supplementary Information</b>	
Supplemental Schedule of Functional Expenses	25

## **Independent Auditors' Report**

Board of Directors  
Hawk Mountain Sanctuary Association

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Hawk Mountain Sanctuary Association, which comprise the statement of financial position as of March 31, 2016 and 2015, and the related statements of activities, changes in net assets, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 Hawk Mountain Sanctuary Association as of March 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 25 and 26 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.

*Baker Tilly Virchow Krause, LLP*

Wyomissing, Pennsylvania  
July 11, 2016

## Hawk Mountain Sanctuary Association

### Statement of Financial Position

March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 570,447	\$ 21,141
Grants receivable	12,058	12,058
Contributions receivable	258,276	20,622
Inventories	44,826	50,316
Other current assets	17,284	18,814
	<u>902,891</u>	<u>122,951</u>
<b>Noncurrent Assets</b>		
Investments	7,903,651	8,651,527
Land, building and equipment, net	7,465,958	7,051,710
Cash restricted and designated for Capital Campaign	433,806	356,920
Cash restricted and designated for land acquisition	201,895	50,640
Grant receivable for Capital Campaign	25,000	200,000
Contributions receivable	235,849	-
Contributions receivable for Capital Campaign, net of allowance for uncollectible pledges of \$10,000 at 2016 and \$20,000 at 2015	189,507	285,190
	<u>16,455,666</u>	<u>16,595,987</u>
Total noncurrent assets		
	<u>16,455,666</u>	<u>16,595,987</u>
Total assets	<u>\$ 17,358,557</u>	<u>\$ 16,718,938</u>

See notes to financial statements

## Hawk Mountain Sanctuary Association

### Statement of Financial Position

March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Line of credit	\$ -	\$ 1,534
Current maturities of notes payable	720	61,760
Accounts payable	57,970	51,699
Deferred revenue	158,356	41,655
Other current liabilities	109,645	42,627
	<u>326,691</u>	<u>199,275</u>
<b>Retirement Liability</b>	-	34,058
<b>Deferred Revenue</b>	1,114,058	456,243
<b>Notes Payable, Less Current Maturities</b>	-	200,720
	<u>1,114,058</u>	<u>691,021</u>
<b>Total noncurrent liabilities</b>	<u>1,114,058</u>	<u>691,021</u>
<b>Total liabilities</b>	<u>1,440,749</u>	<u>890,296</u>
<b>Net Assets</b>		
Unrestricted:		
Operating	6,799,932	6,181,089
Designated by Board of Directors	1,296,121	1,896,360
	<u>8,096,053</u>	<u>8,077,449</u>
Temporarily restricted	2,362,503	2,318,742
Permanently restricted	5,459,252	5,432,451
	<u>15,917,808</u>	<u>15,828,642</u>
<b>Total net assets</b>	<u>15,917,808</u>	<u>15,828,642</u>
<b>Total liabilities and net assets</b>	<u>\$ 17,358,557</u>	<u>\$ 16,718,938</u>

See notes to financial statements

## Hawk Mountain Sanctuary Association

Statement of Activities

Years Ended March 31, 2016 and 2015

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Gains</b>								
Membership dues	\$ 428,155	\$ -	\$ -	\$ 428,155	\$ 398,748	\$ -	\$ -	\$ 398,748
Admission charges	358,080	-	-	358,080	266,926	-	-	266,926
Bookstore sales, less cost of sales	2015 \$110,150	-	-	102,286	98,226	-	-	98,226
Fees and other income	162,264	-	-	162,264	83,929	-	-	83,929
Grants	73,372	-	-	73,372	23,679	-	-	23,679
Contributions	741,379	1,198,066	26,801	1,966,246	457,052	798,605	158,145	1,414,802
Investment return designated for current operations	71,868	317,380	-	389,248	72,496	300,164	-	372,660
Investment return greater than (less than) amounts designated for current operations less fees	(94,402)	(451,895)	-	(546,297)	35,372	177,885	-	213,257
2016 \$22,315, 2015 \$23,057								
<b>Total revenue and gains</b>	<b>1,843,002</b>	<b>1,063,551</b>	<b>26,801</b>	<b>2,933,354</b>	<b>1,436,428</b>	<b>1,277,654</b>	<b>158,145</b>	<b>2,872,227</b>
<b>Net Assets Released from Restrictions</b>								
Program services	760,691	(760,691)	-	-	796,589	(796,589)	-	-
Fundraising expenses	34,282	(34,282)	-	-	13,060	(13,060)	-	-
Capital projects	208,965	(208,965)	-	-	316,132	(316,132)	-	-
<b>Total net assets released from restrictions</b>	<b>1,003,938</b>	<b>(1,003,938)</b>	<b>-</b>	<b>-</b>	<b>1,125,781</b>	<b>(1,125,781)</b>	<b>-</b>	<b>-</b>
<b>Total revenue and gains and other support</b>	<b>2,846,940</b>	<b>59,613</b>	<b>26,801</b>	<b>2,933,354</b>	<b>2,562,209</b>	<b>151,873</b>	<b>158,145</b>	<b>2,872,227</b>
<b>Expenses and Losses</b>								
Program services								
Education	525,140	-	-	525,140	508,667	-	-	508,667
Conservation science	874,059	-	-	874,059	925,146	-	-	925,146
Communications	189,982	-	-	189,982	231,173	-	-	231,173
Operations	437,178	-	-	437,178	479,067	-	-	479,067
Bookstore	138,631	-	-	138,631	131,222	-	-	131,222
Supporting services								
Administration	342,289	-	-	342,289	297,665	-	-	297,665
Fund-raising	192,634	-	-	192,634	213,326	-	-	213,326
Membership	128,423	-	-	128,423	142,218	-	-	142,218
<b>Total expenses</b>	<b>2,828,336</b>	<b>-</b>	<b>-</b>	<b>2,828,336</b>	<b>2,928,484</b>	<b>-</b>	<b>-</b>	<b>2,928,484</b>
Bad debt expense (recovery)	-	15,852	-	15,852	-	(18,720)	-	(18,720)
<b>Total expenses and losses</b>	<b>2,828,336</b>	<b>15,852</b>	<b>-</b>	<b>2,844,188</b>	<b>2,928,484</b>	<b>(18,720)</b>	<b>-</b>	<b>2,909,764</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 18,604</b>	<b>\$ 43,761</b>	<b>\$ 26,801</b>	<b>\$ 89,166</b>	<b>\$ (366,275)</b>	<b>\$ 170,593</b>	<b>\$ 158,145</b>	<b>\$ (37,537)</b>

See notes to financial statements

## Hawk Mountain Sanctuary Association

Statement of Changes in Net Assets  
Years Ended March 31, 2016 and 2015

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
<b>Net Assets, March 31, 2014</b>	\$ 8,443,724	\$ 2,148,149	\$ 5,274,306	\$ 15,866,179
Increase (decrease) in net assets	(366,275)	170,593	158,145	(37,537)
<b>Net Assets, March 31, 2015</b>	8,077,449	2,318,742	5,432,451	15,828,642
Increase in net assets	18,604	43,761	26,801	89,166
<b>Net Assets, March 31, 2016</b>	\$ 8,096,053	\$ 2,362,503	\$ 5,459,252	\$ 15,917,808

See notes to financial statements



**Hawk Mountain Sanctuary Association**

## Statement of Cash Flows

Years Ended March 31, 2016 and 2015

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 89,166	\$ (37,537)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	302,431	268,234
Net realized (gains) losses on investments	(256,968)	(114,833)
Net unrealized (gains) losses on investments	697,402	(148,540)
Abandonment of construction projects	-	80,064
Contributions restricted for endowment	(26,801)	(158,145)
Contributions restricted for Capital Campaign	(27,391)	(376,427)
Contributions restricted for land acquisition	(279,914)	-
Decrease in cash restricted for research	-	25,539
Bad debt expense (recovery)	15,852	(18,720)
(Increase) decrease in operating assets:		
Contributions receivable	(473,503)	(15,622)
Inventories	5,490	(4,416)
Other current assets	1,530	15,562
Increase (decrease) in operating liabilities:		
Accounts payable	6,271	13,215
Deferred revenue	364,297	108,925
Other current liabilities	67,018	25,527
Retirement liability	(34,058)	(1,475)
Net cash provided by (used in) operating activities	<u>450,822</u>	<u>(338,649)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase and construction of property and equipment	(716,679)	(291,390)
Proceeds from sale of investments	666,302	372,660
Purchase of investments	(358,860)	(289,812)
Increase in cash restricted for land acquisition	(151,255)	(50,640)
(Increase) decrease in cash restricted and designated for Capital Campaign	<u>(76,886)</u>	<u>65,241</u>
Net cash used in investing activities	<u>(637,378)</u>	<u>(193,941)</u>
<b>Cash Flows from Financing Activities</b>		
Decrease in line of credit	(1,534)	(10,812)
Repayments on long-term borrowings	(261,760)	(291,760)
Grants received for purchase of property and equipment	585,219	150,000
Proceeds from contributions restricted for land acquisition	279,914	-
Proceeds from contributions restricted for endowment	26,801	158,145
Proceeds from Capital Campaign	<u>107,222</u>	<u>463,951</u>
Net cash provided by financing activities	<u>735,862</u>	<u>469,524</u>
Net increase (decrease) in cash and cash equivalents	549,306	(63,066)
Cash and Cash Equivalents, Beginning	<u>21,141</u>	<u>84,207</u>
Cash and Cash Equivalents, Ending	<u>\$ 570,447</u>	<u>\$ 21,141</u>
<b>Supplementary Schedule of Cash Flow Information</b>		
Interest payments	<u>\$ 12,106</u>	<u>\$ 11,377</u>
<b>Supplementary Schedule of Noncash Financing Activities</b>		
Grant receivable restricted or capital campaign	<u>\$ 25,000</u>	<u>\$ 200,000</u>

See notes to financial statements

# Hawk Mountain Sanctuary Association

---

Notes to Financial Statements

March 31, 2016 and 2015

## 1. Nature of Activities

Hawk Mountain Sanctuary Association (the "Association") was created by Rosalie Edge in 1934 and incorporated in Pennsylvania on May 2, 1938 as a non-profit. The Association is the world's first sanctuary for birds of prey. Its primary activities are to establish and maintain preserves for the conservation and protection of wildlife, and to provide a means of educating the public in matters concerning wildlife. The Association is a non-profit entity as described in Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from federal income taxes on related income pursuant to Section 509(a) of the IRC. The Association is supported primarily through membership dues, grants, admission charges, and contributions.

## 2. Significant Accounting Policies

### Basis of Accounting

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

### Basis of Presentation

Financial statement presentation follows the requirements of Accounting Standards Codification ("ASC") *Topic 958, Not-for-Profit Entities*. This accounting standard requires the Association to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

### Cash and Cash Equivalents

For the purpose of reporting the statements of cash flows, the Association considers highly liquid money market funds available for operations to be cash equivalents. The Association places its cash in high credit quality institutions.

### Grants Receivable

Grants receivable are recognized when there is reasonable assurance the grant will be received and that the Association will comply with any conditions required by the grant. In addition, for a cost-reimbursement grant, a receivable is recognized when allowable costs are incurred.

### Inventories

Inventories of materials held for sale are stated at the lower of cost (first-in, first-out method) or market.

## Hawk Mountain Sanctuary Association

---

Notes to Financial Statements

March 31, 2016 and 2015

### Investments

The Association carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Investment gains and losses are reported in the statements of activities as increases and decreases in unrestricted net assets unless restricted in accordance with donor stipulations.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements.

### Property and Equipment

It is the Association's policy to capitalize property and equipment additions costing over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions 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 Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation and amortization is computed by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5 - 50
Land improvements	20
Equipment	5 - 10
Vehicles	5
Software	5

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation and amortization are eliminated from the accounts and gain or loss is included in income.

### Impairment of Long-Lived Assets

Management reviews the carrying value of long-lived assets on an ongoing basis. When factors indicate that a long-lived asset may be impaired, management uses an estimate of the undiscounted future cash flows over the remaining life of the asset in measuring whether the long-lived asset is recoverable. If such an analysis indicates that impairment has in fact occurred, the book value of the long-lived asset is written down to its fair value, which it estimates using discounted cash flows.

## Hawk Mountain Sanctuary Association

---

Notes to Financial Statements  
March 31, 2016 and 2015

### Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to the Association's programs. In accordance with ASC *Topic 958, Not-for-Profit Entities*, the Association has not recorded the value of the contributed time in the accompanying financial statements.

### Contributed Support and Contributions Receivable

Gifts of cash and other assets are presented 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 a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions receivable are recorded at fair value as revenue on the date the promise to give is irrevocable. Depending on the existence and nature of any donor restrictions, donations are reflected as increases in unrestricted, temporarily restricted, or permanently restricted net assets.

The Association estimates the fair value of donations that are expected to be collected after one year using present value techniques and market interest rates in effect on the date of the donation and a related discount is recorded. Discount amortization is included in donation revenue as the associated pledges reach maturity. Allowances for uncollectible contributions receivable are established based on historical collection rates and specific identification of uncollectible accounts. The fair value of donations that are expected to be collected within one year is estimated at net realizable value.

### Income Taxes

The Association is exempt from taxes on income pursuant to Section 501(c)(3) of IRC. Consequently, the statements of the Association do not reflect any provision for taxes on income.

The Association accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management has determined that there were no tax uncertainties that met the recognition threshold as of March 31, 2016 and 2015.

### Advertising and Promotion

The Association expenses advertising and promotion cost as incurred. Total advertising and promotion cost for the years ended March 31, 2016 and 2015 was \$27,754 and \$41,471, respectively.

## Hawk Mountain Sanctuary Association

---

Notes to Financial Statements  
March 31, 2016 and 2015

### Deferred Revenue

Grants are reported as exchange transactions whereby revenue is recognized when the Association has incurred expenses in compliance with the grant agreement. Unexpended amounts received but not yet earned are reported as deferred revenue. Grants received which are used for the acquisition of land, buildings and equipment are deferred and recognized in income over the useful lives of the related assets. The deferred revenue related to the grants for long term assets is classified as a noncurrent liability.

### Functional Allocation of Expenses

The costs of providing the Association's program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited. Development expenses have been allocated to fund-raising and membership support based on an estimate of time devoted to each activity.

### Concentrations of Credit and Other Risks

Financial instruments which potentially expose the Association to concentrations of credit risk consist primarily of cash and investments. The investments are not insured. Also, at various times during the years, the Association had cash balances in a deposit account with financial institutions in excess of the federally-insured limit.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates affecting the financial statements are the allowance for uncollectible pledges, fair value of investments and the useful lives of building and equipment. Actual results could differ from those estimates.

### Reclassifications

Certain amounts in the prior year's financial statements and related notes have been reclassified to conform with the 2016 presentation. There was no effect on change in net assets.

### Subsequent Events

The Association has evaluated events and transactions occurring subsequent to the statement of financial position date of March 31, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through July 11, 2016, the date these financial statements were available to be issued. All necessary matters identified through this evaluation are properly reflected in these financial statements.

## Hawk Mountain Sanctuary Association

Notes to Financial Statements  
March 31, 2016 and 2015

### 3. Contributions Receivable

Contributions receivable are unconditional promises to give and represent the following at March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Capital Campaign	\$ 221,750	\$ 345,820
Education	503,277	-
Unrestricted	5,000	20,622
	<u>\$ 730,027</u>	<u>\$ 366,442</u>
Receivable in less than one year	\$ 390,027	\$ 157,734
Receivable in one to five years	340,000	208,708
	730,027	366,442
Less discounts to net present value	(36,395)	(40,630)
Less allowance for uncollectible pledges	(10,000)	(20,000)
Net contributions receivable	<u>\$ 683,632</u>	<u>\$ 305,812</u>

Contributions receivable due in more than one year have been discounted to its net present value utilizing 6%.

The contributions receivable relating to the Capital Campaign is classified as non-current assets in the accompanying statements of financial position as their use is restricted for long-term purposes.

### 4. Investments

Long-term investments consist of the following at March 31, 2016 and 2015:

	<u>2016</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Net Unrealized Appreciation</u>
Mutual funds:			
Equity funds	\$ 3,498,693	\$ 5,113,865	\$ 1,615,172
Bond funds	2,730,713	2,775,190	44,477
Money market	14,596	14,596	-
	<u>\$ 6,244,002</u>	<u>\$ 7,903,651</u>	<u>\$ 1,659,649</u>
	<u>2015</u>		
Mutual funds:			
Equity funds	\$ 3,513,808	\$ 5,803,268	\$ 2,289,460
Bond funds	2,771,828	2,839,419	67,591
Money market	8,840	8,840	-
	<u>\$ 6,294,476</u>	<u>\$ 8,651,527</u>	<u>\$ 2,357,051</u>

## Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2016 and 2015

The following schedule summarizes the investment return and its classifications in the statements of activities for the years ended March 31, 2016 and 2015:

	2016		
	Unrestricted	Temporarily Restricted	Total
Investment income, less fees	\$ 41,601	\$ 241,784	\$ 283,385
Net realized gains	139,264	117,704	256,968
Net unrealized losses	(203,399)	(494,003)	(697,402)
<b>Total investment loss</b>	<b>\$ (22,534)</b>	<b>\$ (134,515)</b>	<b>\$ (157,049)</b>
	2015		
Investment income, less fees	\$ 60,620	\$ 261,924	\$ 322,544
Net realized gains	26,415	88,418	114,833
Net unrealized gains	20,833	127,707	148,540
<b>Total investment income</b>	<b>\$ 107,868</b>	<b>\$ 478,049</b>	<b>\$ 585,917</b>

The Board of Directors designates only a portion of the Association's cumulative investment return of the funds Designated for Endowment and Endowment Funds for support of current operations. Under the Association's spending policy, 5% of its five-year moving average value of investments with certain exceptions is available to support current operations. The calculation of investment return greater than amounts designated for current operations is as follows:

	2016	2015
Investment income (loss)	\$ (157,049)	\$ 585,917
Amounts designated for current operations	389,248	372,660
<b>Investment return greater than (less than) amounts designated for current operations</b>	<b>\$ (546,297)</b>	<b>\$ 213,257</b>

## Hawk Mountain Sanctuary Association

Notes to Financial Statements  
March 31, 2016 and 2015

### 5. Property and Equipment

A summary of property and equipment at March 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 2,300,245	\$ 2,242,459
Buildings and improvements	6,590,395	6,568,695
Equipment	1,346,669	1,346,669
Vehicles	117,044	103,384
Software	105,276	105,276
Land improvements	567,971	-
Construction in progress	315,762	260,200
	<u>11,343,362</u>	<u>10,626,683</u>
Accumulated depreciation and amortization	<u>(3,877,404)</u>	<u>(3,574,973)</u>
	<u>\$ 7,465,958</u>	<u>\$ 7,051,710</u>

Depreciation and amortization expense amounted to \$302,431 and \$268,234 during the years ended March 31, 2016 and 2015, respectively.

### 6. Line of Credit

The Association has a \$100,000 line of credit available with M&T Bank. This line of credit is unsecured and incurs interest at the Bank's prime rate plus 1.0% (4.50% at March 31, 2016). There was \$-0- and \$1,534 outstanding on this line of credit at March 31, 2016 and 2015, respectively. This line of credit is renewable annually by the Bank upon receipt of the Association's financial statements. Management expects this line of credit to remain in effect without any interruption to the Association's operations.

### 7. Long-Term Debt

Long-term debt consists of the following at March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Term loan payable to bank which was paid in full in April 2016.	\$ 720	\$ 262,480
Less current portion of long-term debt	<u>(720)</u>	<u>(61,760)</u>
	<u>\$ -</u>	<u>\$ 200,720</u>

Interest expense was \$12,106 and \$11,377 for the years ended March 31, 2016 and 2015, respectively.



## Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2016 and 2015

### 8. Employee Benefits

#### Retirement Plans

The Association has a defined contribution retirement plan and a tax deferred annuity plan covering employees who have completed one year of service. Contributions to these plans totaled \$2,855 and \$17,129 for the years ended March 31, 2016 and 2015, respectively.

#### Retirement Liability

The Association paid retirement benefits to a former employee who is not included in the above plans. As of March 31, 2016, the Association is no longer liable for this obligation. The liability, which is the present value of the estimated future payments, amounted to \$34,058 at March 31, 2015. Retirement expense for the years ended March 31, 2016 and 2015 was \$(29,891) and \$4,775, respectively.

### 9. Net Assets

The Board of Directors has designated unrestricted net assets at March 31, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Designated for endowment:		
General	\$ 972,299	\$ 1,508,825
Graduate Assistant Program	123,822	131,339
Trainee Program	200,000	200,000
Land acquisition	-	56,196
	<u>                    </u>	<u>                    </u>
Unrestricted net assets	<u>\$ 1,296,121</u>	<u>\$ 1,896,360</u>

## Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2016 and 2015

Temporarily and permanently restricted net assets consist of the following at March 31, 2016:

	Temporarily Restricted	Permanently Restricted	Total
Available for current operations:			
Kestrel Nestbox Program	\$ 6,966	\$ -	\$ 6,966
Trainee Programs	3,636	-	3,636
Habitat Garden	5,646	-	5,646
Education	27,395	-	27,395
Raptorcare	40,012	-	40,012
Sowers Photo Ecology	4,930	-	4,930
Project SOAR	10,208	-	10,208
Capital Campaign	296,796	-	296,796
Graduate Assistant	10,000	-	10,000
Adams Trust Research Grant	7,651	-	7,651
Farmland Raptors	2,875	-	2,875
LA Zoo Work	3,160	-	3,160
Land Acquisition	201,895	-	201,895
Conservation Science Publications	2,742	-	2,742
Hill Library	3,559	-	3,559
Turkey Vulture Research	15,547	-	15,547
School in the Clouds	435,849	-	435,849
Wallace Turkey Vulture	44,305	-	44,305
Benefit Auction	69,533	-	69,533
Other	25,728	-	25,728
Endowment:			
Frank M. Masters Conservation Trainee Program	253,154	1,000,000	1,253,154
Conservation Trainee Program	183,318	724,136	907,454
Grimm Family	5,493	21,700	27,193
Sowers Photo Ecology	30,962	34,692	65,654
Julian W. Hill Library and Archives	63,111	320,190	383,301
Acopian Center Maintenance	276,292	1,000,000	1,276,292
Sarkis Acopian Director of Conservation Science Trust	265,297	2,000,000	2,265,297
Hand Education	12,672	66,830	79,502
Ferdinand Thun Fund HMS Maintenance Endowment	34,830	135,000	169,830
General	18,941	156,704	175,645
	<u>\$ 2,362,503</u>	<u>\$ 5,459,252</u>	<u>\$ 7,821,755</u>

## Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2016 and 2015

Temporarily and permanently restricted net assets consist of the following at March 31, 2015:

	Temporarily Restricted	Permanently Restricted	Total
Available for current operations:			
Kestrel Nestbox Program	\$ 5,071	\$ -	\$ 5,071
Trainee Programs	3,686	-	3,686
Habitat Garden	5,555	-	5,555
Education	22,023	-	22,023
Raptorcare	24,565	-	24,565
Sowers Photo Ecology	3,279	-	3,279
Project SOAR	25,805	-	25,805
Capital Campaign	494,215	-	494,215
Graduate Assistant	10,000	-	10,000
Adams Trust Research Grant	12,500	-	12,500
Broadwing Hawk Project	32,814	-	32,814
Farmland Raptors	2,535	-	2,535
LA Zoo Work	17,151	-	17,151
Other	63,578	-	63,578
Endowment:			
Frank M. Masters Conservation Trainee Program	343,214	1,000,000	1,343,214
Conservation Trainee Program	242,767	707,335	950,102
Grimm Family	5,732	16,700	22,432
Sowers Photo Ecology	35,029	34,692	69,721
Julian W. Hill Library and Archives	89,548	320,190	409,738
Acopian Center Maintenance	364,307	1,000,000	1,364,307
Sarkis Acopian Director of Conservation Science Trust	426,071	2,000,000	2,426,071
Hand Education	15,573	61,830	77,403
Ferdinand Thun Fund HMS Maintenance Endowment	44,098	135,000	179,098
General	29,626	156,704	186,330
	<u>\$ 2,318,742</u>	<u>\$ 5,432,451</u>	<u>\$ 7,751,193</u>

Net assets during the years ended March 31, 2016 and 2015 were released from donor restrictions by satisfying the restricted purpose specified by the donors for the following programs:

	2016	2015
Education	\$ 226,796	\$ 200,484
Operations	81,203	53,755
Research	452,692	542,350
Fundraising	34,282	13,060
Capital projects	208,965	316,132
	<u>\$ 1,003,938</u>	<u>\$ 1,125,781</u>

## Hawk Mountain Sanctuary Association

---

Notes to Financial Statements

March 31, 2016 and 2015

### 10. Endowment

The Association's endowments consist of several funds established for a variety of purposes. Its endowments include both a donor-restricted endowment fund and fund designated by the Board of Directors to function as an endowment. As required by generally accepted accounting principles ("GAAP"), net assets associated with endowment funds, including funds designated by the Board of Directors 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 Directors of the Association has interpreted the relevant state law 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, the Association 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 the Association in a manner consistent with the standard of prudence prescribed by the relevant state law. Unless specifically defined by a donor-restricted endowment fund required by donor stipulation, the Association considers the following factors in making a determination to accumulate or appropriate endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Association and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Association
7. The investment policies of the Association

## Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2016 and 2015

The following schedule represents the endowment net asset composition by type of endowment fund as of March 31:

	2016			
	Unrestricted Designated for Endowment	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,144,070	\$ 5,459,252	\$ 6,603,322
Board-designated endowment funds	1,296,121	-	-	1,296,121
	<u>\$ 1,296,121</u>	<u>\$ 1,144,070</u>	<u>\$ 5,459,252</u>	<u>\$ 7,899,443</u>
	2015			
Donor-restricted endowment funds	\$ -	\$ 1,595,965	\$ 5,432,451	\$ 7,028,416
Board-designated endowment funds	1,840,164	-	-	1,840,164
	<u>\$ 1,840,164</u>	<u>\$ 1,595,965</u>	<u>\$ 5,432,451</u>	<u>\$ 8,868,580</u>

The following schedule represents the changes in endowment net assets for the years ended March 31:

	2016			
	Unrestricted Designated for Endowment	Temporarily Restricted	Permanently Restricted	Total
Endowment net asset, beginning of the year	\$ 1,840,164	\$ 1,595,965	\$ 5,432,451	\$ 8,868,580
Contributions	-	-	26,801	26,801
Board approved transfers	(449,641)	-	-	(449,641)
Investment income, net of fees	41,601	241,784	-	283,385
Net appreciation (depreciation) (realized and unrealized)	(64,135)	(376,299)	-	(440,434)
Allowable spending	(71,868)	(317,380)	-	(389,248)
	<u>\$ 1,296,121</u>	<u>\$ 1,144,070</u>	<u>\$ 5,459,252</u>	<u>\$ 7,899,443</u>

## Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2016 and 2015

	2015			Total
	Unrestricted Designated for Endowment	Temporarily Restricted	Permanently Restricted	
Endowment net asset, beginning of the year	\$ 2,041,478	\$ 1,418,080	\$ 5,274,306	\$ 8,733,864
Contributions	-	-	158,145	158,145
Board approved transfers	(236,686)	-	-	(236,686)
Investment income, net of fees	60,620	261,924	-	322,544
Net appreciation (realized and unrealized)	47,248	216,125	-	263,373
Allowable spending	(72,496)	(300,164)	-	(372,660)
	<u>\$ 1,840,164</u>	<u>\$ 1,595,965</u>	<u>\$ 5,432,451</u>	<u>\$ 8,868,580</u>

### Funds with Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the Association to retain as a fund of perpetual duration. In accordance with GAAP, these deficiencies are reported as a reduction to unrestricted net assets. There were no deficiencies at March 31, 2016 and 2015.

### Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that allow the Association to fund the appropriate programs while assuming a moderate level of investment risk.

### Strategies Employed for Achieving Objectives

The Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Association has a total return policy of appropriating for distribution each year a percent of its endowment fund's prior year balance. The Board of Directors approves annual disbursements from the funds. Generally this is done under the Association's spending policy which is 5% of its five-year moving average value of investments with certain exceptions. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

# Hawk Mountain Sanctuary Association

---

Notes to Financial Statements

March 31, 2016 and 2015

## 11. Related Parties

At March 31, 2016 and 2015, the Association had outstanding pledges from various members of its Board of Directors, before discounts, of \$10,000 and \$11,500, respectively.

During the years ended March 31, 2016 and 2015, the Association received gifts from various members of its Board of Directors, before discounts, of \$146,368 and \$212,831, respectively.

## 12. Fair Value Measurements

Management uses its best judgment in estimating the fair value of the Association's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Association could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year end.

### Determination of Fair Value

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic of Financial Accounting Standards Board Accounting Standards Codification, the fair value of a financial instrument 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. Fair value is best determined based upon quoted market prices.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

## Hawk Mountain Sanctuary Association

---

Notes to Financial Statements  
March 31, 2016 and 2015

### Fair Value Hierarchy

In accordance with this guidance, the Association groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observables and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 31, 2015 and 2014.

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held are deemed to be actively traded.



## Hawk Mountain Sanctuary Association

Notes to Financial Statements

March 31, 2016 and 2015

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at March 31, 2016 and 2015 are as follows:

Assets at Fair Value as of March 31, 2016				
	Level 1	Level 2	Level 3	Total
Long-term investments:				
Equity mutual funds:				
Small growth	\$ 249,981	\$ -	\$ -	\$ 249,981
Mid-cap blend	256,173	-	-	256,173
Foreign large blend	1,447,018	-	-	1,447,018
Large blend	1,973,465	-	-	1,973,465
Large growth	595,260	-	-	595,260
Large value	591,968	-	-	591,968
	<u>5,113,865</u>	<u>-</u>	<u>-</u>	<u>5,113,865</u>
Bond mutual funds:				
Corporate bond	810,215	-	-	810,215
Short-term bond	533,328	-	-	533,328
Intermediate-term bond	1,431,647	-	-	1,431,647
	<u>2,775,190</u>	<u>-</u>	<u>-</u>	<u>2,775,190</u>
	<u>\$ 7,889,055</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,889,055</u>
Assets at Fair Value as of March 31, 2015				
Long-term investments:				
Equity mutual funds:				
Small growth	\$ 329,433	\$ -	\$ -	\$ 329,433
Mid-cap blend	350,269	-	-	350,269
Foreign large blend	1,587,260	-	-	1,587,260
Large blend	2,162,345	-	-	2,162,345
Large growth	691,873	-	-	691,873
Large value	682,088	-	-	682,088
	<u>5,803,268</u>	<u>-</u>	<u>-</u>	<u>5,803,268</u>
Bond mutual funds:				
Corporate bond	836,383	-	-	836,383
Short-term bond	467,433	-	-	467,433
Intermediate-term bond	1,535,603	-	-	1,535,603
	<u>2,839,419</u>	<u>-</u>	<u>-</u>	<u>2,839,419</u>
	<u>\$ 8,642,687</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,642,687</u>

## **Hawk Mountain Sanctuary Association**

---

Notes to Financial Statements

March 31, 2016 and 2015

### **13. Subsequent Event**

During May 2016, the Association utilized temporarily restricted land acquisition funds to purchase an easement of land for approximately \$300,000.

## Hawk Mountain Sanctuary Association

### Supplemental Schedule of Functional Expenses

Year Ended March 31, 2016

	Total	Program Services	Management and General	Membership and Fundraising
Advertising and promotion	\$ 27,754	\$ 7,697	\$ 16,747	\$ 3,310
Awards and donations	52,355	52,355	-	-
Computer	60,673	45,127	(959)	16,505
Dues and subscriptions	4,339	2,544	25	1,770
Equipment & resources	79,108	68,261	10,847	-
Gasoline	3,540	3,540	-	-
Hospitality	21,419	12,861	6,358	2,200
Insurance	84,129	84,129	-	-
Interest expense	12,106	-	12,106	-
Library	6,876	6,876	-	-
Office supplies	2,639	207	2,249	183
Operating supplies	79,122	65,134	4,463	9,525
Outside services	286,990	165,927	53,079	67,984
Permits and licenses	40	-	40	-
Postage	36,363	17,763	4,024	14,576
Printing	51,549	30,124	149	21,276
Professional fees	43,600	-	43,600	-
Repairs and maintenance	38,570	38,569	1	-
Salaries and benefits	1,296,891	1,013,827	136,591	146,473
Signage and exhibits	330	330	-	-
Taxes:				
Payment in lieu of amusement tax	17,904	17,904	-	-
Payment in lieu of real estate tax	5,307	5,307	-	-
Payroll	90,976	66,760	14,509	9,707
Telephone	22,483	15,843	3,883	2,757
Training	1,573	1,573	-	-
Travel	132,833	119,971	10,557	2,305
Utilities	66,436	58,301	3,902	4,233
	2,525,905	1,900,930	322,171	302,804
Depreciation and amortization	302,431	264,060	20,118	18,253
Total functional expenses	<u>\$ 2,828,336</u>	<u>\$ 2,164,990</u>	<u>\$ 342,289</u>	<u>\$ 321,057</u>
Percentage of expenses	<u>100%</u>	<u>77%</u>	<u>12%</u>	<u>11%</u>

## Hawk Mountain Sanctuary Association

### Supplemental Schedule of Functional Expenses

Year Ended March 31, 2015

	Total	Program Services	Management and General	Membership and Fundraising
Advertising and promotion	\$ 41,471	\$ 23,956	\$ 10,723	\$ 6,792
Awards and donations	10,300	10,300	-	-
Computer	83,448	57,139	12,968	13,341
Dues and subscriptions	6,360	3,477	472	2,411
Equipment & resources	86,484	76,582	9,237	665
Gasoline	5,282	5,282	-	-
Hospitality	35,937	12,699	17,421	5,817
Insurance	73,714	73,714	-	-
Interest expense	11,377	-	11,377	-
Library	9,128	9,128	-	-
Office supplies	6,404	78	5,294	1,032
Operating supplies	116,753	93,608	13,342	9,803
Outside services	363,165	257,179	47,695	58,291
Permits and licenses	360	345	15	-
Postage	45,532	21,619	1,975	21,938
Printing	73,951	31,260	2,730	39,961
Professional fees	44,514	-	44,514	-
Repairs and maintenance	46,519	42,740	3,779	-
Salaries and benefits	1,258,677	1,029,307	68,734	160,636
Signage and exhibits	1,402	1,402	-	-
Taxes:				
Payment in lieu of amusement tax	13,346	13,346	-	-
Payment in lieu of real estate tax	10,474	10,474	-	-
Payroll	88,504	72,184	3,969	12,351
Telephone	18,294	13,524	2,385	2,385
Training	1,068	1,068	-	-
Travel	125,847	102,536	20,697	2,614
Utilities	81,939	74,092	3,787	4,060
	2,660,250	2,037,039	281,114	342,097
Depreciation and amortization	268,234	238,236	16,551	13,447
 Total functional expenses	 <u>\$ 2,928,484</u>	 <u>\$ 2,275,275</u>	 <u>\$ 297,665</u>	 <u>\$ 355,544</u>
 Percentage of expenses	 <u>100%</u>	 <u>78%</u>	 <u>10%</u>	 <u>12%</u>