



# **Financial Statements and Supplemental Information**

**Manomet, Inc.**

**September 30, 2017 and 2016**



# **MANOMET, INC.**

## ***Financial Statements and Supplemental Information***

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*Independent Auditors' Report*

The Board of Trustees and the Audit Committee  
Manomet, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Manomet, Inc. ("Manomet"), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 Manomet, Inc. as of September 30, 2017 and 2016, 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.

### ***Other Matters***

#### ***Supplemental Information***

Our audits were 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* 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 audits 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 January 4, 2018, on our consideration of Manomet'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 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 Manomet's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive script.

January 4, 2018  
Providence, Rhode Island

# MANOMET, INC.

## *Statements of Financial Position*

	<i>September 30,</i>	
	<i>2017</i>	<i>2016</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,659,819	\$ 2,501,944
Accounts receivable	874,058	937,948
Pledges receivable, net	389,803	549,934
Investments	22,416,041	20,705,280
Beneficial interest in trust	-	169,923
Split interest agreements	62,695	204,284
Other assets	3,327	2,997
Property and equipment, net	1,079,703	862,435
<b>Total assets</b>	<b>\$ 27,485,446</b>	<b>\$ 25,934,745</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 626,210	\$ 424,124
Deferred revenue	289,767	296,497
<b>Total liabilities</b>	<b>915,977</b>	<b>720,621</b>
Net assets:		
Unrestricted:		
Operating funds	1,732,815	1,565,578
Gifts designated by the Board as unrestricted endowment	3,038,808	2,863,760
Plant	1,079,703	862,435
<b>Total unrestricted</b>	<b>5,851,326</b>	<b>5,291,773</b>
Temporarily restricted	4,648,914	3,923,656
Permanently restricted	16,069,229	15,998,695
<b>Total net assets</b>	<b>26,569,469</b>	<b>25,214,124</b>
<b>Total liabilities and net assets</b>	<b>\$ 27,485,446</b>	<b>\$ 25,934,745</b>

**MANOMET, INC.**

*Statements of Activities*

*Years Ended September 30,*

	<b>2017</b>			<b>2016</b>	
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
<b>Operating revenue and support:</b>					
Grants and contracts	\$ 1,465,599	\$ -	\$ -	\$ 1,465,599	\$ 1,226,332
Contributions	825,788	-	-	825,788	809,952
Program fees	20,405	-	-	20,405	32,564
Interest	21,556	-	-	21,556	12,717
Amounts appropriated under endowment spending policy and spent for current operations	924,201	-	-	924,201	965,341
Net assets released from restrictions	1,643,866	-	-	1,643,866	1,754,275
<b>Total operating revenue and support</b>	<b>4,901,415</b>	<b>-</b>	<b>-</b>	<b>4,901,415</b>	<b>4,801,181</b>
<b>Expenses:</b>					
Programs	3,599,822	-	-	3,599,822	3,427,885
Administration	1,174,176	-	-	1,174,176	1,125,136
Development	126,098	-	-	126,098	247,141
<b>Total expenses</b>	<b>4,900,096</b>	<b>-</b>	<b>-</b>	<b>4,900,096</b>	<b>4,800,162</b>
<b>Change in net assets from operations</b>	<b>1,319</b>	<b>-</b>	<b>-</b>	<b>1,319</b>	<b>1,019</b>
<b>Nonoperating revenue and gains (losses):</b>					
Amounts appropriated under endowment spending policy (spent) reserved for future periods	9,799	-	-	9,799	(41,341)
Investment return, net of spending policy	175,048	1,118,179	-	1,293,227	849,223
Gain (loss) on investments held in charitable remainder unitrusts	4,094	10,362	(5,180)	9,276	41,278
Contributions	97,000	1,484,848	97,068	1,678,916	1,871,081
Redesignation of net assets from donor	146,688	(125,334)	(21,354)	-	-
Change in allowance and discount for pledges	-	6,674	-	6,674	(504)
Net assets released from restrictions	125,605	(1,769,471)	-	(1,643,866)	(1,754,275)
<b>Total nonoperating revenue and gains (losses)</b>	<b>558,234</b>	<b>725,258</b>	<b>70,534</b>	<b>1,354,026</b>	<b>965,462</b>
<b>Change in net assets</b>	<b>559,553</b>	<b>725,258</b>	<b>70,534</b>	<b>1,355,345</b>	<b>966,481</b>
Net assets, beginning	5,291,773	3,923,656	15,998,695	25,214,124	24,247,643
<b>Net assets, ending</b>	<b>\$ 5,851,326</b>	<b>\$ 4,648,914</b>	<b>\$ 16,069,229</b>	<b>\$ 26,569,469</b>	<b>\$ 25,214,124</b>

**MANOMET, INC.**

*Statement of Activities*

*Year Ended September 30, 2016*

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>Operating revenue and support:</b>				
Grants and contracts	\$ 1,226,332	\$ -	\$ -	\$ 1,226,332
Contributions	809,952	-	-	809,952
Program fees	32,564	-	-	32,564
Interest	12,717	-	-	12,717
Amounts appropriated under endowment spending policy and spent for current operations	965,341	-	-	965,341
Net assets released from restrictions	<u>1,754,275</u>	<u>-</u>	<u>-</u>	<u>1,754,275</u>
<b>Total operating revenue and support</b>	<b>4,801,181</b>	<b>-</b>	<b>-</b>	<b>4,801,181</b>
<b>Expenses:</b>				
Programs	3,427,885	-	-	3,427,885
Administration	1,125,136	-	-	1,125,136
Development	<u>247,141</u>	<u>-</u>	<u>-</u>	<u>247,141</u>
<b>Total expenses</b>	<b>4,800,162</b>	<b>-</b>	<b>-</b>	<b>4,800,162</b>
<b>Change in net assets from operations</b>	<b>1,019</b>	<b>-</b>	<b>-</b>	<b>1,019</b>
<b>Nonoperating revenue and gains (losses):</b>				
Amounts appropriated under endowment spending policy reserved for future periods	(41,341)	-	-	(41,341)
Investment return, net of spending policy	118,615	730,608	-	849,223
Gain (loss) on investments held in charitable remainder unitrusts	1,384	35,054	4,840	41,278
Contributions	-	1,665,081	206,000	1,871,081
Change in allowance and discount for pledges	-	(504)	-	(504)
Net assets released from restrictions	<u>-</u>	<u>(1,754,275)</u>	<u>-</u>	<u>(1,754,275)</u>
<b>Total nonoperating revenue and gains (losses)</b>	<b>78,658</b>	<b>675,964</b>	<b>210,840</b>	<b>965,462</b>
<b>Change in net assets</b>	<b>79,677</b>	<b>675,964</b>	<b>210,840</b>	<b>966,481</b>
Net assets, beginning	<u>5,212,096</u>	<u>3,247,692</u>	<u>15,787,855</u>	<u>24,247,643</u>
<b>Net assets, ending</b>	<b>\$ 5,291,773</b>	<b>\$ 3,923,656</b>	<b>\$ 15,998,695</b>	<b>\$ 25,214,124</b>

# MANOMET, INC.

## *Statements of Cash Flows*

	<i>Years Ended September 30,</i>	
	<i>2017</i>	<i>2016</i>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,355,345	\$ 966,481
Adjustments to reconcile change in net assets to cash and cash equivalents provided by (used in) operating activities:		
Depreciation	78,706	71,103
Contributions restricted for long-term investment	(97,068)	(206,000)
Net realized and unrealized gains	(2,056,091)	(1,697,880)
Changes in:		
Accounts receivable	63,890	(233,206)
Pledges receivable	160,131	57,381
Beneficial interest in trust	169,923	(4,840)
Investments held in split interest agreements	141,589	(17,247)
Other assets	(330)	(2)
Accounts payable and accrued liabilities	202,086	51,289
Deferred revenue	(6,730)	54,180
<b>Net cash provided by (used in) operating activities</b>	<b>11,451</b>	<b>(958,741)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale and maturity of investments	762,863	848,657
Purchase of investments	(417,533)	(206,000)
Purchase of property and equipment	(295,974)	(118,844)
<b>Net cash provided by investing activities</b>	<b>49,356</b>	<b>523,813</b>
<b>Cash flows from financing activities:</b>		
Contributions restricted for long-term investment	97,068	206,000
<b>Net cash provided by financing activities</b>	<b>97,068</b>	<b>206,000</b>
<b>Change in cash and cash equivalents</b>	<b>157,875</b>	<b>(228,928)</b>
Cash and cash equivalents, beginning	2,501,944	2,730,872
<b>Cash and cash equivalents, ending</b>	<b>\$ 2,659,819</b>	<b>\$ 2,501,944</b>

# **MANOMET, INC.**

## ***Notes to Financial Statements***

### ***Note 1 – Organization and Nature of Operations***

Manomet, Inc. (“Manomet”) is a Massachusetts not-for-profit corporation established on September 13, 1968. Manomet’s mission is applying science and engaging people to sustain our world.

Manomet believes people can live and work today in ways that will enable our world to thrive and prosper tomorrow. As scientists, Manomet understands we must take action to sustain our world. Manomet is a leader in the path to sustainability—and we’re working with people in four critical systems to effect real change. By applying science and engaging people, Manomet provides practical ways to act—where people live and work. As Manomet approaches its sixth decade, we have achieved a great deal; yet there is still much work ahead. We are forging a pathway for our generation and those to come.

How we manage the critical systems that support life on earth will need to be transformed in the next two decades. Manomet works on four major life-supporting systems. Manomet focuses its work where it will have measurable impact and opportunity for scale:

**NATURAL SYSTEM:** As a result of human activities, the ecosystems supporting all life are stressed and species extinction rates are increasing. Manomet works on parts of the natural system that are declining dramatically—wetlands and shorebird species—and through landbird research and education creates opportunities that connect people to nature.

**FOREST SYSTEM:** As climate change advances, we rely on forests more than ever to safeguard clean air, water, biodiversity, and wood products. Manomet works on managed forest landscapes and coastal watersheds because they present a great opportunity for climate change adaptation and mitigation.

**FOOD SYSTEM:** To meet food demands by 2050, we must double production while significantly reducing environmental impacts and resource use. Manomet works on the parts of the food system that uses the most resources—grocery stores and agriculture—and on fisheries to create a more efficient food system.

**ECONOMIC SYSTEM:** For a sustainable future, we need a growing economy in balance with social and environmental needs. Manomet works on the parts of the economic system where small changes have a big impact, and therefore, present the greatest opportunity to enhance economic viability and reduce environmental footprints across all systems.

Manomet’s approach is different—we effect meaningful change by engaging the people who manage these systems.

We LISTEN—Manomet develops strong relationships with partners and stakeholders.

We UNDERSTAND—Manomet works closely with people to discover their needs.

We Are SCIENTISTS—Manomet conducts and applies science to inform change.

We Make Change POSSIBLE—Manomet provides practical solutions to complex problems.

Manomet’s revenues are derived primarily from charitable contributions, foundation and government grants, and investment returns from endowment. Federal funds are principally from the Department of the Interior.

# **MANOMET, INC.**

## ***Notes to Financial Statements***

### ***Note 2 – Summary of Significant Accounting Policies***

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

#### ***Financial Statement Preparation***

The accompanying financial statements have been prepared on the accrual basis and in accordance with the reporting principles of not-for-profit accounting. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of grantor or donor-imposed restrictions. Accordingly, net assets of Manomet and changes therein are classified and reported as follows:

#### ***Unrestricted Net Assets***

Net assets that are not subject to grantor or donor-imposed restrictions or for which restrictions have expired. Grants which are limited to the use of various Manomet programs are reflected as unrestricted revenue if these funds are received and spent during the same year and if they support the activities of Manomet. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees. Unrestricted net assets are comprised of the following:

#### ***Operating Funds***

Represents the portion of the expendable funds that are available for support of operations.

#### ***Gifts Designated by the Board as Unrestricted Endowment***

Represents gifts designated by the Board of Trustees as acting as endowment, which can be used with the approval of the Board of Trustees.

#### ***Plant***

Represents funds invested in land, buildings and equipment.

#### ***Temporarily Restricted Net Assets***

Net assets subject to explicit or implicit grantor or donor-imposed restrictions that may or will be met either by actions of Manomet and/or the passage of time. 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 statements of activities as net assets released from restrictions.

#### ***Permanently Restricted Net Assets***

Net assets subject to grantor or donor-imposed restrictions that they be maintained permanently, but may permit Manomet to use or expend part or all of the economic benefits derived from the donated assets.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include all highly liquid instruments with a maturity of three months or less at date of purchase.

# **MANOMET, INC.**

## ***Notes to Financial Statements***

### ***Note 2 – Summary of Significant Accounting Policies (Continued)***

#### ***Accounts Receivable and Bad Debts***

Included in accounts receivable at September 30, 2017 and 2016 is approximately \$430,000 and \$865,000 of unbilled amounts, respectively, which will be billed subsequent to year end. These amounts are predominantly Federal grants and contracts. Manomet uses the specific identification method for recognizing bad debts on accounts and pledges receivable. Manomet routinely assesses its accounts and pledges receivables and establishes an allowance for doubtful accounts based on historical losses, the existing economic conditions, and the financial stability of its customers and donors as well as the related government agencies. Manomet rarely has issues or problems with collection of amounts earned on grants and contracts given prior authorization of spending. There was no allowance for doubtful accounts receivable at September 30, 2017 and 2016 as Manomet believes that all receivables are collectible. Allowance for pledges receivable is approximately \$12,000 and \$11,000 for the years ended September 30, 2017 and 2016, respectively.

#### ***Investments***

Manomet records investments at their fair value. Fair value is determined as per the fair value policies described later in this section. The resulting change in unrealized gains and losses on the investments is reported in the statements of activities under the unrestricted, temporarily restricted or permanently restricted net assets as applicable.

#### ***Contributions and Pledges Receivable***

Contributions of assets, other than cash, are recorded at their estimated fair value at the date received. The initially recorded fair value is considered a Level 2 fair value approach. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-free rate of return as a starting point and then increasing that rate to account for the inherent risk associated with the expected future cash flows of these unconditional promises to give. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

#### ***Contributions (Spent) Reserved for Future Periods***

From time to time, Manomet reserves unrestricted contributions for future periods in nonoperating. When those amounts are expended, they are recorded as part of unrestricted operating contributions and noted as spent in nonoperating.

#### ***Split Interest Agreements***

##### ***Beneficial Interest in Trust***

Manomet records its beneficial interest in trust at fair value when Manomet is notified of the existence of the instrument. On an ongoing basis, Manomet reports its interest at fair value based on its underlying share of assets and estimates the fair value of the remainder. The initially recorded fair value of the donated investment is determined based on the underlying nature of the investment received which has generally represented Level 3 measurements. During the year ended September 30, 2017, the trust was liquidated.

# **MANOMET, INC.**

## ***Notes to Financial Statements***

### ***Note 2 – Summary of Significant Accounting Policies (Continued)***

#### ***Split Interest Agreements (Continued)***

##### ***Charitable Gift Annuity***

Manomet has a charitable gift annuity in which a donor contributed assets and received a promise of payments for life. The assets and obligations are initially recorded at fair value with the assets generally being at Level 1 and obligations measured at Level 2 per the fair value policy contained elsewhere in this section. The obligations are periodically updated to reflect changes in life expectancy using the same discount rate as when the gift was made and are included in accounts payable and accrued liabilities in the statements of financial position.

##### ***Charitable Remainder Unitrust***

Manomet holds an asset for a charitable remainder unitrust agreement. The assets are recorded at the present value of the anticipated residual interest in the unitrust, which is generally determined using Level 3 methods.

#### ***Property and Equipment***

Property and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Fair value of donated property is effectively recorded using a Level 3 market approach. Expenditures that significantly add to the productivity or extend the economic life of the assets are capitalized. Other expenditures for repairs and maintenance are charged to operations in the year the costs are incurred.

Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis. A summary of depreciable lives follows:

Buildings and improvements	5 - 40 years
Equipment, furniture and fixtures	3 - 10 years

#### ***Deferred Revenue***

Deferred revenue represents amounts received in advance of incurring expenses for particular exchange transaction activities involving research projects. Such amounts are recorded as revenue in the year expended by Manomet.

#### ***Operations***

The statements of activities report the change in net assets from operating and nonoperating activities. Nonoperating activities consist of: unrestricted funds earmarked for use in future periods; investment return net of endowment spending; gains and losses on investments held in charitable remainder unitrusts; unrestricted contributions designated by the Board of Trustees as acting as endowment; temporarily and permanently restricted contributions; change in allowance and discount for pledges. In addition, net assets released from restrictions for capital outlays are reported in nonoperating activities at the time the assets are put into service. All other activities are reported as operating.

#### ***Grants and Contracts***

Manomet expends resources under government and private sector contracts and grants for specific purposes that are subject to review and audit by grantors or their representatives. Such audits could result in requests for reimbursement from the grantor if Manomet expenditures are disallowed. Management does not anticipate such an event. However, management believes that such requests for reimbursement, if made, would not have a significant impact on the financial position of Manomet. Revenue from cost reimbursement contracts and grants is recognized as related costs are incurred on the projects.

# **MANOMET, INC.**

## ***Notes to Financial Statements***

### ***Note 2 – Summary of Significant Accounting Policies (Continued)***

#### ***Use of Estimates and Assumptions***

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. Actual results could differ from those estimates and assumptions. Significant management estimates included in the financial statements relate to the allowance for accounts receivable and pledges receivable, present value discount on pledges receivable, useful lives of depreciable assets, valuation of interests in and obligations under split interest agreements and validity and completeness of satisfaction of donor restrictions.

#### ***Fair Value Measurements***

Manomet reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include Manomet's investment accounts. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require Manomet to classify financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of Manomet's financial instruments, see Note 5 – Investments and Fair Values of Financial Instruments.

# **MANOMET, INC.**

## ***Notes to Financial Statements***

### ***Note 2 – Summary of Significant Accounting Policies (Continued)***

#### ***Income Tax Status***

Manomet, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from Massachusetts income tax. Accordingly, no provision for income taxes is made in the financial statements. Given the limited taxable activities of Manomet, management has concluded that disclosure relative to tax provisions is not necessary.

#### ***Uncertain Tax Positions***

Manomet accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. Manomet has identified its tax status as a tax exempt entity its only significant tax position; however, Manomet has determined that such tax position does not result in an uncertainty requiring recognition. Manomet is not currently under examination by any taxing jurisdiction. Manomet’s Federal and state tax returns are generally open for examination for three years following the date filed.

#### ***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated to fundraising based on relative effort exerted for the function.

#### ***Subsequent Events***

Manomet has evaluated subsequent events through January 4, 2018, the date the financial statements were approved and authorized to be issued.

### ***Note 3 – Pledges Receivable***

Pledges receivable are comprised of the following at September 30:

	<b>2017</b>	<b>2016</b>
Amounts due in:		
One year or less	\$ 189,450	\$ 262,994
One to five years	<u>220,073</u>	<u>313,609</u>
<b>Total due</b>	<b>409,523</b>	<b>576,603</b>
Less: Present value discount	(7,664)	(15,446)
Allowance for doubtful accounts	<u>(12,056)</u>	<u>(11,223)</u>
<b>Pledges receivable, net</b>	<b>\$ 389,803</b>	<b>\$ 549,934</b>

# MANOMET, INC.

## *Notes to Financial Statements*

### **Note 4 – Property and Equipment**

Property and equipment are comprised of the following at September 30:

	<b>2017</b>	<b>2016</b>
Land	\$ 375,113	\$ 375,113
Buildings and improvements	2,412,794	2,116,820
Equipment, furniture and fixtures	<u>561,568</u>	<u>561,568</u>
	<b>3,349,475</b>	<b>3,053,501</b>
Less accumulated depreciation	<u>(2,269,772)</u>	<u>(2,191,066)</u>
<b>Property and equipment, net</b>	<b>\$ 1,079,703</b>	<b>\$ 862,435</b>

### **Note 5 – Investments and Fair Values of Financial Instruments**

The composition of investments, all of which are considered Level 1 using the fair value hierarchy, is as follows at September 30:

	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	<u>\$ 2,012,843</u>	<u>\$ 2,769,588</u>
Equities:		
Domestic equities	10,523,754	10,479,281
International equities	<u>4,724,951</u>	<u>3,224,394</u>
Total equities	<u>15,248,705</u>	<u>13,703,675</u>
Fixed income funds:		
Intermediate funds	<u>3,221,558</u>	<u>2,216,771</u>
Other:		
Inflation-linked bond funds	<u>1,932,935</u>	<u>2,015,246</u>
<b>Investments</b>	<b>\$ 22,416,041</b>	<b>\$ 20,705,280</b>

# **MANOMET, INC.**

## ***Notes to Financial Statements***

### ***Note 5 – Investments and Fair Values of Financial Instruments (Continued)***

Investment income is comprised of the following for the years ended September 30:

	<b>2017</b>	<b>2016</b>
Interest and dividend income	\$ 161,337	\$ 116,684
Net realized and unrealized gains	<u>2,056,091</u>	<u>1,697,880</u>
Total investment return	2,217,428	1,814,564
Less amount availed per endowment spending policy	<u>(924,201)</u>	<u>(965,341)</u>
<b>Investment return, net of spending policy</b>	<b>\$ 1,293,227</b>	<b>\$ 849,223</b>

Manomet engages four professional asset management firms to oversee its portfolio. All investments are in diversified mutual funds, fixed income mutual funds, or mutual fund-style investments. All of Manomet's investments are priced daily and offer daily liquidity.

Management fees totaled approximately \$36,000 and \$51,000 for the years ended September 30, 2017 and 2016, respectively. Expenses and fees associated with mutual funds are netted against the return of such funds.

The beneficial interest in trust is considered Level 3 and the investments held in split interest agreements is considered Level 2 using the fair value hierarchy. The corresponding liability for the split interest agreements of \$24,352 and \$25,301 at September 30, 2017 and 2016, respectively, are also Level 2 and included in accrued liabilities in the statements of financial position.

### ***Note 6 – Retirement Plan***

Manomet has a qualified 403(b) defined contribution retirement plan for all eligible employees. Employee participants may elect to defer a portion of their compensation subject to Internal Revenue Service limitations. Manomet contributes between four and six percent of current year salary for eligible employees. Additional contributions to the plan are at the discretion of the Board of Trustees but may not exceed the maximum amount permitted under the Internal Revenue Code. Manomet's contributions to the plan were \$106,041 and \$86,967 for the years ended September 30, 2017 and 2016, respectively.

# MANOMET, INC.

## *Notes to Financial Statements*

### **Note 7 – Net Assets and Endowment Matters**

#### **Temporarily Restricted Net Assets**

Temporarily restricted net assets are comprised of the following at September 30:

	<i>2017</i>	<i>2016</i>
<b>Purpose restricted:</b>		
Unitrust	\$ 18,162	\$ 133,134
Programs	1,318,812	1,596,761
Accumulated unspent investment income	<u>3,311,940</u>	<u>2,193,761</u>
<b>Total</b>	<b>\$ <u>4,648,914</u></b>	<b>\$ <u>3,923,656</u></b>

#### **Permanently Restricted Net Assets**

Permanently restricted net assets are comprised of the following at September 30:

	<i>2017</i>	<i>2016</i>
<b>Research initiatives</b>		
Beneficial interest in trust	\$ 15,072,373	\$ 15,161,641
General endowment	<u>-</u>	<u>169,923</u>
<b>Total</b>	<b>\$ <u>16,069,229</u></b>	<b>\$ <u>15,998,695</u></b>

#### **Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted programs purpose.

#### **Endowment Assets and Those Functioning as Endowment Assets**

The following is the composition of endowment assets and those functioning as endowment assets by net asset class as of September 30, 2017:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 3,311,940	\$ 16,065,293	\$ 19,377,233
Board-designated endowment funds	<u>3,038,808</u>	<u>-</u>	<u>-</u>	<u>3,038,808</u>
	<b>\$ <u>3,038,808</u></b>	<b>\$ <u>3,311,940</u></b>	<b>\$ <u>16,065,293</u></b>	<b>\$ <u>22,416,041</u></b>

# MANOMET, INC.

## *Notes to Financial Statements*

### **Note 7 – Net Assets and Endowment Matters (Continued)**

#### ***Endowment Assets and Those Functioning as Endowment Assets (Continued)***

The following is the composition of endowment assets and those functioning as endowment assets by net asset class as of September 30, 2016:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 2,193,761	\$ 15,647,759	\$ 17,841,520
Board-designated endowment funds	<u>2,863,760</u>	<u>-</u>	<u>-</u>	<u>2,863,760</u>
	<b><u>\$ 2,863,760</u></b>	<b><u>\$ 2,193,761</u></b>	<b><u>\$ 15,647,759</u></b>	<b><u>\$ 20,705,280</u></b>

The following represents required disclosure relative to the composition of endowment assets and those functioning as endowment assets at September 30, 2017:

	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	<u>\$ 2,863,760</u>	<u>\$ 2,193,761</u>	<u>\$ 15,647,759</u>	<u>\$ 20,705,280</u>
Gifts and additions	<u>-</u>	<u>-</u>	<u>97,068</u>	<u>97,068</u>
Investment returns:				
Interest and dividends, net of management fees	23,165	147,971	-	171,136
Net realized and unrealized gains	<u>278,307</u>	<u>1,777,784</u>	<u>-</u>	<u>2,056,091</u>
Total investment returns	<u>301,472</u>	<u>1,925,755</u>	<u>-</u>	<u>2,227,227</u>
Expenditures:				
Amounts appropriated under endowment spending policy and spent for current operations	(125,098)	(799,103)	-	(924,201)
Amounts appropriated under endowment spending policy and reserved for future operations	<u>(1,326)</u>	<u>(8,473)</u>	<u>-</u>	<u>(9,799)</u>
Total expenditures	<u>(126,424)</u>	<u>(807,576)</u>	<u>-</u>	<u>(934,000)</u>
Net investment returns and expenditures	<u>175,048</u>	<u>1,118,179</u>	<u>-</u>	<u>1,293,227</u>
Redesignation of net assets from donor	<u>-</u>	<u>-</u>	<u>320,466</u>	<u>320,466</u>
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b><u>\$ 3,038,808</u></b>	<b><u>\$ 3,311,940</u></b>	<b><u>\$ 16,065,293</u></b>	<b><u>\$ 22,416,041</u></b>

The investment return on permanently restricted net assets that was appropriated from temporarily restricted to unrestricted net assets for operations was \$803,240 for the year ended September 30, 2017.

# MANOMET, INC.

## *Notes to Financial Statements*

### **Note 7 – Net Assets and Endowment Matters (Continued)**

#### ***Endowment Assets and Those Functioning as Endowment Assets (Continued)***

The following represents required disclosure relative to the composition of endowment assets and those functioning as endowment assets at September 30, 2016:

	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ 2,745,145	\$ 1,463,153	\$ 15,441,759	\$ 19,650,057
Gifts and additions	-	-	206,000	206,000
Investment returns:				
Interest and dividends, net of management fees	10,548	64,795	-	75,343
Net realized and unrealized gains	237,703	1,460,177	-	1,697,880
Total investment returns	<u>248,251</u>	<u>1,524,972</u>	<u>-</u>	<u>1,773,223</u>
Expenditures:				
Amounts appropriated under endowment spending policy and spent for current operations	(135,148)	(830,193)	-	(965,341)
Amounts appropriated under endowment spending policy previously reserved and spent	5,512	35,829	-	41,341
Total expenditures	<u>(129,636)</u>	<u>(794,364)</u>	<u>-</u>	<u>(924,000)</u>
Net investment returns and expenditures	118,615	730,608	-	849,223
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ 2,863,760</b>	<b>\$ 2,193,761</b>	<b>\$ 15,647,759</b>	<b>\$ 20,705,280</b>

The investment return on permanently restricted net assets that was appropriated from temporarily restricted to unrestricted net assets for operations was \$794,364 for the year ended September 30, 2016.

#### ***Endowment***

Manomet's endowment consists of 29 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Bequests over \$50,000 are added to Board-designated endowment funds. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# **MANOMET, INC.**

## ***Notes to Financial Statements***

### ***Note 7 – Net Assets and Endowment Matters (Continued)***

#### ***Interpretation of Relevant Law and Spending Policy***

Manomet follows the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as adopted in Massachusetts. Accordingly, Manomet classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original gift 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 Manomet in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Manomet considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Manomet 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 the appreciation of investments
- (6) Other resources of Manomet
- (7) The investment policies of Manomet

The Board of Trustees has established a maximum spending rate of four and one half percent of the unrestricted, temporarily and permanently restricted endowment funds. The computation for spending is generally based on a twelve-quarter trailing market value unless donors provide for earlier inclusion of their gift in the spending computation. This policy is designed to preserve the principal of the endowment fund, allow for capital appreciation to meet or exceed inflation and to generate reasonable operating income.

In addition, the Board of Trustees may approve additional spending from unrestricted endowment funds to be used for certain program capacity building initiatives. No amounts were expended for the years ended September 30, 2017 and 2016.

For the fiscal year ending 2017, the Board of Trustees has designated only a portion of the Manomet’s Board-designated endowment funds for support of current operations. The distributions from the individual Board-designated endowment funds and the individual donor-restricted endowment funds are estimated to total approximately \$936,000 for the year ending September 30, 2018. However, the Board retains the discretion to modify its spending or transfer additional Board-designated endowment funds for other purposes beyond the originally budgeted amount of spending.

#### ***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Manomet to retain as a fund of perpetual duration. In accordance with accounting standards, deficiencies of this nature are reported in unrestricted net assets. There were no funds with deficiencies at September 30, 2017 and 2016.

# **MANOMET, INC.**

## ***Notes to Financial Statements***

### ***Note 7 – Net Assets and Endowment Matters (Continued)***

#### ***Return Objectives and Risk Parameters***

Manomet's investment portfolio is managed to provide for the long-term support of Manomet. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed-upon levels of risk. It is the goal of the aggregate long-term investments to generate a long-term target rate of return of at least 7.5%.

#### ***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, Manomet 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). Manomet targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, Manomet seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

### ***Note 8 – Concentration of Credit Risk***

Manomet maintains its cash and cash equivalents accounts at various financial institutions which may, at times, exceed federally insured limits. Manomet has not experienced any losses in such accounts. Financial instruments, which potentially subject Manomet to concentration of credit risk, consist principally of accounts receivable. Credit risk with receivables is concentrated among Federal agencies.

### ***Note 9 – Commitments***

Manomet leases office space and equipment under several lease agreements, which expire at dates through July 2021. Minimum future rental payments under the non-cancelable operating leases for each of the remaining years and in the aggregate are:

***Year Ending September 30,***

2018	\$ 48,934
2019	43,277
2020	43,418
2021	<u>34,010</u>
<b>Total minimum lease payments</b>	<b>\$ <u>169,639</u></b>

Rent expense was \$43,917 and \$40,427 for the years ended September 30, 2017 and 2016, respectively.

## **MANOMET, INC.**

### ***Notes to Financial Statements***

#### ***Note 10 – Volunteer Services***

Many individuals volunteer their time and perform a variety of tasks that assist in Manomet's mission, but these services do not meet the criteria for recognition as contributed services. Manomet receives more than 1,500 volunteer hours per year.

*Supplemental Information*

**MANOMET, INC.**

*Schedule of Expenditures of Federal Awards*

*Year Ended September 30, 2017*

<i>Federal Grantor/Pass-through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Federal Expenditures</i>
<b>Research and Development Cluster:</b>				
<b>Department of Interior</b>				
Fish and Wildlife Service Direct Programs				
Atlantic Flyway Shorebird Initiative	15.655		\$ -	\$ 40,193
Atlantic Flyway Shorebird Initiative	15.635		-	1,337
International Shorebird Survey	15.655		-	7,697
Monitoring Shorebirds in the Yukon Delta National Wildlife Refuge	15.655		-	23,329
Total Fish and Wildlife Service Direct Programs				<u><u>72,556</u></u>
Passed through from National Fish and Wildlife Foundation				
American Oystercatcher Recovery V	15.663	0101.12.030642	5,393	28,590
American Oystercatcher Recovery VI	15.663	0101.15.050024	46,091	94,420
American Oystercatcher Recovery VII	15.663	0101.17.055380	-	1,297
Atlantic Flyway Shorebird Initiative	15.663	0101.15.046725	47,567	196,679
Monitoring Shorebirds in the Yukon Delta National Wildlife Refuge	15.663	0801.14.045773	-	1,538
Passed through from Pronatura				
Conservation of Buff-breasted Sandpiper in South America	15.635	PNO-050927RUA	-	<u><u>1,133</u></u>
Total Fish and Wildlife Service Pass-through Programs			<u><u>99,051</u></u>	<u><u>323,657</u></u>
<b>Total Department of Interior</b>			<u><u>99,051</u></u>	<u><u>396,213</u></u>
<b>Environmental Protection Agency Direct Programs</b>				
Regional Planning and Training on Municipal Tools for a Resilient Taunton Watershed	66.RD		-	18,705
Small Business Sustainability Region 1	66.951		3,966	69,526
Supermarket Sustainability Training & Assessments Region 2	66.717		-	46,404
Supermarket Sustainability Training & Assessments Region 4	66.717		-	15,924
Supermarket Sustainability Training & Assessments Region 6	66.717		-	37,244
Supermarket Sustainability Training & Assessments Region 8	66.717		-	21,827
Supermarket Sustainability Training & Assessments Region 8	66.717		-	16,777
Supermarket Sustainability Training & Assessments Region 9	66.717		-	72,607
<b>Total Environmental Protection Agency Direct Programs</b>			<u><u>3,966</u></u>	<u><u>299,014</u></u>
<b>Department of Commerce Direct Programs</b>				
NOAA Department of Commerce Direct Programs				
Municipal Outreach for Restoring and Growing the Softshell Clam Industry in Maine				
Through Aquaculture	11.427		8,400	132,206
<b>Total Department of Commerce Direct Programs</b>			<u><u>8,400</u></u>	<u><u>132,206</u></u>
<b>Department of Agriculture Direct Programs</b>				
Forest Service Direct Programs				
Wings Across the Americas	10.RD		-	59,855
Wings Across the Americas	10.RD		-	26,608
Wings Across the Americas	10.RD		-	4,647
<b>Total Department of Agriculture Direct Programs</b>			<u><u>-</u></u>	<u><u>91,110</u></u>
<b>National Science Foundation Direct Programs</b>				
Climate Lab: An Innovative Partnership Between Climate Research and Middle-schools	47.076		-	60,547
<b>Total National Science Foundation Direct Programs</b>			<u><u>-</u></u>	<u><u>60,547</u></u>
<b>Total Expenditures of Federal Awards and Research and Development Cluster</b>			<u><u>\$ 111,417</u></u>	<u><u>\$ 979,090</u></u>

# **MANOMET, INC.**

## ***Notes to Schedule of Expenditures of Federal Awards***

***Year Ended September 30, 2017***

### ***Note 1 – Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Manomet, Inc. under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Manomet, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Manomet, Inc.

### ***Note 2 – Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Manomet has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

***Reporting Under Government Auditing Standards***



**Mayer Hoffman McCann P.C.**  
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*Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards*

The Board of Trustees and the Audit Committee  
Manomet, Inc.

We have audited, in accordance with the 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 Comptroller General of the United States, the financial statements of Manomet, Inc. ("Manomet"), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 4, 2018.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Manomet's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manomet's internal control. Accordingly, we do not express an opinion on the effectiveness of Manomet's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Manomet's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Maye Hoffman McCann P.c.*

January 4, 2018  
Providence, Rhode Island

*Reporting Under the Uniform Guidance*



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*Independent Auditors' Report on Compliance For Each Major Federal Program  
and Report on Internal Control Over Compliance Required by the Uniform Guidance*

The Board of Trustees and the Audit Committee  
Manomet, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Manomet, Inc.'s ("Manomet") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Manomet's major federal program for the year ended September 30, 2017. Manomet's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for Manomet's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Manomet's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Manomet's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Manomet complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.



## Report on Internal Control Over Compliance

Management of Manomet is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Manomet's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Manomet's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive script.

January 4, 2018  
Providence, Rhode Island

# **MANOMET, INC.**

## ***Schedule of Findings and Questioned Costs***

***Year Ended September 30, 2017***

### ***Section 1***

### ***Summary of Auditors' Results***

#### **Financial Statements**

- |  |                     |
|--|---------------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:        | Unmodified          |
| 2. Internal control over financial reporting:<br>a. Material weaknesses identified?<br>b. Significant deficiencies identified? | No<br>None Reported |
| 3. Noncompliance material to financial statements noted?   | No                  |

#### **Federal Awards**

- |   |                     |
|---|---------------------|
| 1. Internal control over major federal programs:<br>a. Material weaknesses identified?<br>b. Significant deficiencies identified? | No<br>None Reported |
| 2. Type of auditors' report issued on compliance for major federal programs:  | Unmodified          |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                             | No                  |
| 4. Identification of major federal programs:  |                     |

#### **CFDA Number**

#### **Name of Federal Program or Cluster**

Cluster Program\*

Research and Development Cluster

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee?                                 | Yes       |

\* See Schedule of Expenditures of Federal Awards for a complete listing of the Research and Development Cluster programs and their related CFDA numbers.

**MANOMET, INC.**

***Schedule of Findings and Questioned Costs***

***Year Ended September 30, 2017***

***Section 2***

**Financial Statement Findings**

None noted.

***Section 3***

**Federal Award Findings and Questioned Costs**

None noted.