Gunnip&company LLP

Certified Public Accountants and Consultants

STROUD WATER RESEARCH CENTER, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Stroud Water Research Center, Inc.

We have audited the accompanying financial statements of Stroud Water Research Center, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stroud Water Research Center, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Stroud Water Research Center, Inc.'s 2013 financial statements, and our report dated September 20, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gunnip & Company LLP

September 4, 2015

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	$ 728,137	$ 185,668
Accounts receivable	486,371	286,783
Grants receivable	880,439	637,436
Pledges receivable	456,000	783,984
Prepaid expenses	64,123	14,654
	2,615,070	1,908,525
PROPERTY AND EQUIPMENT		
Land	2,357,839	2,357,839
Buildings and improvements	12,157,075	12,150,497
Equipment	2,606,151	2,431,072
Vehicles	204,424	204,424
	17,325,489	17,143,832
Less accumulated depreciation	4,782,700	4,270,262
	12,542,789	12,873,570
PLEDGES RECEIVABLE	346,682	648,980
LOAN ACQUISITION COSTS, LESS ACCUMULATED AMORTIZATION OF $ 5,428 IN 2014 ($ 3,974 IN 2013)	53,242	54,696
INVESTMENTS	21,518,595	19,469,586
BENEFICIAL INTEREST IN PERPETUAL TRUST	9,772,502	9,720,618
Total assets	$ 46,848,880	$ 44,675,975

See accompanying notes to financial statements.

	2014	2013
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of bonds payable	$ 238,459	$ 234,318
Accounts payable and accrued expenses	659,482	523,878
Taxes payable - payroll	5,971	5,448
	903,912	763,644
BOND PAYABLE	6,027,222	6,265,682
PENSION BENEFIT OBLIGATION	1,487,397	727,363
Total liabilities	8,418,531	7,756,689
NET ASSETS		
Unrestricted		
Board designated	17,224,876	16,308,158
Undesignated	4,772,675	6,083,381
	21,997,551	22,391,539
Temporarily restricted	3,671,689	1,818,522
Permanently restricted	12,761,109	12,709,225
Total net assets	38,430,349	36,919,286
Total liabilities and net assets	$ 46,848,880	$ 44,675,975

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES **STROUD WATER RESEARCH CENTER, INC.**

FOR THE YEAR ENDED DECEMBER 31, 2014 WITH COMPARATIVE TOTALS FOR 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
OPERATING REVENUE					
Research programs	$ 1,811,928	$ 1,239,540	$ 0	$ 3,051,468	$ 2,306,473
Education/public programs	243,004	64,504	0	307,508	200,754
Watershed restoration programs	430,253	362,462	0	792,715	373,610
Annual fund	452,809	0	0	452,809	425,977
Contributions	899,242	1,596,963	0	2,496,205	992,152
Contribution from beneficial interest in perpetual trust	372,405	0	0	372,405	331,547
Other income	30,694	33,531	0	64,225	90,669
Special event	264,199	0	0	264,199	258,035
	4,504,534	3,297,000	0	7,801,534	4,979,217
Net assets released from restriction	1,443,833	(1,443,833)	0	0	0
Total operating revenue	5,948,367	1,853,167	0	7,801,534	4,979,217
OPERATING EXPENSES					
Program services					
Research	3,068,875	0	0	3,068,875	2,680,416
Education	310,078	0	0	310,078	257,029
Watershed restoration	625,312	0	0	625,312	321,874
Total program services	4,004,265	0	0	4,004,265	3,259,319
Supporting services					
Outreach	256,911	0	0	256,911	262,635
Finance and administrative	629,783	0	0	629,783	611,386
Information services	362,160	0	0	362,160	342,704
Facilities	873,605	0	0	873,605	857,929
Communications and marketing	147,832	0	0	147,832	67,226
Special event	39,710	0	0	39,710	36,442
Other expenses	0	0	0	0	57,084
Total supporting services	2,310,001	0	0	2,310,001	2,235,406
Total operating expenses	6,314,266	0	0	6,314,266	5,494,725
NET INCOME (LOSS) FROM OPERATIONS	(365,899)	1,853,167	0	1,487,268	(515,508)

See accompanying notes to financial statements.

FOR THE YEAR ENDED DECEMBER 31, 2014 WITH COMPARATIVE TOTALS FOR 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
OTHER CHANGES					
Pension-related changes other than net periodic pension cost	(955,401)	0	0	(955,401)	1,017,886
Investment income	1,175,910	0	0	1,175,910	829,962
Net realized and unrealized gains (losses) on:					
Beneficial interest in perpetual trust	0	0	51,884	51,884	1,162,907
Investments	(248,598)	0	0	(248,598)	1,688,805
Total other changes	(28,089)	0	51,884	23,795	4,699,560
CHANGE IN NET ASSETS	(393,988)	1,853,167	51,884	1,511,063	4,184,052
NET ASSETS, BEGINNING OF YEAR	22,391,539	1,818,522	12,709,225	36,919,286	32,735,234
NET ASSETS, END OF YEAR	$ 21,997,551	$ 3,671,689	$ 12,761,109	$ 38,430,349	$ 36,919,286

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS **STROUD WATER RESEARCH CENTER, INC.**

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
OPERATING ACTIVITIES		
Change in net assets	$ 1,511,063	$ 4,184,052
Adjustments to reconcile change in net assets to net cash flow used by operating activities		
Depreciation and amortization	513,892	513,228
Net realized and unrealized gains	196,714	(2,851,712)
Contributed investments	(1,039,324)	(1,099,423)
(Increase) decrease in -		
Accounts receivable	(199,588)	(96,182)
Grants receivable	(243,003)	127,310
Pledges receivable	(447,128)	(294,770)
Prepaid expenses	(49,469)	7,766
Increase (decrease) in -		
Accounts payable and accrued expenses	135,604	109,180
Pension benefit obligation	760,034	(1,090,915)
Taxes payable - payroll	523	834
Net cash flow from (used by) operating activities	1,139,318	(490,632)
INVESTING ACTIVITIES		
Purchase of property and equipment	(181,657)	(343,524)
Purchase of investment securities	(9,178,930)	(5,975,662)
Proceeds on sale of investment securities	7,920,647	4,978,136
Net cash flow used by investing activities	(1,439,940)	(1,341,050)
FINANCING ACTIVITIES		
Pledge payments received	1,077,410	1,277,624
Repayment of bond payable	(234,319)	0
Net cash flow from financing activities	843,091	1,277,624
NET CHANGE IN CASH	542,469	(554,058)
CASH, BEGINNING OF YEAR	185,668	739,726
CASH, END OF YEAR	$ 728,137	$ 185,668
CASH PAID FOR INTEREST	$ 271,558	$ 275,573
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Contributed investments	$ 1,039,324	$ 1,099,423

See accompanying notes to financial statements.

Note 1 Summary of Corporation activities and significant accounting policies

Corporation activities

Stroud Water Research Center, Inc. ("the Corporation") operates as a nonprofit corporation established under Delaware law. The Corporation's purpose is to advance knowledge of stream and river ecosystems through interdisciplinary research; to develop and communicate new ecological ideas; to provide solutions for water resource problems worldwide; and to promote public understanding of freshwater ecology through education programs, watershed restoration, conservation leadership, and professional service.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Comparative information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Basis of presentation

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958 – Not-for-Profit Entities, the Corporation reports 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.

Contributions and revenue recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises to give are not recognized until the condition is met. Contributions of assets other than cash are recorded at their estimated fair values. Contributions (pledges) to be received after one year are discounted at appropriate rates commensurate with the risks involved.

Note 1 Summary of significant accounting policies (cont'd)

Contributions with restrictions met in the same year

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions

Net asset classifications

FASB ASC 958-10 – Not-for-Profit Entities-Disclosure, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The accounting standard also requires disclosures about an organization's endowment funds, both donor restricted endowment funds and board designated endowment funds, whether or not the organization is subject to UPMIFA.

The State of Delaware complies with UPMIFA. The Corporation has determined that a portion of its net assets meet the definition of endowment under UPMIFA.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets - resources contributed by donors under the stipulation that the principal of the gift be retained intact in perpetuity and that investment earnings on those gifts, both yields and gains and losses, be used to support operations. The donor may further stipulate that the earnings be applied to a specific operating purpose.

Temporarily restricted net assets - resources contributed by donors subject to use for a stipulated purpose or in a stipulated future time period.

Unrestricted net assets - resources available to support any operating need of the Corporation.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Release of restriction on net assets for acquisition of property and equipment

Contributions of land, buildings and equipment with donor stipulations concerning the use of such long lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released at the time of acquisition of such long lived assets.

Note 1 Summary of significant accounting policies (cont'd)

Endowment investment and spending policies

The Corporation's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, 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.

The Board of Directors of the Corporation has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") 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 Corporation 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, (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, and (d) changes in the fair value of the beneficial interest in perpetual trust. 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 Corporation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 the Corporation, and (7) the Corporation's investment policies.

The Corporation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The Corporation's objective is for its spending and investment policies to work together to achieve this objective. The investment guidelines are based upon an investment horizon of greater than ten years. In establishing the risk tolerances for this strategy, the Corporation's ability to withstand short- and intermediate-term variability were considered. The current long-term return objective is to return an average of 8%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Corporation 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 Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Note 1 Summary of significant accounting policies (cont'd)

Endowment investment and spending policies (cont'd)

The spending policy calculates the amount of money annually distributed from the Corporation's various endowed funds to fund Corporation operations and capital acquisitions. The current spending policy is to distribute an amount equal to 5% of a thirteen quarter weighted average of the value of endowment assets. In addition to this distribution, the Corporation's finance committee has the authority to distribute additional funds as they are deemed necessary. Distributions from the endowment were $ 2,078,444 in 2014 ($ 1,567,497 in 2013), which included $ 1,053,972 in funds authorized by the finance committee.

Investments

Investments are comprised of common stock, mutual funds, alternative investment and cash management funds. Investments are stated at fair market value.

Property and equipment

Property and equipment are stated at cost. Cost is the purchase price at date of acquisition, if purchased, or the fair value at date of donation, if acquired by gift.

Depreciation is computed over the estimated useful lives of property and equipment using the straight-line method. The annual depreciation rates are based on the following ranges of useful lives:

Buildings	20-50 years
Building improvements	5-20 years
Equipment	3-10 years
Vehicles	5 years

Renewals and improvements are capitalized. Normal maintenance and repairs are expensed as incurred and major renewals and improvements are capitalized.

Depreciation expense was $ 512,438 in 2014 ($ 511,841 in 2013).

Amortization of loan acquisition costs

Loan acquisition costs on the tax-exempt bond financing which settled on December 23, 2010, are being amortized over twenty-five years, which is the original final maturity. Total initial costs incurred were $ 58,670. The Corporation has determined use of the interest method based on the terms of the bond. Amortization expense was $ 1,454 in 2014 ($ 1,387 in 2013). Expected amortization for each of the next five years is as follows:

2015	$ 1,524
2016	$ 1,597
2017	$ 1,674
2018	$ 1,754
2019	$ 1,838

Note 1 Summary of significant accounting policies (cont'd)

Beneficial interest in perpetual trust

Under the terms of the perpetual trust held and administered by a third party, the Corporation is the beneficiary of income earned on those trust's assets in perpetuity. The Corporation recognized the fair value of the trust's assets as permanently restricted contribution revenue and an asset (beneficial interest in perpetual trust) when it was notified of the trust's existence.

Changes in the fair value of the trust's assets are recognized as permanently restricted unrealized gains or losses in the period the change occurs. The change in value recognized was an unrealized gain of $ 51,884 in 2014 (unrealized gain of $ 1,162,907 in 2013).

The Corporation records income, in the period it is received from the trust, as an unrestricted contribution. Contributions received from the trust were $ 372,405 in 2014 ($ 331,547 in 2013).

Income taxes

The Corporation is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code but can be subject to tax on unrelated trade or business income.

The Corporation complies with FASB ASC 740 – Accounting for Uncertainty in Income Taxes. For the years ended December 31, 2014 and 2013, the Corporation has determined it did not have a material tax liability for uncertain tax positions.

The Corporation's policy for penalties and interest assessed by income taxing authorities is to include them in other expenses. For the years ended December 31, 2014 and 2013, the Corporation did not incur any interest and penalties from taxing authorities.

The federal income tax returns of the Corporation for 2011, 2012 and 2013 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Advertising costs

Advertising costs are charged to operations when incurred. Total advertising costs were $ 0 in 2014 ($ 1,693 in 2013).

Subsequent events

The date to which events occurring after December 31, 2014, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is September 4, 2015, which is the date on which the financial statements were available to be issued.

Note 2 Financial instruments

Concentrations of credit risk

Financial instruments which potentially subject the Corporation to significant concentrations of credit risk are principally cash, receivables and investments.

Cash is maintained in bank deposit accounts with financial institutions that at times exceeds federally insured limits. The Corporation has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.

Receivables, which represent unsecured support and revenue, are periodically reviewed by management for collectability. An allowance for doubtful accounts is established if required.

Investments are unsecured and are managed by professional advisors subject to the Corporation's investment policy. The degree and concentration of credit risk vary by type of investment.

Fair value measurement of financial instruments

The Corporation complies with FASB ASC 820 – Fair Value Measurements and Disclosures. FASB ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The definitions, framework and disclosures required by FASB ASC 820 apply to other accounting pronouncements that require or permit fair value measurement. FASB ASC 820 does not require any new fair value measurements of reported balances.

FASB ASC 820 establishes a three-level hierarchy that prioritizes the factors (inputs) used to calculate the fair value of assets and liabilities:

Level 1 - inputs are unadjusted quoted prices, such as a New York Stock Exchange closing price in active markets for identical assets. Level 1 is the highest priority in the hierarchy.

Level 2 - inputs may include quoted prices for similar assets and liabilities in active markets, as well as other significant inputs that are observable at commonly quoted intervals, such as interest rates, foreign exchange rates, and yield curves.

Level 3 - inputs are unobservable. Typically, assumptions determine the inputs since there is little, if any, related market activity. Level 3 is the lowest priority in the hierarchy.

Note 2 Financial instruments (cont'd)

Fair value measurement of financial instruments (cont'd)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments - the carrying amount approximates the fair value of investments. The fair value of Level 1 securities is determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of Level 2 securities is determined by using a market approach and reflects the fair value of an investment's underlying securities divided by the number of shares that are outstanding within the fund.

Beneficial interest in perpetual trust - the carrying amount approximates the fair value which is determined by reference to quoted market prices and other relevant information generated by market transactions.

Fair values of assets measured on a recurring basis at December 31, 2014 are as follows:

	Fair Value Measurement at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash management fund	$ 310,244	$ 310,244	$ 0
Mutual funds			
Domestic blended equities	1,782,001	1,782,001	
Domestic large cap equities	2,800,175	2,800,175	
Domestic small cap equities	2,512,417	2,512,417	
Fixed income	4,664,689	4,664,689	
International equities			
Developed	1,686,049	1,686,049	
Emerging markets	1,055,241	1,055,241	
Alternative investment	55,538		55,538
Investment in limited partnership	6,652,241		6,652,241
Total investments	$ 21,518,595	$ 14,810,816	$ 6,707,779
Beneficial interest in perpetual trust	$ 9,772,502	$ 0	$ 9,772,502

Note 2 Financial instruments (cont'd)

Fair value measurement of financial instruments (cont'd)

Fair values of assets measured on a recurring basis at December 31, 2013 are as follows:

	Fair Value Measurement at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash management fund	$ 421,981	$ 421,981	$ 0
Mutual funds			
Domestic blended equities	1,323,399	1,323,399	
Domestic large cap equities	2,309,437	2,309,437	
Domestic small cap equities	2,063,592	2,063,592	
Fixed income	3,866,630	3,866,630	
International equities			
Developed	1,515,911	1,515,911	
Emerging markets	910,460	910,460	
Alternative investment	88,904		88,904
Investment in limited partnership	6,969,272		6,969,272
Total investments	$ 19,469,586	$ 12,411,410	$ 7,058,176
Beneficial interest in perpetual trust	$ 9,720,618	$ 0	$ 9,720,618

Note 3 Pledges receivable

Pledges receivable consisted of the following at December 31:

	2014	2013
Receivable in less than one year	$ 456,000	$ 783,984
Receivable in one to five years	390,084	719,510
Receivable in greater than five years	0	0
Total pledges	846,084	1,503,494
Less discounts to net present value	43,402	70,530
Less allowance for uncollectible pledges receivable	0	0
	$ 802,682	$ 1,432,964

Note 4 Investments

Investments are stated at fair value and are summarized as follows at December 31:

	2014		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash management fund	$ 310,244	$ 310,244	$ 0
Mutual funds	12,313,906	14,500,572	2,186,666
Alternative investment	106,677	55,538	(51,139)
Investment in limited partnership	5,245,811	6,652,241	1,406,430
Total investments	$ 17,976,638	$ 21,518,595	$ 3,541,957

	2013		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash management fund	$ 421,981	$ 421,981	$ 0
Mutual funds	9,543,507	11,989,429	2,445,922
Alternative investment	143,894	88,904	(54,990)
Investment in limited partnership	4,946,638	6,969,272	2,022,634
Total investments	$ 15,056,020	$ 19,469,586	$ 4,413,566

Investment income consisted of the following for the years ended December 31:

	2014	2013
Interest and dividends	$ 359,473	$ 267,316
Partnership income	864,214	602,482
Fees and other expenses	(47,777)	(39,836)
	$ 1,175,910	$ 829,962

Note 5 Bond payable

In 2008, the Corporation entered into an agreement to construct a new building to accommodate the needs of their education, communications, development and business departments which was completed in 2012. A portion of the funding for the project was obtained from tax-exempt bond financing in the amount of $ 6,500,000 which was approved by the Central and Western Chester County Industrial Development Authority and was advanced by Brown Brothers Harriman & Co ("BBH").

The outstanding balance on the bond payable was $ 6,265,681 as of December 31, 2014 ($ 6,500,000 as of December 31, 2013). The first $ 3,250,000 of the bond issue bears interest at 4.70% until December 23, 2035. The second $ 3,250,000 of the bond issue bears interest at 3.65% until December 23, 2035. Payments of interest only at these rates were payable monthly until March 2014, at which point interest and principal payments are due in accordance with the schedule outlined in the bond issue through December 2035.

Following are maturities of the bond payable for each of the next five years, thereafter and in the aggregate:

2015	$ 238,459
2016	242,799
2017	247,347
2018	252,112
2019	257,106
Thereafter	5,027,858
	$ 6,265,681

Covenants

The Corporation must maintain the following financial covenants for the bond payable to its bank as follows:

The Corporation's unrestricted investments shall not be less than $ 8,000,000.

The Corporation shall not incur an operating deficit for any fiscal year, as defined in the bond agreement, in an amount greater than $ 200,000.

The Corporation met the covenants described above as of December 31, 2014 and 2013.

Note 6 Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at December 31:

	2014	2013
Research programs	$ 929,426	$ 176,271
Education/public programs	71,737	36,991
Watershed Restoration	128,195	21,471
Other programs	22,774	22,774
Assistant director's fund	782,871	915,660
New building	1,736,686	645,355
	$ 3,671,689	$ 1,818,522

Note 7 Permanently restricted net assets

Permanently restricted net assets are restricted to investment in perpetuity, the investment income and gains and losses, however, are expendable for the mission of the Corporation. Permanently restricted net assets consisted of the following at December 31:

	2014	2013
Investments	$ 2,988,607	$ 2,988,607
Beneficial interest in perpetual trust	9,772,502	9,720,618
	$ 12,761,109	$ 12,709,225

Note 8 Net assets released from restriction

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes or by occurrence of other events specified by donors are as follows for the years ended December 31:

	2014	2013
Research programs	$ 486,385	$ 2,159,619
Education/public programs	29,758	210,177
Watershed Restoration	255,738	352,139
Other programs	33,531	58,467
Assistant director's fund	132,789	123,390
New building	505,632	432,758
	$ 1,443,833	$ 3,336,550

Note 9 Major contributors

Of the $ 2,868,610 in contributions received in 2014, approximately 53%, or $ 1,523,002, of these contributions were received from four contributors (approximately 26%, or $ 340,846 of $ 1,323,699 was received from three contributor in 2013). Pledges receivable from major contributors was $ 650,084 and $ 1,055,623 as of December 31, 2014 and 2013, respectively.

Note 10 Major grantors

Of the $ 3,358,976 in program grants and contracts received in 2014, approximately 89%, or $ 2,985,243, of these program grants and contracts were received from four grantors (approximately 70%, or $ 1,765,522 of $ 2,507,227 were received from three grantors in 2013). Grants receivable from major grantors was $ 695,443 and $ 471,899 as of December 31, 2014 and 2013, respectively.

Note 11 Pension plan

The Corporation complies with FASB ASC 715 - Compensation-Retirement Benefits, for recognition and disclosure of its pension plan activity.

The Corporation has a defined benefit pension plan which covers all full-time employees with a minimum of one year of service. Annual pension benefits beginning at normal retirement age are equal to 1.25% of final average compensation for each year of service.

The following tables set forth further information about the Corporation's defined benefit pension plan for the years ended December 31:

Pension plan obligations and funded status:

	2014	2013
Projected benefit obligation	$ 7,397,976	$ 6,196,023
Fair value of plan assets	5,910,579	5,468,660
Funded status	$ (1,487,397)	$ (727,363)
Accumulated benefit obligation	$ 6,758,065	$ 5,913,622
Employer contributions	$ 330,000	$ 310,000
Participant contributions	$ 0	$ 0
Benefits paid	$ (144,699)	$ (136,132)

Note 11 Pension plan (cont'd)

Amounts recognized in the statement of financial position:

	2014	2013
Pension benefit obligation	$ 1,487,397	$ 727,363

Amounts recognized in the statement of activities:

	2014	2013
Components of net periodic benefit cost		
Service cost	$ 228,652	$ 261,185
Interest cost	290,874	256,434
Amortization of net loss	0	48,064
Expected return on plan assets	(384,893)	(328,712)
Net periodic benefit cost	134,633	236,971
Changes in plan assets and benefit obligations recognized in other changes in unrestricted net assets		
Net loss (gain)	955,401	(969,822)
Amortization of net loss	0	(48,064)
Total recognized in net periodic benefit costs and other changes in unrestricted net assets	$ 1,090,034	$ (780,915)

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from other changes in unrestricted net assets into the net periodic benefit over the next year are $ 41,729 and $ 0, respectively.

The following assumptions were used in accounting for the pension plan:

Weighted average assumptions used to determine the pension benefit obligation at December 31:

	2014	2013
Discount rate	4.00%	4.75%
Rate of compensation increase	2.00%	2.00%

Weighted average assumptions used to determine the net periodic benefit cost during the year ended December 31:

	2014	2013
Discount rate	4.75%	4.00%
Rate of compensation increase	2.00%	2.00%
Expected return on plan assets	7.00%	7.00%

Note 11 Pension plan (cont'd)

The expected rate of return on pension plan assets is determined by those assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

The percentage of the fair value of total pension plan assets held as of December 31, 2014 by asset category is as follows:

Cash and alternatives	1.7%
Equities	73.3%
Fixed income securities	25.0%
Other	0.0%
	100.0%

The Corporation expects to contribute approximately $ 330,000 to the pension plan in the year ended December 31, 2015. No plan assets are expected to be returned to the Corporation during the year ended December 31, 2014. Future benefit payments, which reflect expected service as appropriate, are expected to be paid as follows:

2015	$ 177,931
2016	$ 309,824
2017	$ 305,845
2018	$ 333,828
2019	$ 412,491
2020 – 2024	$ 2,081,789

Note 12 Commitments - copier leases

The Corporation leases copiers under various operating leases. Future minimum rental payments under these operating leases by year and in the aggregate for each of the next five years ending December 31 are as follows:

2015	$ 10,997
2016	10,997
2017	10,559
2018	2,092
2019	0
	$ 34,645

Rent expense was $ 11,700 in 2014 ($ 11,976 in 2013).

Note 13 Endowment assets

Endowment net asset composition by type of fund as of December 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds				
Donor-restricted	$ 0	$ 2,519,557	$ 12,761,109	$ 15,280,666
Board-designated	16,813,113	0	0	16,813,113
	$ 16,813,113	$ 2,519,557	$ 12,761,109	$ 32,093,779

Changes in endowment net assets for the year ended December 31, 2014 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 01, 2014	$ 16,352,928	$ 1,561,015	$ 12,709,225	$ 30,623,168
Investment return:				
Investment income, net of fees	1,175,910	0	0	1,175,910
Net realized/unrealized gains	(248,598)	0	51,884	(196,714)
Total investment return	927,312	0	51,884	979,196
Contributions transferred into endowment	963,855	1,596,963	0	2,560,818
Appropriation of assets for expenditure	(2,069,403)	(638,421)	0	(2,707,824)
Other changes:				
Transfers to board-designated endowment	638,421	0	0	638,421
Endowment net assets, December 31, 2014	$ 16,813,113	$ 2,519,557	$ 12,761,109	$ 32,093,779

Note 13 Endowment assets (cont'd)

Endowment net asset composition by type of fund as of December 31, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds				
Donor-restricted	$ 0	$ 1,561,015	$ 12,709,225	$ 14,270,240
Board-designated	16,352,928	0	0	16,352,928
	$ 16,352,928	$ 1,561,015	$ 12,709,225	$ 30,623,168

Changes in endowment net assets for the year ended December 31, 2013 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 01, 2013	$ 13,452,360	$ 1,658,683	$ 11,546,318	$ 26,657,361
Investment return:				
Investment income, net of fees	829,962	0	0	829,962
Net realized/unrealized losses	1,688,805	0	1,162,907	2,851,712
Total investment return	2,518,767	0	1,162,907	3,681,674
Contributions transferred into endowment	1,526,581	458,480	0	1,985,061
Appropriation of assets for expenditure	(1,700,928)	(556,148)	0	(2,257,076)
Other changes:				
Transfers to board-designated endowment	556,148	0	0	556,148
Endowment net assets, December 31, 2013	$ 16,352,928	$ 1,561,015	$ 12,709,225	$ 30,623,168