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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cacapon Institute, Inc.
High View, West Virginia

We have audited the accompanying financial statements of Cacapon Institute, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013 and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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.
Auditors' Responsibility (continued)

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 Cacapon Institute, Inc. as of December 31, 2013 and the related statements of activities, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Charleston, West Virginia

July 14, 2014
CACAPON INSTITUTE, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2013

ASSETS

Current Assets:
Cash $71,596
Accounts receivable 57,443
Total current assets 129,039

Investments 119,661
Property and equipment, cost less accumulated depreciation of $48,590 15,551
Other 1,642

Total assets $265,893

LIABILITIES

Current liabilities:
Accounts payable and other liabilities 3,316

NET ASSETS

Unrestricted 241,482
Temporarily restricted
Permanently restricted 21,095
Total net assets 262,577

Total liabilities and net assets $265,893

The accompanying notes are an integral part of these financial statements.
CACAPON INSTITUTE, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

Changes in unrestricted net assets:
Revenue, gains, support and reclassifications:
Grants $ 223,766
Contributions 14,032
Investment income, net of fees 16,603
Interest income 32
Other 3,876
Total revenue, gains and support 258,309

Net assets released from restriction:
Satisfaction of program restrictions 13,212
Total revenue, gains, support and reclassifications 271,521

Expenses:
Program services:
Science and education 174,959
Support services:
Management and general 57,192
Fundraising 1,838
Total support services 59,030
Total expenses 233,989
Increase in unrestricted net assets 37,532

Changes in temporarily restricted net assets:
Grants
Net assets released from restriction (13,212)
Decrease in temporarily restricted net assets (13,212)
Increase in net assets 24,320
Net assets, beginning of year 238,257
Net assets, end of year $ 262,577

The accompanying notes are an integral part of these financial statements.
CACAPON INSTITUTE, INC.

STATEMENT OF CASH FLOWS
Year Ended December 31, 2013

Cash flows from operating activities:
  Increase in net assets $ 24,320

Adjustments to reconcile increase in net assets to net cash used in operating activities:
  Depreciation 1,190
  Interest and investment income, net of fees, credited directly to investment account (16,603)
  Increase in accounts receivable (18,227)
  Decrease in other assets 294
  Decrease in accounts payable and liabilities (7,606)

Decrease in cash (16,632)

Cash and cash equivalents, beginning of year 88,228

Cash and cash equivalents, end of year $ 71,596

The accompanying notes are an integral part of these financial statements.
CACAPON INSTITUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013

<table>
<thead>
<tr>
<th>Program Services</th>
<th>Supporting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Science and Education</td>
<td>Management and General</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>$126,159</td>
</tr>
<tr>
<td>Utilities and telephone</td>
<td>258</td>
</tr>
<tr>
<td>Rent</td>
<td>-</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
</tr>
<tr>
<td>Supplies</td>
<td>6,723</td>
</tr>
<tr>
<td>Postage</td>
<td>764</td>
</tr>
<tr>
<td>Professional fees</td>
<td>335</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
</tr>
<tr>
<td>Travel</td>
<td>16,614</td>
</tr>
<tr>
<td>Dues and publications</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>24,106</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$174,959</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
CACAPON INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ORGANIZATION

Organization

Cacapon Institute, Inc. (the Corporation) was established in 1985 as a nonstock, nonprofit corporation under the laws of the State of West Virginia, is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. The Corporation's primary purpose, through the use of science and education, is to help concerned citizens protect and enjoy the Cacapon, Potomac and other Appalachian watersheds. The Corporation's Department of the Treasury information returns are subject to examination, generally for three years after filing.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

Unrestricted net assets

Net assets are comprised of funds which use is limited only to the extent that the Corporation's by-laws limit the activities of the organization.

Temporarily restricted net assets

Temporarily restricted net assets are those subject to donor-imposed stipulations that may or will be met, either by actions of the Corporation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted

Permanently restricted net assets are those subject to non-expiring donor imposed restrictions that they (net assets) be maintained permanently by the Corporation. Income from these net assets may be used for unrestricted or temporarily restricted purposes dependent on donor imposed restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and money market accounts held by financial institutions and an investment brokerage firm. All temporary highly liquid investments with an original maturity of less than three months and do not fluctuate significantly in value with interest changes are considered to be cash equivalents.
CACPON INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

December 31, 2013

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ORGANIZATION (Continued)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consists of uncollected private, federal and state grants and are recognized once the amount can be determined, and services and/or events have occurred. Management believes all accounts to be fully collectible and no allowance for doubtful accounts is reflected.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets which range from 5 to 40 years. The Corporation capitalizes all expenditures in excess of $1,000 for property and equipment. Ordinary maintenance and repairs are charged to income as incurred.

Revenue Recognition

Substantially all of the Corporation’s revenue and support is derived from grants and contributions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Receivables are recorded when formal notification of intent to appropriate or contribute funds is received by the Corporation.

Functional Allocation of Expenses

The costs of providing the various services and programs have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of time expended, direct costs and estimated indirect costs.

Contributed Services

Unpaid volunteers and service providers have made contributions to the Corporation during 2013. The value of contributed time and service is not reflected in the accompanying financial statements since it is not susceptible to objective measurement or valuation, and does not meet other criteria required for recognition in accordance with accounting principals generally accepted in the United States of America.

Investments

Investments are valued at fair value.
1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ORGANIZATION (Continued)

Use of Estimates

The preparation of financial statements in conformity with 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates that exist in the financial statements include allocation of indirect costs to programs.

2 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and improvements</td>
<td>$30,870</td>
</tr>
<tr>
<td>Office equipment</td>
<td>$4,170</td>
</tr>
<tr>
<td>Project equipment</td>
<td>$22,286</td>
</tr>
<tr>
<td>River equipment</td>
<td>$6,815</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$64,141</strong></td>
</tr>
<tr>
<td><strong>Accumulated depreciation</strong></td>
<td><strong>(48,590)</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$15,551</strong></td>
</tr>
</tbody>
</table>

3 – INVESTMENTS / FAIR VALUES ON FINANCIAL INSTRUMENTS

FASB codification 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB codification 820 are described as follows:
3 - INVESTMENTS / FAIR VALUES ON FINANCIAL INSTRUMENTS (Continued)

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in the active markets that the Organization has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.
3 – INVESTMENTS / FAIR VALUES ON FINANCIAL INSTRUMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2013:

<table>
<thead>
<tr>
<th>Investments:</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income</td>
<td>$31,215</td>
<td>-</td>
<td>31,215</td>
<td>-</td>
</tr>
<tr>
<td>Equities</td>
<td>65,558</td>
<td>65,558</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bond funds</td>
<td>5,079</td>
<td>-</td>
<td>5,079</td>
<td>-</td>
</tr>
<tr>
<td>Other investment assets</td>
<td>8,671</td>
<td>8,671</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>110,523</strong></td>
<td><strong>74,229</strong></td>
<td><strong>36,294</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

Money market fund | 9,138 |
| Total investments | $119,661 |

Investment earnings consisted of the following for the years ended December 31, 2013:

- Interest and dividends: $1,991
- Net unrealized and realized gains: 15,684
- Less custodial fees: (1,072)

**Total:** $16,603

4 – LEASE

The Corporation leases real property from an individual. The lease is informal and month-to-month. Consequently, it is classified as an operating lease and provides for monthly rent payments of $190 a month. Rent expense recognized for the year was $2,280.
5 – CONCENTRATIONS

At times during the year, the Corporation may have cash balances on deposit with a financial institution in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

Approximately 68% of the Corporation's support was derived from federal and state grant monies and approximately 15% was received from two private donors. Of the 15%, approximately 12% will not be received in the future due to the foundation no longer functioning. Any future reductions in funding could have a significant impact on the Corporation.

6 – SUBSEQUENT EVENTS

The Company's management has evaluated events and transactions occurring after December 31, 2013 through the date of the Auditor's Report, which is the date the financial statements were available to be issued. No events were noted requiring adjustment to or disclosure in the Financial Statements.