



Combined Financial Statements

Massachusetts Audubon Society, Inc. and Whetstone Wood Trust Fund

June 30, 2022 and 2021



**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Combined Financial Statements

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Independent Auditors' Report

The Board of Directors and Audit Committee of
Massachusetts Audubon Society, Inc. and the Trustees of the Whetstone Wood Trust Fund
Lincoln, Massachusetts

Opinion

We have audited the combined financial statements of Massachusetts Audubon Society, Inc. ("MAS") (a Massachusetts corporation, not for profit) and Whetstone Wood Trust Fund ("WWTF") (a Massachusetts inter vivos trust, not for profit) (collectively, "Mass Audubon"), which comprise the combined statement of financial position as of June 30, 2022, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of Mass Audubon as of June 30, 2022, and the changes in its combined net assets and its combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

2021 Combined Financial Statements

The combined financial statements of Mass Audubon as of June 30, 2021 were audited by other auditors whose report dated December 8, 2021 expressed an unmodified opinion on those statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of Mass Audubon and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

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



In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mass Audubon's ability to continue as a going concern for one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mass Audubon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mass Audubon's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Maye Heyman McCann P.C.

Boston, Massachusetts
January 9, 2023

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Combined Statements of Financial Position

June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 31,396,076	\$ 34,615,478
Grants and accounts receivable	1,254,736	1,248,744
Pledges receivable, net	2,446,322	2,524,810
Prepaid expenses and other assets	470,993	357,794
Investments	183,591,683	207,872,059
Land	66,454,880	66,038,939
Property and equipment, net	<u>45,210,479</u>	<u>44,941,114</u>
Total assets	<u>\$ 330,825,169</u>	<u>\$ 357,598,938</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,843,331	\$ 2,354,570
Amount received in advance for future services	5,948,970	5,385,148
Split-interest agreement liabilities	4,504,254	4,237,002
Paycheck Protection Program loan	<u>-</u>	<u>4,700,000</u>
Total liabilities	<u>13,296,555</u>	<u>16,676,720</u>
Net Assets:		
Without donor restrictions		
Operating	19,714,004	19,394,585
Property and equipment	45,210,479	44,941,114
Board designated	<u>23,876,352</u>	<u>23,501,023</u>
Total without donor restrictions	88,800,835	87,836,722
With donor restrictions	<u>228,727,779</u>	<u>253,085,496</u>
Total net assets	<u>317,528,614</u>	<u>340,922,218</u>
Total liabilities and net assets	<u>\$ 330,825,169</u>	<u>\$ 357,598,938</u>

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

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Combined Statements of Activities and Changes in Net Assets

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support:						
Gifts, grants and budgeted bequests	\$ 7,982,783	\$ 6,045,160	\$ 14,027,943	\$ 8,260,332	\$ 3,601,475	\$ 11,861,807
Investment return designated for current operations	7,891,560	283,465	8,175,025	8,605,642	-	8,605,642
Government grants	1,549,141	93,048	1,642,189	1,658,354	-	1,658,354
Bequests and legacies	500,004	-	500,004	999,697	-	999,697
Net assets released from program restrictions	1,825,376	(1,825,376)	-	341,159	(341,159)	-
Total public support	<u>19,748,864</u>	<u>4,596,297</u>	<u>24,345,161</u>	<u>19,865,184</u>	<u>3,260,316</u>	<u>23,125,500</u>
Earned Revenue:						
Program income	10,294,080	-	10,294,080	6,538,801	-	6,538,801
Membership dues	4,681,794	-	4,681,794	3,875,519	-	3,875,519
Other revenue	-	-	-	375,770	-	375,770
Total earned revenue	<u>14,975,874</u>	<u>-</u>	<u>14,975,874</u>	<u>10,790,090</u>	<u>-</u>	<u>10,790,090</u>
Total public support and earned revenue	<u>34,724,738</u>	<u>4,596,297</u>	<u>39,321,035</u>	<u>30,655,274</u>	<u>3,260,316</u>	<u>33,915,590</u>
Operating Expenses:						
Program services	26,276,201	-	26,276,201	19,377,618	-	19,377,618
Administration and general	5,246,307	-	5,246,307	3,411,236	-	3,411,236
Development	2,789,982	-	2,789,982	3,284,751	-	3,284,751
Total operating expenses	<u>34,312,490</u>	<u>-</u>	<u>34,312,490</u>	<u>26,073,605</u>	<u>-</u>	<u>26,073,605</u>
Changes in net assets from operations before depreciation	412,248	4,596,297	5,008,545	4,581,669	3,260,316	7,841,985
Depreciation	3,676,854	-	3,676,854	2,564,401	-	2,564,401
Changes in net assets from operations	<u>(3,264,606)</u>	<u>4,596,297</u>	<u>1,331,691</u>	<u>2,017,268</u>	<u>3,260,316</u>	<u>5,277,584</u>
Non-Operating Revenue (Expenses):						
Investment return	(513,100)	(23,172,953)	(23,686,053)	3,379,678	48,623,362	52,003,040
Capital grants	-	2,874,741	2,874,741	-	4,714,466	4,714,466
Change in value of split-interest agreements	(149,215)	(1,921,629)	(2,070,844)	(6,014)	1,923,859	1,917,845
Contributions to endowment	-	537,339	537,339	-	1,290,227	1,290,227
Legacies and bequests restricted for endowment	1,400,852	46,157	1,447,009	-	949,895	949,895
Paycheck Protection Loan forgiveness	4,347,538	-	4,347,538	-	-	-
Investment return designated for current operations	(1,167,070)	(7,007,955)	(8,175,025)	(2,219,650)	(6,385,992)	(8,605,642)
Net assets released from capital grants	309,714	(309,714)	-	4,594,257	(4,594,257)	-
Total non-operating revenue (expenses)	<u>4,228,719</u>	<u>(28,954,014)</u>	<u>(24,725,295)</u>	<u>5,748,271</u>	<u>46,521,560</u>	<u>52,269,831</u>
Changes in net assets	964,113	(24,357,717)	(23,393,604)	7,765,539	49,781,876	57,547,415
Net Assets, beginning of year, as restated	<u>87,836,722</u>	<u>253,085,496</u>	<u>340,922,218</u>	<u>80,071,183</u>	<u>203,303,620</u>	<u>283,374,803</u>
Net Assets, end of year	<u>\$ 88,800,835</u>	<u>\$ 228,727,779</u>	<u>\$ 317,528,614</u>	<u>\$ 87,836,722</u>	<u>\$ 253,085,496</u>	<u>\$ 340,922,218</u>

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

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Combined Statements of Functional Expenses

Years Ended June 30, 2022 and 2021

	2022				2021			
	<u>Program Services</u>	<u>Administration and General</u>	<u>Development</u>	<u>Total</u>	<u>Program Services</u>	<u>Administration and General</u>	<u>Development</u>	<u>Total</u>
Personnel and Related Costs:								
Salary and wages	\$ 16,698,963	\$ 2,470,152	\$ 1,740,839	\$ 20,909,954	\$ 12,248,585	\$ 1,828,714	\$ 1,772,459	\$ 15,849,758
Fringe benefits	3,896,869	677,454	462,846	5,037,169	3,160,068	540,108	500,243	4,200,419
Total personnel and related costs	<u>20,595,832</u>	<u>3,147,606</u>	<u>2,203,685</u>	<u>25,947,123</u>	<u>15,408,653</u>	<u>2,368,822</u>	<u>2,272,702</u>	<u>20,050,177</u>
Other:								
Supplies and equipment	1,733,940	326,615	30,895	2,091,450	1,088,906	10,645	76,144	1,175,695
Professional and consultant fees	1,072,212	318,326	334,468	1,725,006	468,752	403,641	198,612	1,071,005
Service contracts	364,471	97,967	177,416	639,854	301,376	100,946	258,097	660,419
Utilities	397,043	21,617	-	418,660	449,142	56,886	13,294	519,322
Awards, gifts and scholarships	237,500	602,994	5,930	846,424	221,148	273,731	2,986	497,865
Insurance	453,327	59,531	-	512,858	357,454	48,033	-	405,487
Miscellaneous	519,996	338,993	7,560	866,549	573,471	25,812	8,153	607,436
Postage, printing and photocopying	597,034	188,595	28,515	814,144	191,880	24,167	454,722	670,769
Vehicles and travel	279,831	8,391	963	289,185	316,836	6,266	41	323,143
Advertising and promotion	25,015	135,672	550	161,237	-	92,287	-	92,287
Total other	<u>5,680,369</u>	<u>2,098,701</u>	<u>586,297</u>	<u>8,365,367</u>	<u>3,968,965</u>	<u>1,042,414</u>	<u>1,012,049</u>	<u>6,023,428</u>
Total expenses before depreciation	26,276,201	5,246,307	2,789,982	34,312,490	19,377,618	3,411,236	3,284,751	26,073,605
Depreciation	<u>3,609,127</u>	<u>67,584</u>	<u>143</u>	<u>3,676,854</u>	<u>2,483,584</u>	<u>79,399</u>	<u>1,418</u>	<u>2,564,401</u>
Total expenses	<u>\$ 29,885,328</u>	<u>\$ 5,313,891</u>	<u>\$ 2,790,125</u>	<u>\$ 37,989,344</u>	<u>\$ 21,861,202</u>	<u>\$ 3,490,635</u>	<u>\$ 3,286,169</u>	<u>\$ 28,638,006</u>

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

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Combined Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Changes in net assets	\$ (23,393,604)	\$ 57,547,415
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,676,854	2,564,401
Bad debt expense - uncollectible pledges	-	26,495
Net unrealized and realized (gains) losses on investments	26,188,571	(52,678,550)
Capital gains	(2,874,741)	(4,714,466)
Loss on disposal of property and equipment	-	1,945
Endowment contributions	(1,984,348)	(2,240,122)
Changes in split-interest agreements	715,911	202,340
Changes in operating assets and liabilities:		
Grants and accounts receivable	(5,992)	(84,793)
Pledges receivable	78,488	(1,036,683)
Prepaid expenses and other assets	(113,199)	146,406
Accounts payable and accrued expenses	488,761	41,564
Amounts received in advance for future services	563,822	3,810,974
	<u>3,340,523</u>	<u>3,586,926</u>
Net cash provided by operating activities		
	<u>3,340,523</u>	<u>3,586,926</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment and land	(4,362,160)	(4,682,563)
Proceeds from sale of investments	12,196,805	37,600,047
Purchase of investments	(14,105,000)	(29,894,939)
Payments to annuitants	(448,659)	(424,542)
	<u>(6,719,014)</u>	<u>2,598,003</u>
Net cash (used in) provided by investing activities		
	<u>(6,719,014)</u>	<u>2,598,003</u>
Cash Flows from Financing Activities:		
Paycheck Protection Program loan forgiveness	(4,347,538)	-
Paycheck Protection Program loan proceeds	-	4,700,000
Repayment of Paycheck Protection Program loan	(352,462)	-
Capital grants	2,874,741	4,714,466
Endowment contributions	1,984,348	2,243,622
	<u>159,089</u>	<u>11,658,088</u>
Net cash provided by financing activities		
	<u>159,089</u>	<u>11,658,088</u>
Net Change in Cash and Cash Equivalents	(3,219,402)	17,843,017
Cash and Cash Equivalents:		
Beginning of year	<u>34,615,478</u>	<u>16,772,461</u>
End of year	<u>\$ 31,396,076</u>	<u>\$ 34,615,478</u>

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

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Massachusetts Audubon Society, Inc. ("MAS") is a nonprofit corporation that was established in 1896 and is a state-wide environmental organization working in the areas of land conservation, education, research, and advocacy. The mission is to protect the nature of Massachusetts for people and for wildlife.

Whetstone Wood Trust Fund ("WWTF") is a nonprofit trust which was established in 2003 for the purpose of acquiring and holding land for conservation (the Whetstone Wood Wildlife Sanctuary) in Franklin County, Massachusetts.

MAS combines its financial statements with WWTF, given that MAS is the sole beneficiary of WWTF. WWTF trustees are affiliated with MAS, and the two organizations have common management. The organizations together are referred to as "Mass Audubon."

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America which require that Mass Audubon report information regarding its combined statement of financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions. The Board of Directors has designated from net assets without donor restrictions, net assets to function as endowment. Net assets without donor restrictions also include the investment in land and property and equipment, net of accumulated depreciation and related debt obligations and operating funds.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. This includes accumulated unspent gains on endowment funds that are subject to spending policies as discussed later in these notes. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity such as in the case of certain properties and endowment funds.

Principles of Combination

The combined financial statements include the activities and net assets of MAS and WWTF. All significant balances between classes of net assets and inter-company balances and transactions have been eliminated in the accompanying combined financial statements.

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents represent highly liquid debt instruments, bank deposits and other such accounts with original maturities of three months or less. Such accounts are carried at cost plus earned interest. Certain of these accounts have deposit insurance, however balances may exceed federal insurance limits. Mass Audubon monitors its exposure associated with its various accounts and has not experienced any losses in such accounts. Cash and cash equivalents held by investment managers are considered part of investments.

Grants and Accounts Receivable and Allowance for Doubtful Accounts

Grants and accounts receivable are recorded at the invoiced amount and do not bear interest. An allowance is provided for uncollectable amounts based upon management's estimates including factors such as historical experience and specific review of amounts. There was no allowance for doubtful accounts at June 30, 2022 and 2021.

Pledges Receivable and Allowance for Uncollectible Pledges

Pledges receivable represent contributions verifiably and unconditionally committed by donors that are scheduled for payment in the future. They are initially recorded at fair value using Level 2 inputs as described elsewhere in these policies. An allowance is provided for uncollectable amounts based upon management's estimates including factors such as historical experience and specific review of circumstances relative to major pledges.

Pledges receivable are primarily from foundations, corporations, and individuals located throughout Massachusetts.

Investments

Investments are carried at fair value consistent with the fair value measurement framework described elsewhere in these policies.

Net investment return (loss) is reported in the Combined Statements of Activities and Changes in Net Assets and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Such returns are allocated ratably to the various funds invested within the portfolio.

Mass Audubon's investment objective is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund its board approved spending policy and to increase investment values after inflation. Major investment decisions are authorized by the Investment Committee of the Board of Directors that oversees investments mindful of diversification among asset classes.

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Mass Audubon reports required types of financial instruments in accordance with the fair value standards of accounting. Fair value is defined as the price that Mass Audubon would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants on the measurement date.

Mass Audubon uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of Mass Audubon. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The fair value standards also provide for a practical expedient of fair value allowing for the use of net asset value per share ("NAV") when certain requirements are met. Items reported at fair value on a recurring basis include investments. Non-recurring fair values include items such as the initial recording of pledges.

The three-tier hierarchy of inputs is summarized as follows:

- Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2* – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3* – Inputs that are unobservable and which require significant judgment or estimation.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement in its entirety.

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. 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 observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these combined financial statements.

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Fine Arts Collection

Mass Audubon does not capitalize its fine arts collection as an asset in the Combined Statements of Financial Position. The fine arts collection includes artwork held for educational and curatorial purposes. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. Occasionally, Mass Audubon will sell or de-access certain pieces. The de-accession proceeds will be utilized as determined by the Board of Directors for future collection acquisitions unless the original donor has specified a restriction on the de-accession proceeds. Mass Audubon has approximately 2,700 items cataloged in the collection.

Land

Purchased land is recorded at acquisition cost. Donated land is recorded at a nominal amount because Mass Audubon does not believe the cost of obtaining appraisals would provide significant benefit to Mass Audubon, given that it generally does not sell land it has acquired. Land, whether purchased or donated, is not depreciated.

Property and Equipment and Depreciation

Property and equipment exceeding a management established threshold and a useful life of at least three years is capitalized. Betterments, which increase the value or materially extend the life of the related assets, are capitalized. Property and equipment is recorded at cost when purchased or at fair value as measured when donated. In the case of donated items, such amounts are recorded at fair value at the date of gift which would normally entail a Level 3 fair value assessment as per the fair value standards elsewhere in this section.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Office furniture and computer equipment	3 - 5 years
Motor vehicles	3 - 5 years
Maintenance and program equipment	3 - 10 years

Expenditures for maintenance and repairs are expensed as incurred.

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Amounts Received in Advance for Future Services

Mass Audubon has certain amounts paid in advance of delivery of the related services.

Summer camp fees and tuition deposits are included in this category with the unearned amounts being equal to the portion of services not yet provided. Revenue is recognized as the corresponding services are provided.

Membership dues when cash is received in advance of meeting the performance obligation constitute a contract liability. The performance obligation relates to site access and discounts at retail stores and on program fees over the related membership period. Revenue is recognized over time as the respective performance obligation is met.

Split-Interest Agreements and Related Liabilities

Mass Audubon enters into various agreements with donors. When such gift instruments are managed directly by Mass Audubon, assets are held and recorded at fair market value and managed along with the tracking of the estimated liabilities over time using actuarial methods. The fair value of the assets is included with investments (Note 4). These obligations use Level 3 fair value methods as per the fair value policies described earlier in this section. The difference between the assets received and the obligations recorded is considered contribution revenue and recorded as per the policies below.

These gifts are classified within the following categories:

Charitable gift annuities – A donor transfers assets to Mass Audubon in return for a promise to pay a specific annuity to a designated beneficiary for their lifetime. Under this arrangement, the obligation to make annuity payments is guaranteed by all assets of Mass Audubon. Upon the beneficiary's death, the annuity payment obligation ceases and the remaining balance is recorded as a gift. These funds have been discounted to their net present value of an annuity (using a rate of 2.2% at June 30, 2022 and 2021).

Pooled life income funds – A donor invests in a pooled investment fund. The income generated is paid to a designated beneficiary over their lifetime. Upon the beneficiary's death, the value of the donor's units in the fund is transferred to net assets without donor restrictions of Mass Audubon, unless the donor has designated these funds for a restricted purpose. The pooled income funds are included in donor-restricted net assets at June 30, 2022 and 2021. These funds have been discounted to their net present value based upon the donor's expected life and a rate of 2.2% at June 30, 2022 and 2021.

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Split-Interest Agreements and Related Liabilities (Continued)

Charitable remainder trusts – Charitable remainder trusts were given to Mass Audubon on the condition that Mass Audubon bind itself to make periodic stipulated payments to the donor or other designated individuals at a stated percentage of the fair value of the trust. Upon the beneficiary's death, the stipulated payment obligation ceases. These funds have been discounted to their net present value based upon the donor's expected life and the IRS Federal rate for determining the present value of an annuity (2.2% at June 30, 2022 and 2021).

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Mass Audubon has both earned revenues and contributed support.

Earned Revenues

Earned revenues are under arrangements that are one year or less in length.

Under accounting standards, earned revenue measurement is driven via a principles-based process that requires the entities: 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied. A summary of each of the earned revenue and support flows are as follows:

Program income is generally recorded upon sale or completion of the service, depending upon the activity. Tuition and other deposits are reflected as deferred support until the performance obligation is satisfied, which is the date the service is provided.

Mass Audubon conducts program-related experiences, such as summer camps and day programs for which the performance obligation is delivery of the program. Fees for these programs are set by Mass Audubon and have not been allocated as they are initially recorded as amounts received in advance for future services and are only recognized in the Combined Statements of Activities and Changes in Net Assets after delivery of the program has occurred.

Mass Audubon occasionally leases its facilities and watercraft and recognizes rental income when the related use occurs. Merchandise sales revenue is recognized as items are sold. Rental and merchandise sales revenues are included in program income.

Amounts received in advance for future services at June 30, 2022 and 2021 totaled \$5,948,970 and \$5,385,148, respectively. Revenue is earned within the 12 months.

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Earned Revenues (Continued)

Memberships are recorded as earned over a one-year period from the date of receipt as the performance obligations are satisfied. Management believes that recognizing revenue over time is the best measure of services rendered based on the length of the membership. Management does not consider there to be significant judgement involved in the timing of satisfaction of performance obligations as those are directly linked to the length of the membership.

Investment returns are reported as revenue based on the fair value of such investments at year end. Such returns are allocated ratably based on the relative proportion of funds invested with donor restrictions and those without donor restrictions. Investment returns allocated to net assets with donor restrictions remain in such category until appropriated by the Board of Directors under the Board approved spending policy unless otherwise required by the terms of the gift that they be added to the principal of the endowment.

In 2021, Mass Audubon received a federal Paycheck Protection Program (“PPP”) loan which is recorded as long-term debt at June 30, 2021. During 2022, Mass Audubon obtained forgiveness of the PPP in the amount of \$4,347,538 which is recorded as non-operating revenue in the Combined Statement of Activities and Changes in Net Assets. Management followed the loan forgiveness model of accounting for this grant which defers the recognition of grant amounts until legal forgiveness was obtained. The remaining balance of \$352,462 was paid on March 25, 2022.

Contributed Support

Gifts, grants and bequests, including written unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Gifts and grants of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in this section. Bequests are recorded as revenue when the amounts are reasonably assured. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in gift and grant revenue in accordance with the donor-imposed restrictions, if any, on the gifts or grants. Gifts or grants with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied. Conditional promises are recorded as revenue when the barriers to performance are met.

Gifts of property, plant and equipment are recorded as without donor restrictions unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long lived assets are reported as net assets with donor restrictions. Expirations of donor restrictions is reflected when the donated or acquired long lived asset is placed into service.

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Functional Expense Allocation

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the Combined Statements of Activities and Changes in Net Assets. The Combined Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Depreciation of fixed assets and operation and maintenance of fixed assets have been allocated to functional classifications based on location.

Income Tax Status

MAS and WWTF are considered public charities under Section 501(c)(3) of the Internal Revenue Code ("IRC") and are exempt from Federal income taxes as organizations. Donors may deduct contributions made to MAS and WWTF within the IRC requirements. MAS and WWTF are also exempt from state income taxes.

Uncertain Tax Positions

Mass Audubon 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. Mass Audubon has identified its tax status as a tax-exempt entity and its determination as to its income being related or unrelated as its only significant tax positions and has determined that such tax positions do not result in an uncertainty requiring recognition. Mass Audubon is not currently under examination by any taxing jurisdiction. Federal and state income tax returns are generally open for examination for three years following the date filed.

Operating and Non-operating Activity

The Combined Statements of Activities and Changes in Net Assets report the change in net assets from operating and non-operating activities. Operating revenues consist of endowment support appropriated for operations, property and other earned revenues, annual fund contributions, gifts, bequests and legacies, government grants, memberships, and net assets released from restrictions. Non-operating activities include investment return, net of amounts appropriated for operations, contributions for capital projects, Paycheck Protection Program loan forgiveness, contributions to endowment and the changes in the value of split-interest agreements.

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of combined financial statements in accordance 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts have been reclassified in the 2021 balances to conform with the current year presentation.

Subsequent Events

Subsequent events have been evaluated through January 9, 2023, which is the date the combined financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the accompanying combined financial statements.

Note 2 - Liquidity and Availability of Financial Assets

Mass Audubon structures its financial assets to be available as its general expenditures, liabilities and other obligations come due, and it places cash in excess of daily requirements in short-term investments. Financial assets available to Mass Audubon within one year for general operating expenses are reported on the Combined Statements of Financial Position as follows at June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 11,897,444	\$ 14,997,679
Grants and accounts receivable	1,254,736	1,248,744
Current portion of pledges receivable, net	-	11,446
Spending rate distribution and appropriation	<u>8,316,392</u>	<u>7,068,592</u>
	<u>\$ 21,468,572</u>	<u>\$ 23,326,461</u>

In addition, the Board of Directors designated net assets, included in investments, that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The balance of the investments in the fund without donor restrictions was \$13,888,501 and \$11,026,023 at June 30, 2022 and 2021, respectively.

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 3 - Pledges Receivable

Pledges receivable are as follows at June 30:

	2022	2021
Due in less than one year	\$ 1,298,131	\$ 1,280,078
Due in one to five years	1,375,228	1,492,744
	2,673,359	2,772,822
Less - pledge discount and allowance	227,037	248,012
	\$ 2,446,322	\$ 2,524,810

Note 4 - Investments

Investments classified by fair value measurement are as follows at June 30:

	Level 1	2022 NAV	Total
Mutual funds:			
Large cap	\$ 18,220,360	\$ 3,610,179	\$ 21,830,539
Other	25,490,599	-	25,490,599
International	14,442,177	-	14,442,177
Money market funds	880,324	-	880,324
Alternative investments:			
Limited partnerships	-	48,857,548	48,857,548
Direct hedge funds	-	35,704,430	35,704,430
Commingled trust funds	5,079,882	9,086,839	14,166,721
Fund of funds	-	13,620,445	13,620,445
Other investments:			
Charitable remainder trusts	4,614,619	-	4,614,619
Gift annuities	2,995,425	-	2,995,425
Pooled income funds	988,856	-	988,856
	\$ 72,712,242	\$ 110,879,441	\$ 183,591,683

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 4 - Investments (Continued)

	2021		
	<u>Level 1</u>	<u>NAV</u>	<u>Total</u>
Mutual funds:			
Large cap	\$ 29,745,874	\$ -	\$ 29,745,874
Other	18,903,903	-	18,903,903
International	18,540,332	-	18,540,332
Money market funds	900,355	-	900,355
Alternative investments:			
Limited partnerships	-	56,543,684	56,543,684
Direct hedge funds	-	38,984,286	38,984,286
Commingled trust funds	-	17,712,385	17,712,385
Fund of funds	-	16,138,748	16,138,748
Other investments:			
Charitable remainder trusts	5,711,154	-	5,711,154
Gift annuities	3,546,993	-	3,546,993
Pooled income funds	1,144,345	-	1,144,345
	<u>\$ 78,492,956</u>	<u>\$ 129,379,103</u>	<u>\$ 207,872,059</u>

Mass Audubon investments have the following redemption terms at June 30:

	<u>2022</u>	<u>2021</u>
Liquidity		
Daily	\$ 95,419,526	\$ 107,361,379
Monthly	14,189,488	16,842,834
Quarterly	24,480,530	32,052,307
Annually and greater	24,119,245	25,274,858
Illiquid	<u>25,382,894</u>	<u>26,340,681</u>
 Total investments	 <u>\$ 183,591,683</u>	 <u>\$ 207,872,059</u>

Mass Audubon has commitments to investment in partnerships of approximately \$11,522,000 and \$7,700,000 at June 30, 2022 and 2021, respectively.

There are no plans or intentions to liquidate investments valued at NAV at amounts other than the recorded amounts at June 30, 2022 and 2021.

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 5 - Property and Equipment

Property and equipment is as follows as of June 30:

	2022		2021
Buildings and improvements	\$ 59,827,227	\$	55,411,778
Capital assets in progress	10,917,184		11,657,601
Office furniture and computer equipment	649,833		645,624
Motor vehicles	2,000,501		1,717,417
Maintenance and program equipment	960,669		911,214
	74,355,414		70,343,634
Less - accumulated depreciation	29,144,935		25,402,520
Net property and equipment	\$ 45,210,479	\$	44,941,114

Note 6 - Net Assets and Endowment

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by Mass Audubon. Mass Audubon has grouped its net assets without donor restrictions into the following categories:

Operating, property and equipment – consists of amounts relating to program and other operating activities that are currently available for operations and the activities relating to the property and equipment collection of Mass Audubon.

Board designated funds functioning as endowment – consists of net assets which are part of the endowment set aside by the Board of Directors for various purposes. These funds may only be used with the approval of the Board of Directors.

Board designated other – consists of non-endowment net assets of Mass Audubon that have been set aside by its Board of Directors for various purposes. These funds may only be used with the approval of the Board of Directors.

Net Assets With Donor Restrictions

Mass Audubon receives gifts and grants that are designated by donors for specific purposes or for a specific time frame. These gifts are recorded as net assets with donor restrictions until they are expended for their designated purposes, or the time restriction has lapsed. Also included in net assets with restrictions is property required to be held in perpetuity for conservation purposes.

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 6 - Net Assets and Endowment (Continued)

Net Assets With Donor Restrictions (Continued)

Net assets with donor restrictions also include endowment funds accumulated from donor-restricted gifts. Earnings from these gifts may be used for operations unless the gift instrument requires them to be retained as endowment. In accordance with Massachusetts law, all earnings, including interest and dividends, and appreciation of a donor-restricted endowment are restricted until appropriated by the Board of Directors, and are released to net assets without donor restrictions in accordance with Mass Audubon's spending policy.

The detail of Mass Audubon's net asset categories is as follows at June 30:

	2022	2021
Without donor restrictions:		
Undesignated	\$ <u>64,924,483</u>	\$ <u>64,335,699</u>
Board designated:		
Funds functioning as endowment	13,888,501	11,026,023
Other	<u>9,987,851</u>	<u>12,475,000</u>
	<u>23,876,352</u>	<u>23,501,023</u>
 Total without donor restrictions	 <u>88,800,835</u>	 <u>87,836,722</u>
 With donor restrictions:		
Purpose restricted:		
Appreciation on donor-restricted endowment	67,112,137	93,902,094
Capital projects	5,689,986	7,606,133
Program activities	14,541,808	9,482,407
Charitable gift annuities	1,266,241	1,804,648
Pooled income funds	790,456	940,802
Charitable remainder trusts	<u>2,039,948</u>	<u>3,420,040</u>
Total purpose restricted	91,440,576	117,156,124
 Perpetual in nature	 <u>137,287,203</u>	 <u>135,929,372</u>
 Total with donor restrictions	 <u>228,727,779</u>	 <u>253,085,496</u>
 Total net assets	 <u>\$ 317,528,614</u>	 <u>\$ 340,922,218</u>

Mass Audubon has approximately 380 individual endowment funds established for a variety of purposes. The Pooled Endowment Fund ("the Fund") includes donor-restricted endowment funds, the WWTF endowment funds, and funds designated by the Board of Directors to function as endowments. Investment returns are allocated ratably to the funds based on source.

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 6 - Net Assets and Endowment (Continued)

Mass Audubon classifies restricted net assets as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets is classified as restricted net assets until those amounts are appropriated for expenditure by Mass Audubon Board of Directors.

Mass Audubon 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 Mass Audubon 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 Mass Audubon.
7. The investment policies of Mass Audubon.

Investment Return Objectives, Risk Parameters and Strategies

The Fund has been established over many years by many generous contributors. The Fund provides, from its current income and capital, a substantial portion of the resources used to support Mass Audubon's environmental and conservation programs and activities. Preservation of that capital, measured by real spending power, is critical to the present, as well as the future ability of Mass Audubon to accomplish its mission. The overall risk tolerance parameters and objectives established by Mass Audubon's Investment Committee are as follows:

- The foremost responsibility of the Investment Committee is to preserve the purchasing power of the Fund. Preservation shall be measured in terms of real spending power after adjustment for additions to and withdrawals from the Fund.
- Moderate volatility of investment return (risk) of the Fund's assets will be tolerated with the expectation that assets will grow at a rate commensurate with the level of risk.
- Capital appreciation is needed by the Fund to keep ahead of inflation over the long run (a real rate of return over inflation).
- Downside market protection is more important than maximizing returns of the upside of the market.

The Investment Committee has established an asset allocation policy, investment guidelines and performance standards for the investment of the Fund's assets, in order to control risk and monitor investment performance. In recognition of the prudence required of fiduciaries, reasonable diversification is sought where possible. Experience has shown that financial markets and inflation rates are cyclical, and therefore, control of volatility is most likely to be achieved through diversification of asset classes and where appropriate, selection of managers of diverse investment styles. In addition, Mass Audubon attempts to meet its stated investment objectives by making investments that are consistent with its environmental mission.

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 6 - Net Assets and Endowment (Continued)

Spending Policy

Spending from every donor-restricted endowment fund is governed by the Massachusetts Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). The spending amount is calculated by: 1) multiplying the current fiscal year spending amount from the Fund by one plus the percentage increase in the Consumer Price Index (“CPI-U”) for the then-ended calendar year and then by seventy percent and 2) by adding to this amount a second amount which is determined by multiplying a trailing average of the market value of the Fund at December 31st of the preceding year and the preceding three calendar quarters by a spending rate determined by the Investment Committee and then by thirty percent. In computing the average of the Fund to be used for the spending rate decision, net endowment additions for each of the four preceding calendar quarters will be added back. The Investment Committee recommends the amount so calculated for the next fiscal year to the Board of Directors, which then determines the spending rate.

Endowment Activity

Changes in endowment net assets are as follows for the years ended June 30:

	<u><i>Without Donor Restrictions</i></u>	<u><i>With Donor Restrictions</i></u>	<u><i>Total Net Endowment Assets</i></u>
Endowment net assets, June 30, 2020	\$ 8,871,842	\$ 139,307,827	\$ 148,179,669
Contributions	1,447,466	2,007,598	3,455,064
Investment return, net	2,926,365	48,137,413	51,063,778
Amounts appropriated for expenditure	<u>(2,219,650)</u>	<u>(6,385,992)</u>	<u>(8,605,642)</u>
Endowment net assets, June 30, 2021	11,026,023	183,066,846	194,092,869
Contributions	4,744,139	738,498	5,482,637
Investment return, net	(714,591)	(23,172,953)	(23,887,544)
Amounts appropriated for expenditure	<u>(1,167,070)</u>	<u>(7,007,955)</u>	<u>(8,175,025)</u>
Endowment net assets, June 30, 2022	\$ <u>13,888,501</u>	\$ <u>153,624,436</u>	\$ <u>167,512,937</u>

Excluded from the endowment schedule above is approximately \$46,765,000 at June 30, 2022 and 2021 of land which is restricted in nature.

**MASSACHUSETTS AUDUBON SOCIETY, INC.
AND WHETSTONE WOOD TRUST FUND**

Notes to Combined Financial Statements

Note 7 - Retirement Plan

Mass Audubon has a qualified 403(b) retirement plan for eligible employees. Mass Audubon contributes 4% of an employee's salary if the employee meets certain requirements along with a match of employee deferrals up to 4% of eligible compensation. Contributions are subject to IRS limitations. Employer contributions to the plan totaled approximately \$968,000 and \$874,000 for the years ended June 30, 2022 and 2021, respectively.

Note 8 - Commitments and Contingencies

Mass Audubon has a long-term employment agreement with its President that stipulates a variety of business terms which are typical in this sector.

In fiscal year 2017, Mass Audubon entered into an agreement to sell Carbon Credit Offsets (carbon credits) under a program established by the California Air Resources Board ("CARB") for approximately 9,700 acres of its forest land in central and western Massachusetts. Under this agreement, Mass Audubon is required to minimize any forestry operations on these lands for 100 years and is subject to periodic audits of the inventory of the carbon stored in such forestland during that timeframe. Management has no plans or intentions that it believes could reasonably bear on its compliance with this agreement.

Mass Audubon is party to various legal matters that have arisen in the normal course of business. Management of Mass Audubon believes that the ultimate resolution of these matters will not have a material impact on the combined financial position and results of Mass Audubon.