



Combined Financial Statements

Massachusetts Audubon Society, Inc. and Whetstone Wood Trust Fund

June 30, 2023 and 2022



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

Combined Financial Statements

Table of Contents

Combined Financial Statements:

Independent Auditors' Report	1-2
Combined Statements of Financial Position	3
Combined Statements of Activities and Changes in Net Assets	4
Combined Statements of Functional Expenses	5
Combined Statements of Cash Flows	6
Notes to Combined Financial Statements	7-25



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 statements of financial position as of June 30, 2023 and 2022, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years 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, 2023 and 2022, and the changes in its combined net assets and its combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the combined financial statements, Mass Audubon changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective July 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

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 Hoffman McCann P.C.

Boston, Massachusetts
December 1, 2023

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

Combined Statements of Financial Position

June 30,

	2023	2022
Assets		
Cash and cash equivalents	\$ 35,057,016	\$ 31,396,076
Grants and accounts receivable	1,332,890	1,254,736
Pledges receivable, net	1,787,148	2,446,322
Prepaid expenses and other assets	517,250	470,993
Investments	194,385,102	183,591,683
Right-of-use asset - operating lease	130,480	-
Property and equipment, net	45,033,985	45,210,479
Land	<u>69,551,293</u>	<u>66,454,880</u>
Total assets	<u>\$ 347,795,164</u>	<u>\$ 330,825,169</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,033,687	\$ 2,843,331
Operating lease obligation	131,080	-
Finance lease obligations	326,095	-
Amounts received in advance for future services	5,230,207	5,948,970
Split-interest agreement liabilities	<u>3,502,931</u>	<u>4,504,254</u>
Total liabilities	<u>13,224,000</u>	<u>13,296,555</u>
Net Assets:		
Without donor restrictions	94,492,118	88,800,835
With donor restrictions	<u>240,079,046</u>	<u>228,727,779</u>
Total net assets	<u>334,571,164</u>	<u>317,528,614</u>
Total liabilities and net assets	<u>\$ 347,795,164</u>	<u>\$ 330,825,169</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,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support:						
Gifts, grants and budgeted bequests	\$ 9,288,216	\$ 3,671,151	\$ 12,959,367	\$ 7,982,783	\$ 6,045,160	\$ 14,027,943
Government grants	2,799,673	923,715	3,723,388	1,549,141	93,048	1,642,189
Bequests and legacies	3,001,559	-	3,001,559	500,004	-	500,004
Net assets released from program restrictions	4,848,010	(4,848,010)	-	1,825,376	(1,825,376)	-
Total public support	<u>19,937,458</u>	<u>(253,144)</u>	<u>19,684,314</u>	<u>11,857,304</u>	<u>4,312,832</u>	<u>16,170,136</u>
Earned Revenue:						
Program income	12,635,604	-	12,635,604	10,294,080	-	10,294,080
Membership dues	4,658,051	-	4,658,051	4,681,794	-	4,681,794
Other revenue	137,864	-	137,864	-	-	-
Investment return designated for current operations	6,488,566	-	6,488,566	7,891,560	283,465	8,175,025
Total earned revenue	<u>23,920,085</u>	<u>-</u>	<u>23,920,085</u>	<u>22,867,434</u>	<u>283,465</u>	<u>23,150,899</u>
Total public support and earned revenue	<u>43,857,543</u>	<u>(253,144)</u>	<u>43,604,399</u>	<u>34,724,738</u>	<u>4,596,297</u>	<u>39,321,035</u>
Operating Expenses:						
Program services	34,048,607	-	34,048,607	26,276,201	-	26,276,201
Administration and general	5,492,783	-	5,492,783	5,246,307	-	5,246,307
Development	3,209,338	-	3,209,338	2,789,982	-	2,789,982
Total operating expenses	<u>42,750,728</u>	<u>-</u>	<u>42,750,728</u>	<u>34,312,490</u>	<u>-</u>	<u>34,312,490</u>
Changes in net assets from operations before depreciation	1,106,815	(253,144)	853,671	412,248	4,596,297	5,008,545
Depreciation	<u>3,119,106</u>	<u>-</u>	<u>3,119,106</u>	<u>3,676,854</u>	<u>-</u>	<u>3,676,854</u>
Changes in net assets from operations	<u>(2,012,291)</u>	<u>(253,144)</u>	<u>(2,265,435)</u>	<u>(3,264,606)</u>	<u>4,596,297</u>	<u>1,331,691</u>
Non-Operating Revenue (Expenses):						
Investment return	2,915,390	11,880,930	14,796,320	(513,100)	(23,172,953)	(23,686,053)
Investment return designated for current operations	(462,855)	(6,025,711)	(6,488,566)	(1,167,070)	(7,007,955)	(8,175,025)
Capital grants	-	4,537,406	4,537,406	-	2,874,741	2,874,741
Change in value of split-interest agreements	32,282	1,337,471	1,369,753	(149,215)	(1,921,629)	(2,070,844)
Contributions to endowment	-	3,221,715	3,221,715	1,400,852	583,496	1,984,348
Employee Retention Credit revenue	1,871,357	-	1,871,357	-	-	-
Paycheck Protection Loan forgiveness	-	-	-	4,347,538	-	4,347,538
Net assets released from capital grants	3,347,400	(3,347,400)	-	309,714	(309,714)	-
Total non-operating revenue (expenses)	<u>7,703,574</u>	<u>11,604,411</u>	<u>19,307,985</u>	<u>4,228,719</u>	<u>(28,954,014)</u>	<u>(24,725,295)</u>
Changes in net assets	5,691,283	11,351,267	17,042,550	964,113	(24,357,717)	(23,393,604)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 94,492,118</u>	<u>\$ 240,079,046</u>	<u>\$ 334,571,164</u>	<u>\$ 88,800,835</u>	<u>\$ 228,727,779</u>	<u>\$ 317,528,614</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,

	2023				2022			
	<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	\$ 21,702,580	\$ 3,190,121	\$ 2,080,713	\$ 26,973,414	\$ 16,698,963	\$ 2,470,152	\$ 1,740,839	\$ 20,909,954
Fringe benefits	4,817,175	830,232	534,959	6,182,366	3,896,869	677,454	462,846	5,037,169
Total personnel and related costs	<u>26,519,755</u>	<u>4,020,353</u>	<u>2,615,672</u>	<u>33,155,780</u>	<u>20,595,832</u>	<u>3,147,606</u>	<u>2,203,685</u>	<u>25,947,123</u>
Other:								
Supplies and equipment	2,032,712	169,103	21,069	2,222,884	1,733,940	326,615	30,895	2,091,450
Professional and consultant fees	1,641,453	490,521	279,665	2,411,639	1,072,212	318,326	334,468	1,725,006
Service contracts	480,258	213,258	207,145	900,661	364,471	97,967	177,416	639,854
Utilities	471,612	40,033	131	511,776	397,043	21,617	-	418,660
Awards, gifts and scholarships	267,969	110,947	9,090	388,006	237,500	602,994	5,930	846,424
Insurance	484,336	71,358	-	555,694	453,327	59,531	-	512,858
Miscellaneous	1,048,726	-	57,100	1,105,826	519,996	338,993	7,560	866,549
Postage, printing and photocopying	602,740	220,333	16,291	839,364	597,034	188,595	28,515	814,144
Vehicles and travel	421,195	23,291	2,625	447,111	279,831	8,391	963	289,185
Advertising and promotion	77,851	133,586	550	211,987	25,015	135,672	550	161,237
Total other	<u>7,528,852</u>	<u>1,472,430</u>	<u>593,666</u>	<u>9,594,948</u>	<u>5,680,369</u>	<u>2,098,701</u>	<u>586,297</u>	<u>8,365,367</u>
Total expenses before depreciation	34,048,607	5,492,783	3,209,338	42,750,728	26,276,201	5,246,307	2,789,982	34,312,490
Depreciation	<u>3,079,538</u>	<u>39,568</u>	<u>-</u>	<u>3,119,106</u>	<u>3,609,127</u>	<u>67,584</u>	<u>143</u>	<u>3,676,854</u>
Total expenses	<u>\$ 37,128,145</u>	<u>\$ 5,532,351</u>	<u>\$ 3,209,338</u>	<u>\$ 45,869,834</u>	<u>\$ 29,885,328</u>	<u>\$ 5,313,891</u>	<u>\$ 2,790,125</u>	<u>\$ 37,989,344</u>

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

Combined Statements of Cash Flows

Years Ended June 30,

	2023	2022
Cash Flows from Operating Activities:		
Changes in net assets	\$ 17,042,550	\$ (23,393,604)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,119,106	3,676,854
Non-cash lease expense	38,692	-
Net unrealized and realized (gains) losses on investments	(14,178,671)	26,188,571
Capital grants	(4,537,406)	(2,874,741)
Endowment contributions	(3,221,715)	(1,984,348)
Changes in split-interest agreements	(599,555)	715,911
Changes in operating assets and liabilities:		
Grants and accounts receivable	(78,154)	(5,992)
Pledges receivable	659,174	78,488
Prepaid expenses and other assets	(46,257)	(113,199)
Accounts payable and accrued expenses	1,190,356	488,761
Operating lease obligation	(23,916)	-
Finance lease obligations	(12,602)	-
Amounts received in advance for future services	(718,763)	563,822
	<u>(1,367,161)</u>	<u>3,340,523</u>
Net cash (used in) provided by operating activities		
Cash Flows from Investing Activities:		
Purchase of property and equipment and land	(5,706,490)	(4,362,160)
Proceeds from sale of investments	5,582,238	12,196,805
Purchase of investments	(2,205,000)	(14,105,000)
Payments to annuitants	(401,768)	(448,659)
	<u>(2,731,020)</u>	<u>(6,719,014)</u>
Net cash used in investing activities		
Cash Flows from Financing Activities:		
Paycheck Protection Program loan forgiveness	-	(4,347,538)
Repayment of Paycheck Protection Program loan	-	(352,462)
Capital grants	4,537,406	2,874,741
Endowment contributions	3,221,715	1,984,348
	<u>7,759,121</u>	<u>159,089</u>
Net cash provided by financing activities		
Net Change in Cash and Cash Equivalents	3,660,940	(3,219,402)
Cash and Cash Equivalents:		
Beginning of year	<u>31,396,076</u>	<u>34,615,478</u>
End of year	<u>\$ 35,057,016</u>	<u>\$ 31,396,076</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. Net assets without donor restrictions include operating funds and investments in land and property and equipment, net of accumulated depreciation and related debt obligations. The Board of Directors has designated from net assets without donor restrictions, additional net assets to function as endowment and for other purposes defined by the Board.

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 land held for conservation purposes 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, 2023 and 2022.

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 paying 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)

Leases and Recently Adopted Accounting Pronouncement

Mass Audubon adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 842, *Leases*, effective July 1, 2022 and recognized and measured leases entered into after July 1, 2022 with certain practical expedients available. Mass Audubon assessed existing leases as of the adoption date noting such arrangements met the definition of short-term lease arrangements under ASC 840.

Mass Audubon determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (“ROU”) assets and operating lease obligations in the accompanying Combined Statements of Financial Position. Assets obtained under finance leases are included in property and equipment and finance lease obligations, current and non-current, in the accompanying Combined Statements of Financial Position.

ROU assets represent Mass Audubon’s right to use an underlying asset for the lease term and lease obligations represent Mass Audubon’s obligation to make lease payments arising from the lease. Operating lease assets and obligations are recognized at commencement date based on the present value of lease payments over the lease term.

As Mass Audubon’s leases do not provide an implicit rate, Mass Audubon uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The ROU assets also include any lease payments made and exclude lease incentives. The lease terms may include options to extend or terminate the lease and these are included in the lease assets and obligations when it is reasonably certain that Mass Audubon will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Mass Audubon has lease agreements with lease and non-lease components, which are generally accounted for separately. Mass Audubon accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, real estate taxes and insurance that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

Mass Audubon’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**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 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. The charitable gift annuities are included in donor-restricted net assets at June 30, 2023 and 2022. These funds have been discounted to their net present value of an annuity using a rate of 4.2% and 2.2% at June 30, 2023 and 2022, respectively.

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, 2023 and 2022. These funds have been discounted to their net present value based upon the donor's expected life and a rate of 4.2% and 2.2% at June 30, 2023 and 2022, respectively.

**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. The charitable remainder trusts are included in donor-restricted net assets at June 30, 2023 and 2022. 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 at a rate of 4.2% and 2.2% at June 30, 2023 and 2022, respectively.

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, 2023 and 2022 are expected to be earned within the next 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)

Membership dues 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 2023, Mass Audubon recorded revenue in the amount of \$1,871,357 under the Employee Retention Credit program. This credit was available for qualifying wage or health insurance costs for entities that suspended operations under governmental order or experienced specific declines in gross receipts as a result of the COVID-19 pandemic.

Mass Audubon received a federal Paycheck Protection Program ("PPP") loan. During 2022, Mass Audubon obtained forgiveness of the PPP loan 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, government grants, and bequests and legacies, 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.

**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)

Contributed Support (Continued)

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 are reflected when the donated or acquired long lived asset is placed into service.

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.

**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)

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, program 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, Employee Retention Credit revenue, contributions to endowment and the changes in the value of split-interest agreements.

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 reclassifications have been made to the prior year combined financial statements in order to conform with the current year presentation.

Subsequent Events

Subsequent events have been evaluated through December 1, 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.

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

Notes to 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:

	2023	2022
Cash and cash equivalents	\$ 233,192	\$ 11,897,444
Grants and accounts receivable	1,332,890	1,254,736
Current portion of pledges receivable, net	167,500	-
Spending rate distribution and appropriation	8,444,585	8,316,392
	\$ 10,178,167	\$ 21,468,572

In addition, the Board of Directors has designated net assets, included in cash and cash equivalents, and 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 cash and cash equivalents in the fund without donor restrictions was \$11,945,060 and \$9,987,851 at June 30, 2023 and 2022, respectively. The balance of the investments in the fund without donor restrictions was \$20,998,431 and \$13,888,501 at June 30, 2023 and 2022, respectively.

Note 3 - Pledges Receivable

Pledges receivable are as follows at June 30:

	2023	2022
Due in less than one year	\$ 1,212,186	\$ 1,298,131
Due in one to five years	728,581	1,375,228
	1,940,767	2,673,359
Less - pledge discount and allowance	(153,619)	(227,037)
	\$ 1,787,148	\$ 2,446,322

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

Notes to Combined Financial Statements

Note 4 - Investments

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

	2023		
	Level 1	NAV	Total
Mutual funds:			
Large cap	\$ 20,526,195	\$ 3,640,920	\$ 24,167,115
Other	24,444,937	-	24,444,937
International	15,520,454	-	15,520,454
Money market funds	880,326	-	880,326
Alternative investments:			
Limited partnerships	-	53,825,867	53,825,867
Direct hedge funds	-	35,635,890	35,635,890
Commingled trust funds	4,866,149	9,901,202	14,767,351
Fund of funds	-	16,175,832	16,175,832
Other investments:			
Charitable remainder trusts	4,938,074	-	4,938,074
Charitable gift annuities	3,054,835	-	3,054,835
Pooled life income funds	974,421	-	974,421
	\$ 75,205,391	\$ 119,179,711	\$ 194,385,102

	2022		
	Level 1	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
Charitable gift annuities	2,995,425	-	2,995,425
Pooled life 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)

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

	<u>2023</u>	<u>2022</u>
Liquidity		
Daily	\$ 101,282,425	\$ 95,419,526
Monthly	16,056,880	14,189,488
Quarterly	27,727,013	24,480,530
Annually and greater	25,714,811	24,119,245
Illiquid	<u>23,603,973</u>	<u>25,382,894</u>
Total investments	<u>\$ 194,385,102</u>	<u>\$ 183,591,683</u>

Mass Audubon has commitments to investment in partnerships of approximately \$11,970,000 and \$11,522,000 at June 30, 2023 and 2022, respectively.

There are no plans or intentions to liquidate investments valued at NAV at amounts other than the recorded amounts at June 30, 2023 and 2022.

Note 5 - Leases

Mass Audubon has an operating lease for a residence with escalating rental payments over the term of the lease expiring December 31, 2025. Mass Audubon is also obligated to pay the residence operating costs during the term of the lease. Additionally, Mass Audubon has multiple finance leases relating to vehicles expiring on various dates in 2028. Mass Audubon has the option to purchase all of the assets under these finance lease arrangements for a nominal cost at the termination of the leases.

The components of lease expense were as follows for the year ended June 30, 2023:

Operating lease expense	\$ 27,600
Finance lease expense:	
Amortization of right-of-use assets	14,176
Interest on lease obligations	<u>2,282</u>
Total finance lease expense	<u>16,458</u>
Total lease expense	<u>\$ 44,058</u>

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

Notes to Combined Financial Statements

Note 5 - Leases (Continued)

Assets included in property and equipment under finance leases are as follows as of June 30, 2023:

Vehicles	\$	337,986
Less accumulated depreciation		<u>14,173</u>
	\$	<u><u>323,813</u></u>

Depreciation expense on finance lease assets was approximately \$14,173 for the year ended June 30, 2023.

Other information related to leases was as follows for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease obligations:		
Operating cash flows from operating leases	\$	27,000
Operating cash flows from finance leases		2,282
Financing cash flows from finance leases		12,602
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$	154,996
Finance leases		337,986
Weighted average remaining lease term:		
Operating leases		2.51 years
Finance leases		4.77 years
Weighted average discount rate:		
Operating leases		4.40%
Finance leases		3.43%

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

Notes to Combined Financial Statements

Note 5 - Leases (Continued)

Approximate annual minimum non-cancelable rental payments under these leases for the years ending June 30 are as follows:

	<i>Operating Lease</i>	<i>Finance Leases</i>
2024	\$ 54,600	\$ 73,569
2025	55,800	73,569
2026	28,200	73,569
2027	-	73,569
2028	-	58,684
	<hr/>	<hr/>
Total future minimum lease payments	138,600	352,960
Less imputed interest	<u>7,520</u>	<u>26,865</u>
Present value of remaining lease payments	<u>\$ 131,080</u>	<u>\$ 326,095</u>

Note 6 - Property and Equipment

Property and equipment is as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Buildings and improvements	\$ 55,593,287	\$ 53,508,138
Capital assets in progress	17,238,280	17,224,915
Office furniture and computer equipment	306,950	661,191
Motor vehicles	2,655,828	2,000,501
Maintenance and program equipment	<u>1,117,606</u>	<u>960,669</u>
	76,911,951	74,355,414
Less - accumulated depreciation	<u>31,877,966</u>	<u>29,144,935</u>
Net property and equipment	<u>\$ 45,033,985</u>	<u>\$ 45,210,479</u>

Mass Audubon disposed of \$416,037 of property and equipment resulting in de minimis losses during the year ended June 30, 2023.

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

Notes to Combined Financial Statements

Note 7 - Net Assets

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

	2023	2022
Without donor restrictions:		
Undesignated	\$ 61,548,627	\$ 64,924,483
Board designated:		
Funds functioning as endowment	20,998,431	13,888,501
Other	11,945,060	9,987,851
Total board designated	32,943,491	23,876,352
 Total without donor restrictions	 94,492,118	 88,800,835
With donor restrictions:		
Purpose restricted:		
Appreciation on donor-restricted endowment	69,864,494	67,112,137
Capital projects	8,261,910	5,689,986
Program activities	16,325,881	14,541,808
Charitable gift annuities	1,578,183	1,266,241
Pooled life income funds	689,619	790,456
Charitable remainder trusts	2,590,946	2,039,948
Total purpose restricted	99,311,033	91,440,576
 Perpetual in nature	 140,768,013	 137,287,203
 Total with donor restrictions	 240,079,046	 228,727,779
 Total net assets	 \$ 334,571,164	 \$ 317,528,614

Note 8 - Endowment

Mass Audubon's endowment consists of approximately 380 individual donor-restricted endowment funds established for a variety of purposes, the WWTF endowment funds, and net assets without donor restrictions designated by the Board of Directors to function as endowments. Investment returns are allocated ratably to the underlying sources.

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

Notes to Combined Financial Statements

Note 8 - Endowment (Continued)

For donor-restricted endowments, Mass Audubon records (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. Such donor-restricted net assets are classified as restricted net assets until those amounts are appropriated for expenditure by Mass Audubon's Board of Directors, unless directed to be held in perpetuity.

For these donor-restricted endowments, Mass Audubon considers the following factors in making a determination to appropriate or accumulate these 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

Mass Audubon's endowment has been established over many years by many generous contributors. It 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 endowment's purchasing power, which is measured in terms of real spending power after adjustment for additions to and withdrawals.
- Moderate volatility of investment return (risk) will be tolerated with the expectation that assets will grow at a rate commensurate with the level of risk.
- Capital appreciation is needed 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 endowment'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 8 - 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 endowment 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 endowment 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 endowment 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>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</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	13,888,501	153,624,436	167,512,937
Contributions	6,535,275	5,342,437	11,877,712
Investment return, net	1,315,913	10,763,997	12,079,910
Amounts appropriated for expenditure	<u>(802,760)</u>	<u>(5,861,984)</u>	<u>(6,664,744)</u>
Endowment net assets, June 30, 2023	<u>\$ 20,936,929</u>	<u>\$ 163,868,886</u>	<u>\$ 184,805,815</u>

Excluded from the endowment schedule above is approximately \$46,765,000 at June 30, 2023 and 2022 of land which is restricted in nature. For the year ended June 30, 2023, the Board of Directors approved a maximum endowment appropriation of approximately \$8,300,000. The maximum amount was not fully drawn upon given the liquidity needs of Mass Audubon. Additionally, \$176,178 of appropriated funds were designated for purposes unrelated to investment return designated for current operations.

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

Notes to Combined Financial Statements

Note 8 - Endowment (Continued)

Endowment Activity (Continued)

Included in contributions in 2023 are endowment funds that were received in previous periods that management determined should be classified as board designated endowment of approximately \$3,600,000 which were previously included in board designated - other (see Note 7). Additionally, during 2023, management determined approximately \$2,000,000 of previously received donor-restricted funds should be included as endowment funds with donor restrictions.

Note 9 - 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 \$1,149,000 and \$968,000 for the years ended June 30, 2023 and 2022, respectively.

Note 10 - 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.