



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

**COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

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June 30, 2021 and 2020

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Independent Auditor's Report

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

Report on the Combined Financial Statements

We have audited the accompanying 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, 2021 and 2020, and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to on page one present fairly, in all material respects, the combined financial position of Massachusetts Audubon Society, Inc. and Whetstone Wood Trust Fund, as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the combined financial statements, in fiscal year 2021 Mass Audubon adopted a change in accounting principle under *Other Presentation Matters – General (Subtopic 360-45): Disclosure of Art, Historical Treasures, and Similar Assets*, under which the practice of capitalizing and recognizing collections in the combined financial statements was discontinued. Our opinion is not modified with respect to this matter.

As disclosed in Note 2 to the combined financial statements, during fiscal year 2021, Mass Audubon changed its method of accounting for revenue recognition due to the adoption of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customer (Topic 606)*. Our opinion is not modified with respect to that matter.

AAFCPA, Inc.

Westborough, Massachusetts
December 8, 2021

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Combined Statements of Financial Position
June 30, 2021 and 2020

Assets	2021			2020 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets:						
Cash and cash equivalents	\$ 27,472,679	\$ 7,142,799	\$ 34,615,478	\$ 14,348,945	\$ 2,423,516	\$ 16,772,461
Grants receivable	758,820	-	758,820	663,197	-	663,197
Accounts receivable	489,924	-	489,924	500,754	-	500,754
Current portion of pledges receivable, net of allowance	11,446	1,230,229	1,241,675	33,562	732,406	765,968
Inventory	180,784	-	180,784	240,480	-	240,480
Prepaid expenses	177,010	-	177,010	263,720	-	263,720
Total current assets	29,090,663	8,373,028	37,463,691	16,050,658	3,155,922	19,206,580
Investments	10,589,911	197,282,148	207,872,059	9,926,252	152,972,365	162,898,617
Pledges Receivable, net of current portion, allowance and discount	20,393	1,262,742	1,283,135	3,189	748,965	752,154
Due to (from) Other Funds	596,042	(596,042)	-	100,000	(100,000)	-
Fine Arts Collection (Note 2)	-	-	-	-	-	-
Land	19,275,319	46,763,620	66,038,939	18,218,837	46,526,368	64,745,205
Property and Equipment, net	44,941,114	-	44,941,114	44,118,631	-	44,118,631
Total assets	<u>\$ 104,513,442</u>	<u>\$ 253,085,496</u>	<u>\$ 357,598,938</u>	<u>\$ 88,417,567</u>	<u>\$ 203,303,620</u>	<u>\$ 291,721,187</u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 2,354,570	\$ -	\$ 2,354,570	\$ 2,313,006	\$ -	\$ 2,313,006
Amount received in advance for future services	5,385,148	-	5,385,148	1,574,174	-	1,574,174
Current portion of split-interest agreement liabilities	424,542	-	424,542	436,982	-	436,982
Total current liabilities	8,164,260	-	8,164,260	4,324,162	-	4,324,162
Long-Term Debt	4,700,000	-	4,700,000	-	-	-
Split-Interest Agreement Liabilities, net of current portion	3,812,460	-	3,812,460	4,022,222	-	4,022,222
Total liabilities	16,676,720	-	16,676,720	8,346,384	-	8,346,384
Net Assets:						
Without donor restrictions						
Operating, property, equipment and fine arts	64,335,699	-	64,335,699	59,506,742	-	59,506,742
Board designated	23,501,023	-	23,501,023	20,564,441	-	20,564,441
Total without donor restrictions	87,836,722	-	87,836,722	80,071,183	-	80,071,183
With donor restrictions	-	253,085,496	253,085,496	-	203,303,620	203,303,620
Total net assets	87,836,722	253,085,496	340,922,218	80,071,183	203,303,620	283,374,803
Total liabilities and net assets	<u>\$ 104,513,442</u>	<u>\$ 253,085,496</u>	<u>\$ 357,598,938</u>	<u>\$ 88,417,567</u>	<u>\$ 203,303,620</u>	<u>\$ 291,721,187</u>

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

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

 Combined Statements of Activities and Changes in Net Assets
 For the Years Ended June 30, 2021 and 2020

	2021			2020 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support:						
Gifts, grants and budgeted bequests	\$ 8,260,332	\$ 3,601,475	\$ 11,861,807	\$ 6,314,194	\$ 667,249	\$ 6,981,443
Investment return designated for current operations	8,605,642	-	8,605,642	5,728,413	-	5,728,413
Government grants	1,658,354	-	1,658,354	1,691,494	-	1,691,494
Bequests and legacies	883,727	-	883,727	1,115,903	144,687	1,260,590
Contributed services	115,970	-	115,970	288,772	-	288,772
Net assets released from program restrictions	341,159	(341,159)	-	394,231	(394,231)	-
Total public support	<u>19,865,184</u>	<u>3,260,316</u>	<u>23,125,500</u>	<u>15,533,007</u>	<u>417,705</u>	<u>15,950,712</u>
Earned Revenue:						
Program income	6,538,801	-	6,538,801	9,008,257	-	9,008,257
Membership dues	3,875,519	-	3,875,519	3,568,771	-	3,568,771
Other revenue	375,770	-	375,770	371,632	-	371,632
Total earned revenue	<u>10,790,090</u>	<u>-</u>	<u>10,790,090</u>	<u>12,948,660</u>	<u>-</u>	<u>12,948,660</u>
Total public support and earned revenue	<u>30,655,274</u>	<u>3,260,316</u>	<u>33,915,590</u>	<u>28,481,667</u>	<u>417,705</u>	<u>28,899,372</u>
Operating Expenses:						
Program services	19,377,618	-	19,377,618	23,379,859	-	23,379,859
Administration and general	3,411,236	-	3,411,236	3,265,410	-	3,265,410
Development	3,284,751	-	3,284,751	3,311,250	-	3,311,250
Total operating expenses	<u>26,073,605</u>	<u>-</u>	<u>26,073,605</u>	<u>29,956,519</u>	<u>-</u>	<u>29,956,519</u>
Changes in net assets from operations before depreciation	4,581,669	3,260,316	7,841,985	(1,474,852)	417,705	(1,057,147)
Depreciation	<u>2,564,401</u>	<u>-</u>	<u>2,564,401</u>	<u>2,436,361</u>	<u>-</u>	<u>2,436,361</u>
Changes in net assets from operations	<u>2,017,268</u>	<u>3,260,316</u>	<u>5,277,584</u>	<u>(3,911,213)</u>	<u>417,705</u>	<u>(3,493,508)</u>
Non-Operating Revenue (Expenses):						
Investment return	3,379,678	48,623,362	52,003,040	1,350,773	2,482,190	3,832,963
Capital grants	-	4,714,466	4,714,466	-	4,355,468	4,355,468
Change in value of split interest agreements	(6,014)	1,923,859	1,917,845	(10,504)	(1,140,703)	(1,151,207)
Contributions to endowment	-	1,290,227	1,290,227	-	1,034,900	1,034,900
Legacies and bequests restricted for endowment	-	949,895	949,895	-	785,951	785,951
Proceeds from sale of carbon credits	-	-	-	7,048,236	-	7,048,236
Investment return designated for current operations	(2,219,650)	(6,385,992)	(8,605,642)	(1,511,683)	(4,216,730)	(5,728,413)
Net assets released from capital restrictions	4,594,257	(4,594,257)	-	4,879,598	(4,879,598)	-
Total non-operating revenue (expenses)	<u>5,748,271</u>	<u>46,521,560</u>	<u>52,269,831</u>	<u>11,756,420</u>	<u>(1,578,522)</u>	<u>10,177,898</u>
Changes in net assets	7,765,539	49,781,876	57,547,415	7,845,207	(1,160,817)	6,684,390
Net Assets, beginning of year, as restated	<u>80,071,183</u>	<u>203,303,620</u>	<u>283,374,803</u>	<u>72,225,976</u>	<u>204,464,437</u>	<u>276,690,413</u>
Net Assets, end of year	<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>

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

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Combined Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020 (Restated)
Cash Flows from Operating Activities:		
Changes in net assets	\$ 57,547,415	\$ 6,684,390
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,564,401	2,436,361
Bad debt (recovery) - uncollectible pledges	26,495	(15,652)
Net unrealized and realized gains on investments	(52,678,550)	(2,155,475)
Change in discount on pledges receivable	69,645	(48,904)
Capital grants	(4,714,466)	(4,355,468)
Loss on disposal of property and equipment	1,945	88,498
Endowment contributions	(2,240,122)	(1,820,851)
Changes in split-interest agreements	202,340	712,094
Changes in operating assets and liabilities:		
Grants receivable	(95,623)	-
Accounts receivable	10,830	160,906
Pledges receivable	(1,106,328)	719,371
Inventory	59,696	(9,942)
Prepaid expenses	86,710	(4,376)
Accounts payable and accrued expenses	41,564	81,092
Amounts received in advance for future services	3,810,974	(3,123,785)
Deferred revenue - carbon credits	-	(7,048,236)
Net cash provided by (used in) operating activities	<u>3,586,926</u>	<u>(7,699,977)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment and land	(4,682,563)	(5,793,472)
Proceeds from sale of investments	37,600,047	28,686,285
Purchase of investments	(29,894,939)	(24,812,952)
Gift annuity contributions	-	63,276
Payments to annuitants	(424,542)	(436,981)
Net cash provided by (used in) investing activities	<u>2,598,003</u>	<u>(2,293,844)</u>
Cash Flows from Financing Activities:		
Proceeds from long term debt	4,700,000	-
Capital grants	4,714,466	4,355,468
Endowment contributions	2,243,622	1,824,965
Net cash provided by financing activities	<u>11,658,088</u>	<u>6,180,433</u>
Net Change in Cash and Cash Equivalents	17,843,017	(3,813,388)
Cash and Cash Equivalents:		
Beginning of year	<u>16,772,461</u>	<u>20,585,849</u>
End of year	<u><u>\$ 34,615,478</u></u>	<u><u>\$ 16,772,461</u></u>

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

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Statements of Functional Expenses
For the Years Ended June 30, 2021 and 2020

	2021				2020			
	Program Services	Administration and General	Development	Total	Program Services	Administration and General	Development	Total
Personnel and Related Costs:								
Salary and wages	\$ 12,248,585	\$ 1,828,714	\$ 1,772,459	\$ 15,849,758	\$14,810,469	\$1,594,119	\$1,748,964	\$ 18,153,552
Fringe benefits	3,160,068	540,108	500,243	4,200,419	3,758,286	486,305	521,517	4,766,108
Total personnel and related costs	15,408,653	2,368,822	2,272,702	20,050,177	18,568,755	2,080,424	2,270,481	22,919,660
Other:								
Supplies and equipment	1,088,906	10,645	76,144	1,175,695	1,240,587	13,157	72,153	1,325,897
Professional and consultant fees	468,752	403,641	198,612	1,071,005	859,673	290,676	198,012	1,348,361
Service contracts	301,376	100,946	258,097	660,419	211,111	94,907	324,572	630,590
Utilities	449,142	56,886	13,294	519,322	420,291	16,297	12,433	449,021
Awards, gifts and scholarships	221,148	273,731	2,986	497,865	218,473	9,513	1,111	229,097
Insurance	357,454	48,033	-	405,487	344,897	43,891	-	388,788
Miscellaneous	379,216	12,178	4,112	395,506	196,616	5,778	3,808	206,202
Printing and photocopying	129,739	8,628	213,740	352,107	88,645	502,303	175,071	766,019
Vehicles and travel	316,836	6,266	41	323,143	430,354	22,898	3,873	457,125
Postage and express	62,141	15,539	240,982	318,662	114,724	20,425	222,837	357,986
Contributed services	115,970	-	-	115,970	288,772	-	-	288,772
Advertising and promotion	-	92,287	-	92,287	-	120,906	-	120,906
Facility and equipment rental	43,287	1,333	-	44,620	109,928	10,974	4,257	125,159
Food	14,574	11,286	936	26,796	230,920	31,914	20,635	283,469
Meetings, conference and training	20,424	1,015	3,105	24,544	56,113	1,347	2,007	59,467
Total other	3,968,965	1,042,414	1,012,049	6,023,428	4,811,104	1,184,986	1,040,769	7,036,859
Total Expenses before Depreciation	19,377,618	3,411,236	3,284,751	26,073,605	23,379,859	3,265,410	3,311,250	29,956,519
Depreciation	2,483,584	79,399	1,418	2,564,401	2,349,238	84,696	2,427	2,436,361
Total Expenses	\$ 21,861,202	\$ 3,490,635	\$ 3,286,169	\$ 28,638,006	\$ 25,729,097	\$ 3,350,106	\$ 3,313,677	\$ 32,392,880

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2021 and 2020

1. OPERATIONS AND NONPROFIT STATUS

Operations

Massachusetts Audubon Society, Inc. (MAS) was established in 1896 and is a state-wide environmental organization working in the areas of land conservation, education, research, and advocacy.

Whetstone Wood Trust Fund (WWTF) was established in 2003 for the purpose of acquiring and holding land for conservation (the Whetstone Wood Wildlife Sanctuary) in Franklin County, Massachusetts. MAS is the sole beneficiary of WWTF and all WWTF trustees are affiliated with MAS. MAS and WWTF are also affiliated through common management.

Nonprofit Status

MAS and WWTF are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). MAS and WWTF are also exempt from state income taxes. Donors may deduct contributions made to MAS and WWTF within the IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

MAS and WWTF (collectively, Mass Audubon) prepare their combined financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Change in Accounting Principle

During fiscal year 2021, Mass Audubon adopted a change in accounting principle under *Other Presentation Matters - General (Subtopic 360-45): Disclosure of Art, Historical Treasures, and Similar Assets*, which allows an entity to not capitalize its collections. With the adoption of this principle, Mass Audubon discontinued the practice of capitalizing and recognizing the collections in its combined financial statements. The application of the accounting principle has been applied to the comparative combined financial statements retrospectively, resulting in a reduction of assets and net assets of \$1,391,422 as of June 30, 2019 (see Note 18). The change in accounting principle is preferable, based on management's intent to hold the assets for long-term purposes, the illiquid nature of the assets, and industry trends for comparable entities with collections.

Adoption of New Accounting Standard

During fiscal year 2021, Mass Audubon adopted FASB's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), using the modified retrospective method. Results for the reporting year beginning after July 1, 2020, are presented under Topic 606, while prior year amounts are not adjusted and continue to be reported in accordance with the Mass Audubon's historic reporting under Topic 605. The impact of the adoption of Topic 606 in fiscal year 2021 resulted in an increase in deferred revenue of \$334,452 and a decrease in membership dues of \$334,452.

The adoption of ASU 2014-09 had one primary impact on the combined financial statements. The impact of adjustments on revenue recorded to date is now recognized in the period identified (cumulative catch-up method), rather than prospectively over the remaining contract term. For membership dues, Mass Audubon now bifurcates revenue between exchange transactions (recognized over the membership period) and contributions (recognized when received). Prior to the adoption of Topic 606, revenue from memberships was recognized evenly over the membership period.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenue Recognition

In accordance with ASC Subtopic 958-605, *Contributions Received and Contributions Made* (Topic 958), an organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barriers or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that Mass Audubon should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Gifts and grants without donor restrictions are recorded as revenue when received or unconditionally committed. Restricted gifts and grants are recorded as net assets with donor restrictions if they are received with donor-imposed stipulations that limit their use. Transfers are made to net assets without donor restrictions as costs are incurred or as time restrictions or program restrictions have lapsed. Donor restricted gifts received and satisfied in the same period are included in net assets without donor restrictions. Mass Audubon also reports donor-restricted contributions that were initially conditional as increases in net assets without donor restrictions if both the donor-imposed restriction and the condition are met in the same period.

Revenue is recognized on contracts with customers when or as performance obligations are satisfied, which is the period or the point in time where the customer receives the benefits of the contract. Judgement is applied to determine first whether the performance obligations are satisfied over time and, if not, then the point in time at which the performance obligation is satisfied. Where revenue is recognized over time, judgement is used to determine the method which best depicts the transfer of the performance obligation. Where an input method is used, significant estimation is required to determine the progress towards delivering the performance obligation.

Membership Dues

Mass Audubon analyzes its membership dues for elements of contribution and exchange transactions in accordance with Topic 958. Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. Mass Audubon recognizes the exchange portion of membership dues over the one year membership period, and the contribution portion immediately. The performance obligation consists of providing members free access to Mass Audubon sites and discounts at retail stores and on program fees. The exchange portion of membership dues paid in advance are deferred to the membership period to which they relate, and are included in amounts received in advance for future services.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Membership Dues (Continued)

Membership dues are allocated between exchange transactions and contributions at June 30, 2021, as follows:

Exchange transaction	\$ 2,039,293
Contribution	<u>1,836,226</u>
Total membership dues	<u>\$ 3,875,519</u>

Program Income

Mass Audubon conducts program-related experiences, such as summer camps and day programs where the performance obligation is delivery of the program. These revenue sources are recorded under Topic 606. Fees for these programs are set by Mass Audubon and have not been allocated as the program is considered to be one performance obligation. Fees collected in advance of delivery of the program 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 revenue are included in program income in the accompanying combined statements of activities and changes in net assets.

The following table provides information about significant changes in the membership dues and program fees paid in advance and other contract liabilities for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Membership dues paid in advance, beginning of year	\$ 1,600,428	\$ 609,485
Revenue recognized that was included in advance membership dues at the beginning of year	(1,600,428)	(609,485)
Increase in member dues due to cash received in advance during the period	<u>1,076,432</u>	<u>808,529</u>
Member dues paid in advance, end of year	<u>\$ 1,076,432</u>	<u>\$ 808,529</u>
	<u>2021</u>	<u>2020</u>
Program fees paid in advance, beginning of year	\$ 765,645	\$ 4,088,474
Revenue recognized that was included in advance program fees at the beginning of year	(765,645)	(4,088,474)
Increase in program fees due to cash received in advance during the period	<u>4,308,716</u>	<u>765,645</u>
Program fees paid in advance, end of year	<u>\$ 4,308,716</u>	<u>\$ 765,645</u>

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

Expenses related directly to a program or function are distributed to that program or function, while other expenses are allocated to programs or functions based upon management's estimate of the percentage attributable to each program or function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel and related costs, allocated on the basis of estimates of time and effort, and occupancy costs and depreciation, allocated on a square footage basis. All other expenses are charged directly.

Cash and Cash Equivalents

Management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents, excluding such assets that are maintained as part of the investment portfolio (see Note 5).

Net Assets

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, equipment, and fine arts - 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 (see Note 6).

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.

Net assets with donor restrictions also include endowment funds (see Note 6) 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.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

The detail of Mass Audubon's net asset categories at June 30, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Without donor restrictions:		
Undesignated	\$ 64,335,699	\$ 59,506,742
Board designated:		
Funds functioning as endowment	11,026,023	8,871,842
Other	<u>12,475,000</u>	<u>11,692,599</u>
	<u>23,501,023</u>	<u>20,564,441</u>
 Total without donor restrictions	 <u>87,836,722</u>	 <u>80,071,183</u>
With donor restrictions:		
Purpose restricted:		
Appreciation on donor restricted endowment	93,902,094	52,145,984
Capital projects	7,606,133	7,485,924
Program activities	9,482,407	6,222,091
Charitable gift annuities	1,804,648	1,015,655
Pooled income funds	940,802	963,319
Charitable remainder trusts	<u>3,420,040</u>	<u>1,784,569</u>
Total purpose restricted	117,156,124	69,617,542
 Perpetual in nature	 <u>135,929,372</u>	 <u>133,686,078</u>
 Total with donor restrictions	 <u>253,085,496</u>	 <u>203,303,620</u>
 Total net assets	 <u>\$ 340,922,218</u>	 <u>\$ 283,374,803</u>

Fair Value Measurements

Mass Audubon follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. 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.

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.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Mass Audubon records investments (see Note 5) at fair value. Marketable securities are recorded at fair values as derived directly from quotations on major trading exchanges. Split-interest planned giving instruments (see Note 12) are stated at fair value of the underlying investments. Alternative investments are generally non-marketable interests in limited partnerships or similar entities that hold marketable and non-marketable securities, real estate and other assets. In some cases, Mass Audubon has committed to make specified capital contributions and may be obligated to maintain its interests for specified terms. Asset valuations of alternative investments are generally reported at the net asset value (NAV) reported by fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. These estimated values may differ significantly from the values that would have been used had a ready market existed and those differences could be material.

Split-Interest Agreements

Split-interest planned giving instruments (see Note 12) are invested in international equity funds, U.S. large, mid and small cap equity funds, real estate investment trusts, and corporate and government fixed income funds which are valued using Level 1 inputs. A related liability on planned giving arrangements, based on future payments, is adjusted based on the donor life expectancies and on prevailing interest rates, which are considered Level 3 inputs.

All Other Assets and Liabilities

The carrying value of all qualifying other assets and liabilities does not differ materially from their estimated fair value and is considered Level 1 in the fair value hierarchy.

Investment Return

Interest, dividends and mutual fund distributions are recorded when earned. Gains and losses are recognized as incurred upon sale or based on fair value changes during the period (see Note 5). Unless otherwise restricted by the donor, investment return is available for operations and is included in operating net assets without donor restrictions in the accompanying combined financial statements. Mass Audubon's investment policy sets forth guidelines for prudent investment of funds, taking into account liquidity, risk and return characteristics appropriate for different categories of Mass Audubon's holdings. Investment management fees have been netted against the return on certain investments. Investments are not insured and are subject to ongoing market fluctuations.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Split-Interest Agreements

Charitable remainder trusts (see Note 12) 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. Gift annuities 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. Life income funds were contributed to Mass Audubon subject to the requirement that Mass Audubon periodically pay the income earned on these funds to the donor or other designated individuals. Payments terminate at a time specified in the life income, gift annuity and charitable remainder trust agreements, usually upon death of the donor or designated individual.

Grants and Accounts Receivable and Allowance for Doubtful Accounts

Grants and accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts, if any, is based on management's best estimate of the amount of probable credit losses in grants and accounts receivable, specific identification of probable losses, and an estimate of additional losses based on historical write-off experience. There was no allowance for doubtful accounts as of June 30, 2021 and 2020.

Pledges Receivable and Allowance for Uncollectible Pledges

Pledges receivable (see Note 3) at June 30, 2021 and 2020, consist of contributions committed to the annual fund and other initiatives. Pledges are discounted to their net present value when unconditionally committed. The allowance for uncollectible pledges is based on past collection experience together with a review of the current status of the existing pledges. Pledge balances are charged off against the allowance when it is probable the pledge will not be recovered.

Inventory

Inventory (see Note 4) is stated at the lower of cost or net realizable value. Cost is determined on the weighted-average method.

Fine Arts Collection

As allowed by *Other Presentation Matters - General (Subtopic 360-45): Disclosure of Art, Historical Treasures, and Similar Assets*, Mass Audubon does not capitalize its collections as an asset in the combined statements of financial position. Museum collections include 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 determines that art works are not appropriate to its purpose and will sell or de-accession 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.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Property and equipment (see Note 13) having a value of \$2,000 or more and a useful life of at least three years is capitalized. Property and equipment is recorded at cost when purchased or constructed and at fair value when donated. 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

Capital assets in progress are not depreciated until they are completed and placed into service.

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

Advertising Costs

Mass Audubon expenses advertising costs as they are incurred. Total advertising costs for the years ended June 30, 2021 and 2020, were \$92,287 and \$120,906, respectively.

Contributed Services

Contributions of services (see Note 9) are recognized at their estimated fair value if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services of volunteers which do not meet these criteria are not recorded in the combined financial statements.

Bequests and Legacies

Mass Audubon is and may be named a beneficiary of various trusts and wills. The amounts to be received, if any, cannot be determined and, therefore, are only reflected in Mass Audubon's combined financial statements when the amounts are received or become known. The first \$500,000 of unrestricted bequests and legacies received during a fiscal year is budgeted for operations by the Board of Directors and the remaining portion is deposited into the Board Designated Endowment.

Combined Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major or central to the provision of program services are reported as public support and earned revenue and operating expenses in the accompanying combined statements of activities and changes in net assets. Non-operating revenue (expenses) includes endowment, capital, and investment activity.

Subsequent Events

Subsequent events have been evaluated through December 8, 2021, 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
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Mass Audubon accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statements regarding a tax position taken or expected to be taken in a tax return. Mass Audubon has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at June 30, 2021 and 2020. Mass Audubon's information returns are subject to examination by federal and state jurisdictions.

Estimates

The preparation of combined financial statements in accordance with U.S. GAAP 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.

3. PLEDGES RECEIVABLE

Mass Audubon has pledges receivable as follows at June 30:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 1,280,078	\$ 794,354
Due in one to five years	<u>1,492,744</u>	<u>875,640</u>
	2,772,822	1,669,994
Less - discount to net present value at pledge date	169,925	100,280
Less - allowance for uncollectible pledges	<u>78,087</u>	<u>51,592</u>
	<u>\$ 2,524,810</u>	<u>\$ 1,518,122</u>

Pledges receivable are primarily from foundations, corporations, and individuals located throughout Massachusetts. Pledges with restrictions to be held in perpetuity have been included in long-term pledges in the accompanying combined statements of financial position as of June 30, 2021 and 2020, regardless of the expected collection date. Long-term pledges have been discounted using a discount factor of 3% at June 30, 2021 and 2020. The allowance for uncollectible pledges is calculated as 3% of the net present value of pledges at June 30, 2021 and 2020.

4. INVENTORY

Inventory consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Retail merchandise at Lincoln gift shop	\$ 154,322	\$ 173,184
Other retail merchandise	24,530	63,919
Publications	<u>1,932</u>	<u>3,377</u>
	<u>\$ 180,784</u>	<u>\$ 240,480</u>

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUNDNotes to Combined Financial Statements
June 30, 2021 and 2020**5. INVESTMENTS**

Investments are classified by level within a fair value measurement framework (see Note 2) as follows, and are stated at corresponding fair values in the accompanying combined statements of financial position as of June 30:

	2021			
	Level 1	Level 2	Level 3	Total
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
Direct hedge funds *	-	-	-	38,984,286
Commingled trust funds *	-	-	-	17,712,385
Fund of funds *	-	-	-	16,138,748
Other investments:				
Planned giving assets	<u>10,402,492</u>	-	-	<u>10,402,492</u>
	<u>\$ 78,492,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,872,059</u>
	2020			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Large cap	\$ 25,226,972	\$ -	\$ -	\$ 25,226,972
Other	6,122,488	-	-	6,122,488
Fixed income	2,740,411	-	-	2,740,411
International	2,305,732	-	-	2,305,732
Money market funds	13,942,344	-	-	13,942,344
Alternative investments:				
Limited partnerships *	-	-	-	42,280,157
Direct hedge funds *	-	-	-	32,206,157
Commingled trust funds *	-	-	-	16,108,624
Fund of funds *	-	-	-	13,742,985
Other investments:				
Planned giving assets	<u>8,222,747</u>	-	-	<u>8,222,747</u>
	<u>\$ 58,560,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,898,617</u>

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the combined statements of financial position.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2021 and 2020

5. INVESTMENTS (Continued)

Planned giving assets consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Charitable remainder trusts	\$ 5,711,154	\$ 4,476,168
Gift annuities	3,546,993	2,674,698
Life income funds	<u>1,144,345</u>	<u>1,071,881</u>
	<u>\$ 10,402,492</u>	<u>\$ 8,222,747</u>

Planned giving assets are invested in a variety of investment types, all of which are valued using Level 1 inputs (see Note 2).

As of June 30, 2021 and 2020, Mass Audubon was committed to contribute approximately \$7,700,000 and \$6,100,000, respectively, in additional capital to alternative investments throughout the terms of those investments, normally not to exceed fifteen years.

6. ENDOWMENT

The Mass Audubon Pooled Endowment Fund (the Fund) consists of approximately three hundred fifty individual funds established for a variety of purposes. The Fund includes donor-restricted endowment funds, the WWTF endowment funds, and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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.

6. ENDOWMENT (Continued)

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.

Spending Policy

Spending from every donor-restricted endowment fund is governed by the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA). In January of each year, Mass Audubon's Investment Committee reviews information showing the fair value for the Fund (less outstanding loans and deferred contributions) at December 31st of the preceding year and for the three preceding calendar quarters and also reviews the amount of spending from the Fund in the current fiscal year. The spending amount for the next fiscal year 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 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. The Investment Committee determines the details of this policy and monitors its implementation.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2021 and 2020

6. ENDOWMENT (Continued)

Endowment Activity

Changes in endowment net assets as of June 30, 2021 and 2020, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, June 30, 2019	\$ 8,988,515	\$ 140,038,093	\$ 149,026,608
Contributions	1,115,903	1,820,851	2,936,754
Investment return, net	279,107	1,665,613	1,944,720
Amounts appropriated for expenditure	<u>(1,511,683)</u>	<u>(4,216,730)</u>	<u>(5,728,413)</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	<u>\$ 11,026,023</u>	<u>\$ 183,066,846</u>	<u>\$ 194,092,869</u>

Excluded from the endowment schedule above is approximately \$46,765,000 and \$46,550,000 at June 30, 2021 and 2020, respectively, of land which is restricted in nature (see Note 2).

Endowment Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the donor restricted contributions. Deficiencies of this nature existed in twenty-two donor restricted endowment funds for the year ended June 30, 2020 as follows:

	<u>2020</u>
Current fair value	\$ 4,183,332
Original gift value	<u>4,347,922</u>
Deficiency	<u>\$ (164,590)</u>

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs.

There were no deficiencies of this nature for the year ended June 30, 2021.

7. LINE OF CREDIT

At June 30, 2021 and 2020, Mass Audubon has available up to \$100,000 on an unsecured line of credit agreement with a bank. The line of credit expires on May 28, 2022, and is renewable annually. Borrowings under the line of credit bear interest at the London Interbank Offered Rate (LIBOR) Advantage Rate (0.09% and 0.18% at June 30, 2021 and 2020, respectively), plus 2%. This agreement contains certain non-financial covenants with which Mass Audubon must comply. Mass Audubon is in compliance with the covenants as of June 30, 2021 and 2020. At June 30, 2021 and 2020, no borrowings were outstanding under the line of credit agreement.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2021 and 2020

8. RETIREMENT PLAN

Mass Audubon has a defined contribution pension plan pursuant to Internal Revenue Service (IRS) Section 403(b) in which all eligible employees can elect to defer a percentage of their compensation. Mass Audubon also contributes 4% of an employee's salary if the employee meets certain requirements.

In addition, Mass Audubon will match a portion of the employee's deferral up to 4% of eligible compensation. The employee's elective deferral and Mass Audubon matching contributions are subject to IRS limitations. For the years ended June 30, 2021 and 2020, Mass Audubon contributions to the plan totaled approximately \$874,000 and \$921,000, respectively.

9. CONTRIBUTED SERVICES

The value of eligible contributed services (see Note 2) is recognized as both revenue and expense in the accompanying combined statements of activities and changes in net assets. These volunteer hours at sanctuaries were valued at approximately \$116,000 and \$289,000 for the years ended June 30, 2021 and 2020, respectively.

In addition, each year thousands of volunteers donate a total of more than tens of thousands of hours of time to Mass Audubon environmental education, advocacy, research, and sanctuary program services. These numbers were substantially reduced by the pandemic in fiscal year 2021. Nonetheless, more than 3,200 volunteers donated more than 63,000 hours of time. No amounts have been reflected in the accompanying combined financial statements for these volunteer services, since the contributed services did not meet the criteria for recognition under U.S. GAAP (see Note 2).

10. COMMITMENTS

On January 1, 2001, Mass Audubon entered into a consulting agreement with a former president of Mass Audubon. The agreement provided for two phases: the first, through June 30, 2008, established a monthly consulting fee and reimbursement for certain expenses in return for the former president's services for a fixed number of days per year; the second, which commenced on July 1, 2008, continues until the former president's death, and provides a monthly consulting fee in return for a reduced number of days per year.

11. CONCENTRATIONS

Credit Risk

Mass Audubon maintains its operating cash balances in two banks in Massachusetts, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain amounts. At certain times during the year, cash balances at one of the two banks exceeded the insured amounts. Mass Audubon has not experienced any losses in such accounts.

Funding

Mass Audubon receives funding under state and federal contracts, which is subject to audit by the appropriate government agency. In the opinion of Mass Audubon, the results of such audits, if any, would not have a material effect on the combined financial position of Mass Audubon as of June 30, 2021 and 2020, or on its results of operations for the years then ended. As of June 30, 2021 and 2020, three government agencies represent 64% and 33% of grants receivable, respectively.

As of June 30, 2021 and 2020, three and two donors represent 47% and 26% of gross pledges receivable, respectively.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2021 and 2020

12. SPLIT-INTEREST AGREEMENTS

Mass Audubon is the beneficiary of various split-interest planned giving arrangements. 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 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, 2021 and 2020).

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, 2021 and 2020. 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, 2021 and 2020.

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, 2021 and 2020).

Split-interest agreements are comprised of the following as of June 30:

	<u>2021</u>			
	<u>Charitable Gift Annuities</u>	<u>Life Income Funds</u>	<u>Charitable Remainder Trusts</u>	<u>Total</u>
Asset	\$ 3,546,993	\$ 1,144,345	\$ 5,711,154	\$ 10,402,492
Obligations	<u>1,742,345</u>	<u>203,543</u>	<u>2,291,114</u>	<u>4,237,002</u>
Total net assets	<u>\$ 1,804,648</u>	<u>\$ 940,802</u>	<u>\$ 3,420,040</u>	<u>\$ 6,165,490</u>
	<u>2020</u>			
	<u>Charitable Gift Annuities</u>	<u>Life Income Funds</u>	<u>Charitable Remainder Trusts</u>	<u>Total</u>
Asset	\$ 2,674,698	\$ 1,071,881	\$ 4,476,168	\$ 8,222,747
Obligations	<u>1,659,043</u>	<u>108,562</u>	<u>2,691,599</u>	<u>4,459,204</u>
Total net assets	<u>\$ 1,015,655</u>	<u>\$ 963,319</u>	<u>\$ 1,784,569</u>	<u>\$ 3,763,543</u>

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2021 and 2020

12. SPLIT-INTEREST AGREEMENTS (Continued)

The changes in split-interest agreement liabilities for which Mass Audubon has used Level 3 inputs to determine fair value were as follows for the fiscal years ended June 30:

	<u>2021</u>	<u>2020</u>
Beginning Balance	\$ 4,459,204	\$ 4,120,815
Payments	(424,542)	(436,981)
Change in value	<u>202,340</u>	<u>775,370</u>
Ending Balance	<u>\$ 4,237,002</u>	<u>\$ 4,459,204</u>

13. PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 55,411,778	\$ 51,833,831
Capital assets in progress	11,657,601	12,008,751
Office furniture and computer equipment	645,624	645,124
Motor vehicles	1,717,417	1,658,871
Maintenance and program equipment	<u>911,214</u>	<u>884,160</u>
	70,343,634	67,030,737
Less - accumulated depreciation	<u>25,402,520</u>	<u>22,912,106</u>
Net property and equipment	<u>\$ 44,941,114</u>	<u>\$ 44,118,631</u>

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of June 30, 2021 and 2020, the financial assets available to Mass Audubon within one year for general operating expenses are reported on the combined statements of financial position as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 34,615,478	\$ 16,772,461
Grants receivable	758,820	663,197
Accounts receivable	489,924	500,754
Current portion of pledges receivable, net	<u>1,241,675</u>	<u>765,968</u>
	37,105,897	18,702,380
Less: Cash and cash equivalents with donor restrictions	(7,142,799)	(2,423,516)
Less: Current pledge receivable with donor restrictions	(1,230,229)	(732,406)
Less: Board designated net assets included in cash and cash equivalents	(12,475,000)	(11,692,599)
Plus: Estimated investment return designated for next year's operations	<u>7,068,592</u>	<u>6,796,038</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 23,326,461</u>	<u>\$ 10,649,897</u>

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2021 and 2020

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

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. At June 30, 2021 and 2020, Mass Audubon had a line of credit for \$100,000 (see Note 7) available to address unanticipated liquidity needs. In addition, the Board of Directors established a fund, 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 (see Note 7). The balance of the investments in the fund without donor restrictions was \$10,589,911 and \$9,926,252 at June 30, 2021 and 2020, respectively.

15. CARBON CREDIT PROJECT

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), from 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. During the fiscal year ended June 30, 2019, following preliminary certification by CARB, Mass Audubon received \$7,048,236 for these carbon credits, which was included in deferred revenue in the 2019 combined statement of financial position. In February 2020, final certification was received from CARB, and Mass Audubon recognized these funds as revenue. It is reflected as proceeds from the sale of carbon credits in the combined statement of activities and changes in net assets for the year ended June 30, 2020.

16. LONG TERM DEBT

Mass Audubon applied for and was awarded a forgivable loan on February 16, 2021, of \$4,700,000 from the federal Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). This loan is administered through an agreement with a lending bank. The funds are to be used to pay certain payroll costs, including benefits, and utilities during the covered period (February 16 through August 2, 2021) as defined in the CARES Act, which also stipulates that a portion of the loan may be forgiven at the end of the covered period. Any portion of the loan not forgiven will be due in equal payments, including interest at 1%, over a five-year period. Any repayment will be deferred until the Small Business Administration notifies the lending bank of the amount of the loan that will be forgiven. There are no covenants with which to comply, and the note payable is not secured by any collateral as of June 30, 2021.

There was no accrued interest on the note payable recorded as of June 30, 2021, as it would be immaterial to the overall combined financial statements.

As of December 8, 2021, Mass Audubon had submitted the application for forgiveness, but had not been legally released from the obligation. Mass Audubon anticipates the note payable will be forgiven in full and therefore, the balance has been classified as long-term debt in the accompanying combined statement of financial position as of June 30, 2021.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUNDNotes to Combined Financial Statements
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17. CONTINGENCIES

Beginning in March 2020 and continuing throughout fiscal year 2021, the COVID-19 coronavirus (COVID-19) pandemic emerged in the United States triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment, and the economy as a whole.

Mass Audubon is monitoring these events closely to assess the financial impact of the situation and determine appropriate courses of action. While this disruption is expected to be temporary, there is considerable uncertainty around its duration. The impact on Mass Audubon's financial position and operating results cannot be reasonably estimated at this time.

18. PRIOR YEAR RESTATEMENT

Mass Audubon adopted a change in accounting principle during fiscal year, which required a restatement of the 2020 and 2019 audited combined financial statements (see Note 2) as follows:

<u>Combined Statement of Financial Position</u>	<u>2020 As Reported</u>	<u>Effect of Change in Accounting Principle</u>	<u>2020 As Adjusted</u>
Total Assets	\$ 293,112,609	\$ (1,391,422)	\$ 291,721,187
Total Liabilities	8,346,384	-	8,346,384
Net assets without donor restrictions	81,437,605	(1,366,422)	80,071,183
Net assets with donor restrictions	203,328,620	(25,000)	203,303,620
Total Net Assets	\$ 284,766,225	\$ (1,391,422)	\$ 283,374,803

<u>Combined Statement of Financial Position</u>	<u>2019 As Reported</u>	<u>Effect of Change in Accounting Principle</u>	<u>2019 As Adjusted</u>
Net assets without donor restrictions	\$ 73,592,398	\$ (1,366,422)	\$ 72,225,976
Net assets with donor restrictions	204,489,437	(25,000)	204,464,437
Total Net Assets	\$ 278,081,835	\$ (1,391,422)	\$ 276,690,413