



## **Combined Financial Statements**

### **Massachusetts Audubon Society, Inc. and Whetstone Wood Trust Fund**

**June 30, 2024 and 2023**

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

***Combined Financial Statements***

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## *Independent Auditors' Report*

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

### ***Opinion***

We have audited the combined financial statements of Massachusetts Audubon Society, Inc. ("MAS") (a Massachusetts corporation, not for profit) and Whetstone Wood Trust Fund ("WWTF") (a Massachusetts inter vivos trust, not for profit) (collectively, "Mass Audubon"), which comprise the combined statements of financial position as of June 30, 2024 and 2023, 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, 2024 and 2023, 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.

### ***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.

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### ***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.

*CBIZ CPAs P.C.<sup>1</sup>*

Boston, Massachusetts  
December 6, 2024

<sup>1</sup>In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

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

***Combined Statements of Financial Position***

*June 30,*

	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 29,902,539	\$ 35,057,016
Grants and accounts receivable	2,094,516	1,332,890
Pledges receivable, net	18,279,628	1,787,148
Prepaid expenses and other assets	515,338	647,730
Investments	210,334,700	194,385,102
Property and equipment, net	53,519,985	45,033,985
Land	<u>70,875,866</u>	<u>69,551,293</u>
Total assets	<u>\$ 385,522,572</u>	<u>\$ 347,795,164</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,284,927	\$ 4,490,862
Amounts received in advance for future services	4,796,053	5,230,207
Split-interest agreement liabilities	<u>3,366,397</u>	<u>3,502,931</u>
Total liabilities	<u>12,447,377</u>	<u>13,224,000</u>
Net Assets:		
Without donor restrictions	101,903,446	94,492,118
With donor restrictions	<u>271,171,749</u>	<u>240,079,046</u>
Total net assets	<u>373,075,195</u>	<u>334,571,164</u>
Total liabilities and net assets	<u>\$ 385,522,572</u>	<u>\$ 347,795,164</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,

	<b>2024</b>			<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public Support:</b>						
Gifts, grants and budgeted bequests	\$ 10,283,260	\$ 2,325,224	\$ 12,608,484	\$ 9,288,216	\$ 3,671,151	\$ 12,959,367
Government grants	2,955,087	2,079,499	5,034,586	2,799,673	923,715	3,723,388
Bequests and legacies	1,696,823	-	1,696,823	3,001,559	-	3,001,559
Net assets released from program restrictions	7,617,904	(7,617,904)	-	4,848,010	(4,848,010)	-
Total public support	<u>22,553,074</u>	<u>(3,213,181)</u>	<u>19,339,893</u>	<u>19,937,458</u>	<u>(253,144)</u>	<u>19,684,314</u>
<b>Earned Revenue:</b>						
Program income	12,317,649	-	12,317,649	12,773,468	-	12,773,468
Membership dues	4,444,345	-	4,444,345	4,658,051	-	4,658,051
Investment return designated for current operations	8,089,143	-	8,089,143	6,488,566	-	6,488,566
Total earned revenue	<u>24,851,137</u>	<u>-</u>	<u>24,851,137</u>	<u>23,920,085</u>	<u>-</u>	<u>23,920,085</u>
Total public support and earned revenue	<u>47,404,211</u>	<u>(3,213,181)</u>	<u>44,191,030</u>	<u>43,857,543</u>	<u>(253,144)</u>	<u>43,604,399</u>
<b>Operating Expenses:</b>						
Program services	37,489,047	-	37,489,047	34,048,607	-	34,048,607
Administration and general	6,794,574	-	6,794,574	5,492,783	-	5,492,783
Development	3,946,463	-	3,946,463	3,209,338	-	3,209,338
Total operating expenses	<u>48,230,084</u>	<u>-</u>	<u>48,230,084</u>	<u>42,750,728</u>	<u>-</u>	<u>42,750,728</u>
Changes in net assets from operations before depreciation	(825,873)	(3,213,181)	(4,039,054)	1,106,815	(253,144)	853,671
Depreciation	3,080,901	-	3,080,901	3,119,106	-	3,119,106
Changes in net assets from operations	<u>(3,906,774)</u>	<u>(3,213,181)</u>	<u>(7,119,955)</u>	<u>(2,012,291)</u>	<u>(253,144)</u>	<u>(2,265,435)</u>
<b>Non-Operating Revenue (Expenses):</b>						
Investment return	2,887,305	18,413,531	21,300,836	2,915,390	11,880,930	14,796,320
Investment return designated for current operations	(2,286,369)	(5,802,774)	(8,089,143)	(462,855)	(6,025,711)	(6,488,566)
Capital grants	-	30,671,964	30,671,964	-	4,537,406	4,537,406
Change in value of split-interest agreements	39,587	729,651	769,238	32,282	1,337,471	1,369,753
Contributions to endowment	-	971,091	971,091	-	3,221,715	3,221,715
Employee Retention Credit revenue	-	-	-	1,871,357	-	1,871,357
Net assets released from capital grants	10,677,579	(10,677,579)	-	3,347,400	(3,347,400)	-
Total non-operating revenue (expenses)	<u>11,318,102</u>	<u>34,305,884</u>	<u>45,623,986</u>	<u>7,703,574</u>	<u>11,604,411</u>	<u>19,307,985</u>
Changes in net assets	7,411,328	31,092,703	38,504,031	5,691,283	11,351,267	17,042,550
Net assets, beginning of year	94,492,118	240,079,046	334,571,164	88,800,835	228,727,779	317,528,614
Net assets, end of year	<u>\$ 101,903,446</u>	<u>\$ 271,171,749</u>	<u>\$ 373,075,195</u>	<u>\$ 94,492,118</u>	<u>\$ 240,079,046</u>	<u>\$ 334,571,164</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,

	2024				2023			
	<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>
<b>Personnel and Related Costs:</b>								
Salary and wages	\$ 24,731,127	\$ 3,974,270	\$ 2,621,422	\$ 31,326,819	\$ 21,702,580	\$ 3,190,121	\$ 2,080,713	\$ 26,973,414
Fringe benefits	5,409,881	998,993	651,872	7,060,746	4,817,175	830,232	534,959	6,182,366
Total personnel and related costs	<u>30,141,008</u>	<u>4,973,263</u>	<u>3,273,294</u>	<u>38,387,565</u>	<u>26,519,755</u>	<u>4,020,353</u>	<u>2,615,672</u>	<u>33,155,780</u>
<b>Other:</b>								
Supplies and equipment	1,806,973	299,603	16,718	2,123,294	2,032,712	169,103	21,069	2,222,884
Professional and consultant fees	1,217,337	891,587	307,802	2,416,726	1,641,453	490,521	279,665	2,411,639
Service contracts	549,524	174,177	223,423	947,124	480,258	213,258	207,145	900,661
Utilities	487,412	31,119	25	518,556	471,612	40,033	131	511,776
Awards, gifts and scholarships	293,641	39,082	1,699	334,422	267,969	110,947	9,090	388,006
Insurance	541,421	76,797	-	618,218	484,336	71,358	-	555,694
Miscellaneous	1,341,304	-	94,696	1,436,000	1,048,726	-	57,100	1,105,826
Postage, printing and photocopying	595,141	187,312	17,786	800,239	602,740	220,333	16,291	839,364
Vehicles and travel	482,248	34,620	10,945	527,813	421,195	23,291	2,625	447,111
Advertising and promotion	33,038	87,014	75	120,127	77,851	133,586	550	211,987
Total other	<u>7,348,039</u>	<u>1,821,311</u>	<u>673,169</u>	<u>9,842,519</u>	<u>7,528,852</u>	<u>1,472,430</u>	<u>593,666</u>	<u>9,594,948</u>
Total expenses before depreciation	37,489,047	6,794,574	3,946,463	48,230,084	34,048,607	5,492,783	3,209,338	42,750,728
<b>Depreciation</b>	<u>3,028,810</u>	<u>52,091</u>	<u>-</u>	<u>3,080,901</u>	<u>3,079,538</u>	<u>39,568</u>	<u>-</u>	<u>3,119,106</u>
Total expenses	<u>\$ 40,517,857</u>	<u>\$ 6,846,665</u>	<u>\$ 3,946,463</u>	<u>\$ 51,310,985</u>	<u>\$ 37,128,145</u>	<u>\$ 5,532,351</u>	<u>\$ 3,209,338</u>	<u>\$ 45,869,834</u>

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

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

***Combined Statements of Cash Flows***

*Years Ended June 30,*

	<b>2024</b>	<b>2023</b>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 38,504,031	\$ 17,042,550
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,080,901	3,119,106
Net unrealized and realized gains on investments	(20,321,526)	(14,178,671)
Capital grants	(12,671,964)	(4,537,406)
Endowment contributions	(971,091)	(3,221,715)
Changes in split-interest agreements	279,422	(599,555)
Changes in operating assets and liabilities:		
Grants and accounts receivable	(761,626)	(78,154)
Pledges receivable	(16,492,480)	659,174
Prepaid expenses and other assets	132,392	(46,257)
Accounts payable and accrued expenses	(205,935)	1,192,530
Amounts received in advance for future services	<u>(434,154)</u>	<u>(718,763)</u>
Net cash used in operating activities	<u>(9,862,030)</u>	<u>(1,367,161)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment and land	(12,878,739)	(5,706,490)
Proceeds from sale of investments	11,387,508	5,582,238
Purchase of investments	(7,028,315)	(2,205,000)
Payments to annuitants	<u>(415,956)</u>	<u>(401,768)</u>
Net cash used in investing activities	<u>(8,935,502)</u>	<u>(2,731,020)</u>
<b>Cash Flows from Financing Activities:</b>		
Capital grants	12,671,964	4,537,406
Endowment contributions	<u>971,091</u>	<u>3,221,715</u>
Net cash provided by financing activities	<u>13,643,055</u>	<u>7,759,121</u>
<b>Net Change in Cash and Cash Equivalents</b>	(5,154,477)	3,660,940
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>35,057,016</u>	<u>31,396,076</u>
End of year	\$ <u><u>29,902,539</u></u>	\$ <u><u>35,057,016</u></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 Credit Losses***

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 expected credit losses at June 30, 2024 and 2023.

***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 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)***

***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 1,800 items cataloged in the collection.

***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.

***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.

**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, 2024 and 2023. These funds have been discounted to their net present value of an annuity using a rate of 5.6% and 4.2% at June 30, 2024 and 2023, 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, 2024 and 2023. These funds have been discounted to their net present value based upon the donor's expected life and a rate of 5.6% and 4.2% at June 30, 2024 and 2023, 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, 2024 and 2023. 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 5.6% and 4.2% at June 30, 2024 and 2023, 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, 2024 and 2023 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.

***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 revenues, annual fund contributions, gifts, bequests and legacies, government grants, memberships, and net assets released from program restrictions. Non-operating activities include investment return, net of amounts appropriated for operations, contributions for capital projects, Employee Retention Credit revenue, contributions to endowment, the changes in the value of split-interest agreements and net assets released from restrictions from capital grants restrictions.

***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 6, 2024, 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:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ -	\$ 233,192
Grants and accounts receivable	2,094,516	1,332,890
Current portion of pledges receivable, net	697,849	167,500
Spending rate distribution and appropriation	<u>8,455,673</u>	<u>8,444,585</u>
	<u>\$ 11,248,038</u>	<u>\$ 10,178,167</u>

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 \$9,335,230 and \$11,945,060 at June 30, 2024 and 2023, respectively. The balance of the investments in the fund without donor restrictions was \$21,518,090 and \$20,998,431 at June 30, 2024 and 2023, respectively.

***Note 3 - Pledges Receivable***

Pledges receivable are as follows at June 30:

	<u>2024</u>	<u>2023</u>
Due in less than one year	\$ 10,029,849	\$ 1,212,186
Due in one to five years	<u>10,331,949</u>	<u>728,581</u>
	20,361,798	1,940,767
Less - pledge discount and allowance	<u>(2,082,170)</u>	<u>(153,619)</u>
	<u>\$ 18,279,628</u>	<u>\$ 1,787,148</u>

Conditional contributions under grant arrangements that have been committed but not yet recognized as revenue given a barrier to entitlement amounted to approximately \$9,011,000 and \$3,887,000 as of June 30, 2024 and 2023, respectively.

**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:

	<b>2024</b>		
	<u>Level 1</u>	<u>NAV</u>	<u>Total</u>
Mutual funds:			
Large cap	\$ 24,130,678	\$ 587,092	\$ 24,717,770
Other	24,767,011	-	24,767,011
International	15,759,054	-	15,759,054
Money market funds	1,147,552	-	1,147,552
Alternative investments:			
Limited partnerships	-	64,846,425	64,846,425
Direct hedge funds	-	36,597,425	36,597,425
Commingled trust funds	4,154,805	10,341,395	14,496,200
Fund of funds	-	18,406,444	18,406,444
Other investments:			
Charitable remainder trusts	5,391,639	-	5,391,639
Charitable gift annuities	3,218,893	-	3,218,893
Pooled life income funds	986,287	-	986,287
	<u>\$ 79,555,919</u>	<u>\$ 130,778,781</u>	<u>\$ 210,334,700</u>
	<b>2023</b>		
	<u>Level 1</u>	<u>NAV</u>	<u>Total</u>
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
	<u>\$ 75,205,391</u>	<u>\$ 119,179,711</u>	<u>\$ 194,385,102</u>

**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>2024</u>	<u>2023</u>
<b>Liquidity</b>		
Daily	\$ 108,303,758	\$ 101,282,425
Monthly	17,683,699	16,056,880
Quarterly	33,323,034	27,727,013
Annually and greater	24,896,298	25,714,811
Illiquid	<u>26,127,911</u>	<u>23,603,973</u>
 Total investments	 <u>\$ 210,334,700</u>	 <u>\$ 194,385,102</u>

Mass Audubon has commitments to investment in partnerships of approximately \$11,452,000 and \$11,970,000 at June 30, 2024 and 2023, respectively.

There are no plans or intentions to liquidate investments valued at NAV at amounts other than the recorded amounts at June 30, 2024 and 2023.

***Note 5 - Property and Equipment***

Property and equipment is as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Buildings and improvements	\$ 57,450,165	\$ 55,593,287
Capital assets in progress	26,535,286	17,238,280
Office furniture and computer equipment	306,949	306,950
Motor vehicles	2,389,572	2,655,828
Maintenance and program equipment	<u>1,726,789</u>	<u>1,117,606</u>
	88,408,761	76,911,951
 Less - accumulated depreciation	 <u>34,888,776</u>	 <u>31,877,966</u>
 Net property and equipment	 <u>\$ 53,519,985</u>	 <u>\$ 45,033,985</u>

During 2024 and 2023, Mass Audubon disposed of \$64,548 and \$416,037, respectively, of property and equipment resulting in de minimis losses.

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

***Notes to Combined Financial Statements***

**Note 6 - Net Assets**

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

	<b>2024</b>	<b>2023</b>
Without donor restrictions:		
Undesignated	\$ 71,050,126	\$ 61,548,627
Board designated:		
Funds functioning as endowment	21,518,090	20,998,431
Other	9,335,230	11,945,060
Total board designated	30,853,320	32,943,491
 Total without donor restrictions	 101,903,446	 94,492,118
With donor restrictions:		
Purpose restricted:		
Appreciation on donor-restricted endowment	81,374,265	69,864,494
Capital projects	11,155,378	8,261,910
Program activities	31,343,976	16,325,881
Charitable gift annuities	1,916,601	1,578,183
Pooled life income funds	622,081	689,619
Charitable remainder trusts	3,020,344	2,590,946
Total purpose restricted	129,432,645	99,311,033
 Perpetual in nature	 141,739,104	 140,768,013
 Total with donor restrictions	 271,171,749	 240,079,046
 Total net assets	 \$ 373,075,195	 \$ 334,571,164

**Note 7 - 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 7 - 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 7 - 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 31<sup>st</sup> 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><i>Without Donor Restrictions</i></u>	<u><i>With Donor Restrictions</i></u>	<u><i>Total Net Endowment Assets</i></u>
Endowment net assets, June 30, 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	20,936,929	163,868,886	184,805,815
Contributions	1,200,033	971,091	2,171,124
Investment return, net	2,146,009	17,311,166	19,457,175
Amounts appropriated for expenditure	<u>(2,764,881)</u>	<u>(5,802,774)</u>	<u>(8,567,655)</u>
Endowment net assets, June 30, 2024	<u>\$ 21,518,090</u>	<u>\$ 176,348,369</u>	<u>\$ 197,866,459</u>

Excluded from the endowment schedule above is approximately \$46,765,000 at June 30, 2024 and 2023 of land which is restricted in nature. For the year ended June 30, 2024, the Board of Directors approved a maximum endowment appropriation of approximately \$8,445,000. The maximum amount was not fully drawn upon given the liquidity needs of Mass Audubon. For the year ended June 30, 2024, the Board of Directors approved an additional appropriation of approximately \$1,800,000 for capital projects.

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

***Notes to Combined Financial Statements***

***Note 7 - 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 6). 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 8 - 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 \$1,281,000 and \$1,149,000 for the years ended June 30, 2024 and 2023, respectively.

***Note 9 - 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.

***Note 10 - Concentrations of Credit Risk***

Mass Audubon maintains cash balances in financial institutions, which, at times, may exceed federally insured limits. Mass Audubon has not experienced any losses in such accounts.

A significant amount of pledges receivable is from one donor. At June 30, 2024, one donor represented 88% of pledges receivable.

For the year ended June 30, 2024, one donor represented approximately 55% of Mass Audubon's revenue.