



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

**COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Contents
June 30, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors, Audit Committee, and Management of
Massachusetts Audubon Society, Inc. and to the Trustees of the 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 statement of financial position as of June 30, 2016, and the related combined statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the combined financial statements. We have also audited the accompanying financial statements for MAS which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended.

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.

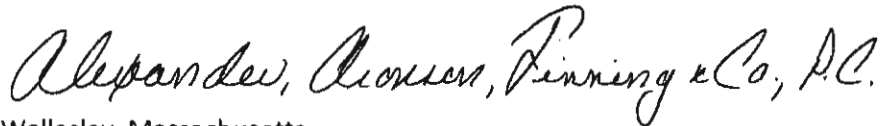
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016, and the changes in their net assets and their cash flows for the year ended, and the financial position of Massachusetts Audubon Society, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information shown on pages 20 through 21 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.



Wellesley, Massachusetts
November 2, 2016

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Combined Statements of Financial Position
June 30, 2016 and 2015

Assets	2016			2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current Assets:							
Cash and cash equivalents	\$ 6,602,310	\$ 4,827,303	\$ -	\$ 11,429,613	\$ 3,877,985	\$ -	\$ 8,362,881
Accounts receivable	1,276,584	-	-	1,276,584	1,833,307	-	1,833,307
Current portion of pledges receivable, net of allowance	84,045	322,563	-	406,608	966,728	-	1,030,622
Inventory	211,874	-	-	211,874	206,097	-	206,097
Prepaid expenses	426,528	-	-	426,528	233,359	-	233,359
Total current assets	8,601,341	5,149,866	-	13,751,207	6,214,842	-	11,666,266
Investments	4,456,302	50,132,711	69,771,077	124,360,090	5,061,558	65,710,005	130,007,835
Pledges Receivable, net of current portion, allowance and discount	26,109	163,713	3,105	192,927	51,493	66,918	528,931
Due to (from) Other Funds	(757,092)	927,961	(170,868)	-	1,333,026	(169,052)	-
Fine Arts Collection	1,368,422	-	25,000	1,393,422	1,368,422	25,000	1,393,422
Property and Equipment:							
Land	10,464,407	-	46,524,235	56,988,642	9,969,760	45,384,721	55,354,481
Buildings and improvements	49,231,924	-	-	49,231,924	43,622,081	-	43,622,081
Capital assets in progress	16,495,645	-	-	16,495,645	17,858,936	-	17,858,936
Office furniture and computer equipment	2,950,198	-	-	2,950,198	2,843,657	-	2,843,657
Motor vehicles	2,449,497	-	-	2,449,497	2,209,239	-	2,209,239
Maintenance and program equipment	1,100,171	-	-	1,100,171	912,256	-	912,256
Less - accumulated depreciation	(82,691,842)	-	(46,524,235)	(129,216,077)	(77,415,929)	(45,384,721)	(122,800,650)
Net property and equipment	26,494,332	-	26,494,332	26,494,332	23,922,522	-	23,922,522
Total assets	56,197,310	56,374,251	116,152,548	242,419,391	67,522,548	111,017,592	242,474,582
Liabilities and Net Assets							
Current Liabilities:							
Accounts payable and accrued expenses	\$ 2,058,357	\$ -	\$ -	\$ 2,058,357	\$ 1,696,312	\$ -	\$ 1,696,312
Amount received in advance for future services	4,174,139	-	-	4,174,139	4,407,439	-	4,407,439
Current portion of split-interest liabilities	400,234	-	-	400,234	503,627	-	503,627
Total current liabilities	6,632,730	-	-	6,632,730	6,607,378	-	6,607,378
Long-Term Debt	-	-	-	-	180,055	-	180,055
Split-interest liabilities, net of current portion	3,349,429	-	-	3,349,429	4,403,095	-	4,403,095
Total liabilities	9,982,159	-	-	9,982,159	11,190,528	-	11,190,528
Net Assets:							
Operating, property, equipment and fine arts Board designated:							
Funds functioning as endowment	45,965,767	-	-	45,965,767	47,283,841	-	47,283,841
Other	6,034,758	-	-	6,034,758	3,202,955	-	3,202,955
Endowment funds with deficiencies	8,914,625	-	-	8,914,625	6,257,131	-	6,257,131
Total unrestricted	(1,004,717)	-	-	(1,004,717)	(411,907)	-	(411,907)
Temporarily restricted	59,910,433	-	-	59,910,433	56,332,020	-	56,332,020
Permanently restricted	-	56,374,251	-	56,374,251	-	-	63,934,442
Total net assets	59,910,433	56,374,251	116,152,548	232,437,232	63,934,442	111,017,592	231,284,054
Total liabilities and net assets	69,892,592	56,374,251	116,152,548	242,419,391	67,522,548	111,017,592	242,474,582

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, 2016 and 2015

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support:								
Investment return designated for current operations	\$ 5,390,233	\$ -	\$ -	\$ 5,390,233	\$ 5,241,413	\$ -	\$ -	\$ 5,241,413
Gifts, grants and budgeted bequests	3,653,551	270,378	-	3,923,929	4,100,554	1,258,923	-	5,359,477
Government grants	1,864,492	-	-	1,864,492	1,209,894	-	-	1,209,894
Contributed services	289,859	-	-	289,859	262,824	-	-	262,824
Net assets released from program restrictions	689,768	(689,768)	-	-	1,226,133	(1,226,133)	-	-
Total public support	11,887,903	(419,390)	-	11,468,513	12,040,818	32,790	-	12,073,608
Earned Revenue:								
Program income	9,775,600	-	-	9,775,600	9,059,701	-	-	9,059,701
Membership dues	3,582,643	-	-	3,582,643	3,438,887	-	-	3,438,887
Other revenue	71,664	-	-	71,664	36,039	-	-	36,039
Total earned revenue	13,429,907	-	-	13,429,907	12,534,627	-	-	12,534,627
Total public support and earned revenue	25,317,810	(419,390)	-	24,898,420	24,575,445	32,790	-	24,608,235
Operating Expenses:								
Program services	22,398,661	-	-	22,398,661	22,098,882	-	-	22,098,882
Administration and general	3,481,842	-	-	3,481,842	2,938,470	-	-	2,938,470
Development	1,747,665	-	-	1,747,665	1,730,885	-	-	1,730,885
Total operating expenses	27,628,168	-	-	27,628,168	26,768,237	-	-	26,768,237
Changes in net assets from operations	(2,310,358)	(419,390)	-	(2,729,748)	(2,192,792)	32,790	-	(2,160,002)
Non-Operating Revenue (Expenses):								
Legacies and bequests	3,583,272	497,231	2,050,062	6,130,565	1,509,431	-	1,344,417	2,853,848
Capital grants	-	3,175,385	-	3,175,385	-	2,096,221	-	2,096,221
Change in value of split interest agreements	-	2,467,222	-	2,467,222	-	(604,840)	-	(604,840)
Contributions to endowment	-	-	-	-	-	-	-	-
Contributed property	-	-	502,378	502,378	-	-	484,063	484,063
Forgiveness of debt	250,000	-	-	250,000	-	-	-	-
Net assets released from capital restrictions	180,055	-	-	180,055	-	-	-	-
Net assets released from trust time restrictions	3,562,864	(3,562,864)	-	-	1,483,137	(1,483,137)	-	-
Cancellation of grant	-	(1,219,278)	-	(1,219,278)	-	-	-	-
Investment return	842,756	(4,134,259)	(73,129)	(3,364,632)	940,689	(1,666,449)	(68,839)	(794,599)
Investment return designated for current operations	(1,101,877)	(4,288,356)	-	(5,390,233)	(1,091,290)	(4,150,123)	-	(5,241,413)
Total non-operating revenue (expenses)	7,317,070	(7,064,919)	3,630,775	3,882,926	2,841,967	(5,808,328)	1,759,641	(1,206,720)
Changes in net assets	5,006,712	(7,484,309)	3,630,775	1,153,178	649,175	(5,775,538)	1,759,641	(3,366,722)
Net Assets, beginning of year	56,332,020	63,934,442	111,017,592	231,284,054	55,677,737	69,952,437	109,020,602	234,650,776
Transfer of funds designated for special projects	(183,851)	(180,816)	364,667	-	5,108	(242,457)	237,349	-
Transfer of net assets	(1,244,448)	104,934	1,139,514	-	-	-	-	-
Net Assets, end of year	\$ 59,910,433	\$ 56,374,251	\$ 116,152,548	\$ 232,437,232	\$ 56,332,020	\$ 63,934,442	\$ 111,017,592	\$ 231,284,054

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 1,153,178	\$ (3,366,722)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,571,810	2,023,631
Bad debt - uncollectible pledges	147,695	227,598
Loss on investments	4,078,834	1,699,961
Capital grants	(3,175,385)	(2,096,221)
Endowment contributions	(502,378)	(484,063)
Changes in split-interest agreements	(770,055)	1,108,467
Pledge discount	-	(13,859)
Forgiveness of long-term debt	(180,055)	-
Changes in operating assets and liabilities:		
Accounts receivable	556,723	(1,180,637)
Pledges receivable	811,323	(31,269)
Inventory	(5,777)	30,816
Prepaid expenses	(193,169)	(36,103)
Accounts payable and accrued expenses	362,045	471,215
Amounts received in advance for future services	(233,300)	1,021,115
Net cash provided by (used in) operating activities	<u>4,621,489</u>	<u>(626,071)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(6,415,427)	(1,986,555)
Proceeds from sale of investments	27,264,361	8,932,568
Purchase of investments	(26,380,124)	(7,261,397)
Gift annuity contributions	100,000	129,375
Charitable remainder trusts contributions	584,674	-
Payments to annuitants	(387,004)	(503,627)
Net cash used in investing activities	<u>(5,233,520)</u>	<u>(689,636)</u>
Cash Flows from Financing Activities:		
Capital grants	3,175,385	2,096,221
Endowment contributions	503,378	534,605
Net cash provided by financing activities	<u>3,678,763</u>	<u>2,630,826</u>
Net Change in Cash and Cash Equivalents	<u>3,066,732</u>	<u>1,315,119</u>
Cash and Cash Equivalents:		
Beginning of year	<u>8,362,881</u>	<u>7,047,762</u>
End of year	<u>\$ 11,429,613</u>	<u>\$ 8,362,881</u>

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

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2016 and 2015

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. During fiscal year 2016, upon the passing of a trustee, all trustees are affiliated through MAS. MAS and WWTF are 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).

Principles of Combination

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

Accounting Principle Adoption

In fiscal year 2016, Mass Audubon adopted FASB Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, removing the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. As early application is allowed, Mass Audubon has used the retrospective approach for all periods presented whereby investments for which fair value is measured using the net asset value per share practical expedient have been removed from the fair value hierarchy.

Revenue Recognition and Expense Allocation

Unrestricted gifts and grants are recorded as revenue when received or unconditionally committed. Restricted gifts and grants are recorded as temporarily or permanently restricted net assets if they are received with donor-imposed stipulations that limit the use of the asset. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted gifts received and satisfied in the same period are included in unrestricted net assets.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Expense Allocation (Continued)

Program income, including camp fees, are recorded as services are provided. Fees and deposits received in advance of services provided are recorded as amount received in advance for future services in the accompanying combined statements of financial position.

Mass Audubon receives membership fees from various members. Membership dues are recognized as revenue on the membership start date each year.

Mass Audubon occasionally leases its facilities, camp, and watercraft and recognizes rental income when the events occur. 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. All other income is recognized when earned.

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.

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

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by Mass Audubon. Mass Audubon has grouped its unrestricted net assets 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, equipment and fine arts 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. Use of 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. Use of these funds may only be used with the approval of the Board of Directors.

Endowment funds with deficiencies - consists of the net assets that fall below the fair value of the individual donor-restricted endowment funds (see Note 6).

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Temporarily Restricted Net Assets

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 temporarily restricted net assets until they are expended for their designated purposes, or the time restriction has lapsed. Temporarily restricted net assets also include the accumulated unspent appreciation on permanently restricted net assets in accordance with Massachusetts law.

Temporarily restricted net assets consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Accumulated appreciation on permanently restricted endowment (see Note 6)	\$ 38,990,702	\$ 46,504,334
Program restricted	8,577,860	8,875,889
Capital restricted	4,827,303	4,484,896
Split-interest agreements (see page 9)	<u>3,978,386</u>	<u>4,069,323</u>
	<u>\$ 56,374,251</u>	<u>\$ 63,934,442</u>

Permanently Restricted Net Assets

Permanently restricted net assets include endowment funds accumulated from donor-restricted gifts. Earnings from these gifts may be used for operations unless the gift instrument requires them to be added back to permanently restricted net assets, but the principal may not be spent. In accordance with Massachusetts law, all earnings, including interest and dividends, and appreciation of a donor-restricted endowment are temporarily restricted until appropriated by the Board of Directors, and are released to unrestricted net assets based on Mass Audubon's investment spending policy. Also included in permanently restricted net assets is property required to be held in perpetuity for conservation purposes.

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, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels 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 at fair value (see Note 5). Marketable securities are recorded at fair market values as derived directly from quotations on major trading exchanges. Investments in life income funds, gift annuity funds and charitable remainder unitrusts 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 fiscal year 2015, Mass Audubon adopted ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, removing the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. 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 estimated by each investment manager or derived from valuations by underlying fund managers. 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

Planned giving instruments 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 (see page 9). 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 2 inputs (see above).

All Other Assets and Liabilities

The carrying value of all other assets and liabilities does not differ materially from its estimated fair value and are 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 reflected as unrestricted operating net assets 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.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Split-Interest Agreements

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. 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 annuities and charitable remainder trust agreements, usually upon death of the donor or designated individual.

Accounts Receivable and Allowance for Doubtful Accounts

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 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, 2016 and 2015.

Pledges Receivable and Reserve for Uncollectible Pledges

Pledges receivable at June 30, 2016 and 2015, consist of contributions committed to the annual fund and other initiatives (see Note 3). Pledges are recorded at their net present value when unconditionally committed. The reserve for uncollectible pledges is based on past collection experience together with a review of the current status of the existing pledges. Account balances are charged off against the reserve when it is probable the pledge will not be recovered.

Inventory

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

Fine Arts Collection

Collection items that were acquired by purchase are capitalized at cost. Mass Audubon discontinued the practice of capitalizing fine arts collection items acquired by contribution. Fine arts collections are not depreciated.

Property and Equipment and Depreciation

Property and equipment having a value of \$1,000 or more and a useful life of at least three years are capitalized. Property and equipment are 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.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

Depreciation expense for the years ended June 30, 2016 and 2015, was \$2,571,810 and \$2,023,631, respectively.

Purchased land is recorded at acquisition cost. Donated land is recorded at a nominal amount because management does not believe the cost and difficulties of obtaining appraisals would be beneficial, given that Mass Audubon generally does not sell donated properties. The cost of purchasing conservation restrictions and easements is not capitalized but is expensed. For the years ended June 30, 2016 and 2015, expenditures related to conservation restrictions and easements were \$70,642 and \$63,389, respectively. 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, 2016 and 2015, were \$55,996 and \$69,471, 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 \$250,000 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 and is included in non-operating revenue in the accompanying combined statements of activities and changes in net assets for the years ended June 30, 2016 and 2015.

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.

Subsequent Events

Subsequent events have been evaluated through November 2, 2016, which is the date the combined financial statements were available to be issued. There was one event that met the criteria for recognition or disclosure in the combined financial statements (see Note 14).

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2016 and 2015

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, 2016 and 2015.

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 operating revenue and operating expenses in the accompanying combined statements of activities and changes in net assets. Non-operating revenue (expenses) include endowment, capital, investment activity, and bequests in excess of \$250,000.

3. PLEDGES RECEIVABLE

Mass Audubon has pledges receivable, which are due as follows at June 30:

	<u>2016</u>	<u>2015</u>
Due in less than one year	\$ 490,884	\$ 1,134,023
Due in one to five years	<u>214,271</u>	<u>531,150</u>
	705,155	1,665,173
Less - discount	23,822	23,822
Less - reserve for uncollectible pledges	<u>81,798</u>	<u>81,798</u>
	<u>\$ 599,535</u>	<u>\$ 1,559,553</u>

Pledges receivable are primarily from foundations, corporations, and individuals located throughout Massachusetts. Pledges with permanent restrictions have been included in long-term pledges in the accompanying combined statements of financial position as of June 30, 2016 and 2015. Long-term pledges have been discounted using discount factors of 3% at June 30, 2016 and 2015.

4. INVENTORY

Inventory consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Retail merchandise at Lincoln gift shop	\$ 156,892	\$ 140,777
Other retail merchandise	35,812	32,876
Publications	<u>19,170</u>	<u>32,444</u>
	<u>\$ 211,874</u>	<u>\$ 206,097</u>

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2016 and 2015

5. INVESTMENTS

Investments, which are stated at fair value in the accompanying combined statements of financial position, are as follows, by level within the valuation framework (see Note 1), as of June 30:

	2016			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Large cap	\$ 17,104,311	\$ -	\$ -	\$ 17,104,311
International	10,450,141	-	-	10,450,141
Fixed income	3,692,047	-	-	3,692,047
Private equities:				
Common stock - privately held company	-	-	871,269	871,269
Money market funds	549,358	-	-	549,358
Alternative investments:				
Commingled trust funds *	-	-	-	35,923,371
Fund of funds *	-	-	-	21,353,780
Limited partnerships *	-	-	-	19,356,432
Direct hedge funds *	-	-	-	7,331,332
Other investments:				
Planned giving assets	7,728,049	-	-	7,728,049
	<u>\$ 39,523,906</u>	<u>\$ -</u>	<u>\$ 871,269</u>	<u>\$ 124,360,090</u>
	2015			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Large cap	\$ 16,257,824	\$ -	\$ -	\$ 16,257,824
Large/mid cap	4,401,712	-	-	4,401,712
Mid cap	3,913,530	-	-	3,913,530
International	12,351,857	-	-	12,351,857
Fixed income	3,541,020	-	-	3,541,020
Private equities:				
Common stock - privately held company	-	-	944,398	944,398
Money market funds	579,525	-	-	579,525
Alternative investments:				
Commingled trust funds *	-	-	-	37,264,017
Fund of funds *	-	-	-	15,265,038
Limited partnerships *	-	-	-	19,148,304
Direct hedge funds *	-	-	-	7,364,565
Other investments:				
Planned giving assets	8,976,045	-	-	8,976,045
	<u>\$ 50,021,513</u>	<u>\$ -</u>	<u>\$ 944,398</u>	<u>\$ 130,007,835</u>

* In accordance with 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 FUNDNotes to Combined Financial Statements
June 30, 2016 and 2015**5. INVESTMENTS (Continued)**

Planned giving assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Charitable remainder trusts	\$ 4,142,167	\$ 5,137,349
Gift annuities	2,376,098	2,631,415
Life income funds	<u>1,209,784</u>	<u>1,207,281</u>
	<u>\$ 7,728,049</u>	<u>\$ 8,976,045</u>

Planned giving assets are invested in a variety of investment types, all of which are valued using Level 1 inputs (see page 8).

Included in investments is an investment in a privately held company acquired as part of a bequest. Because no market price is available, this investment is carried at the donor's estate tax value as annually adjusted based on the change in equity of the company, which is considered a Level 3 input (see page 8). The value at June 30, 2016 and 2015, was \$871,269 and \$944,398, respectively.

A reconciliation of the Level 3 investment activity was as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 944,398	\$ 1,013,237
Net unrealized loss on investments	<u>(73,129)</u>	<u>(68,839)</u>
Ending balance	<u>\$ 871,269</u>	<u>\$ 944,398</u>

As of June 30, 2016, Mass Audubon was committed to contribute approximately \$6,066,000 in additional capital to alternative investments throughout the terms of those investments, normally not to exceed fifteen years.

The following is a summary of investment return (loss) for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Unrealized losses on investments	\$ (3,993,921)	\$ (5,322,604)
Interest and dividends, net of fees	922,152	967,478
Realized gains (losses) on investments	<u>(292,863)</u>	<u>3,560,527</u>
	<u>\$ (3,364,632)</u>	<u>\$ (794,599)</u>

Investment management fees paid directly to managers are included in administration and general expenses in the accompanying combined statements of activities and changes in net assets. Additional investment fees that were not paid directly to the managers 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, 2016 and 2015

6. ENDOWMENT

The Mass Audubon Pooled Endowment Fund (the Fund) consists of approximately three hundred individual funds established for a variety of purposes. The Fund includes both donor-restricted 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 as permanently restricted net assets (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 temporarily restricted net assets until those amounts are appropriated for expenditure by Mass Audubon.

Mass Audubon considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Mass Audubon and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Mass Audubon
7. The investment policies of Mass Audubon

Investment Return Objectives, Risk Parameters and Strategies

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

- The foremost responsibility of the Investment Committee is to preserve the purchasing power of the Fund. Preservation shall be measured in terms of real spending power after adjustment for additions to and withdrawals from the Fund.
- Consistency of performance is of paramount importance.
- 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 will be 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.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2016 and 2015

6. ENDOWMENT (Continued)

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 Mass Audubon's 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.

Endowment Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar value. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets and totaled \$1,004,717 and \$411,907 as of June 30, 2016 and 2015, respectively.

Endowment Activity

The following table summarizes activity of Mass Audubon's endowment:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, June 30, 2014	\$ 2,267,099	\$ 52,096,785	\$ 63,610,881	\$ 117,974,765
Investment return	(56,713)	(1,275,734)	(68,839)	(1,401,286)
Contributions	1,509,431	-	1,828,480	3,337,911
Appropriation of assets	(928,769)	(166,594)	237,349	(858,014)
Investment return designated for current operations	-	(4,150,123)	-	(4,150,123)
Sub-total	<u>523,949</u>	<u>(5,592,451)</u>	<u>1,996,990</u>	<u>(3,071,512)</u>
Endowment net assets, June 30, 2015	<u>2,791,048</u>	<u>46,504,334</u>	<u>65,607,871</u>	<u>114,903,253</u>
Investment return	(131,335)	(3,052,165)	(73,129)	(3,256,629)
Contributions	3,435,483	-	3,703,904	7,139,387
Appropriation of assets	(1,065,155)	(173,112)	364,667	(873,600)
Investment return designated for current operations	-	(4,288,355)	-	(4,288,355)
Sub-total	<u>2,238,993</u>	<u>(7,513,632)</u>	<u>3,995,442</u>	<u>(1,279,197)</u>
Endowment net assets, June 30, 2016	<u>\$ 5,030,041</u>	<u>\$ 38,990,702</u>	<u>\$ 69,603,313</u>	<u>\$ 113,624,056</u>

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2016 and 2015

7. DEBT

Long-Term Debt

Mass Audubon had a \$180,055 unsecured non-interest bearing note payable. There were no required minimum payments and the balance of the note was due in July 2024. Annually, the lender had the option to forgive a discretionary portion of the principal. During fiscal year 2016, the note was forgiven in full. There were no payments or forgiveness of principal during the year ended June 30, 2015.

Note Payable to a Bank

At June 30, 2016 and 2015, Mass Audubon has available up to \$100,000 on an unsecured line of credit agreement with a bank which expires on May 29, 2017. Borrowings under the line of credit bear interest at the London Interbank Offered Rate (LIBOR) Advantage Rate (0.45% and 0.19% at June 30, 2016 and 2015, respectively), plus 2%. This agreement contains certain financial and non-financial covenants with which Mass Audubon must comply. Management is not aware of any violations of the covenants as of June 30, 2016 and 2015. At June 30, 2016 and 2015, no borrowings were outstanding under the line of credit agreement.

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's matching contributions are subject to IRS limitations. For the years ended June 30, 2016 and 2015, Mass Audubon's contributions to the plan totaled approximately \$766,000 and \$758,000, respectively.

9. CONTRIBUTED PROPERTY AND SERVICES

The value of donated property and services (see page 10) and the corresponding expenses included in the accompanying combined statements of activities and changes in net assets for the years ended June 30, 2016 and 2015, consist of:

	<u>2016</u>	<u>2015</u>
Volunteer hours at sanctuaries	\$ 289,859	\$ 262,824
Donated property	<u>250,000</u>	<u>-</u>
	<u>\$ 539,859</u>	<u>\$ 262,824</u>

In addition, each year almost fourteen thousand volunteers donate a total of more than 150,000 hours of time to Mass Audubon's environmental education, advocacy, research, and sanctuary program services. 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 page 10).

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2016 and 2015

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 the former president's services 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 exceeded the insured amounts. Mass Audubon has not experienced any losses in such accounts.

Funding

Mass Audubon receives funding under Federal contracts. Payments to Mass Audubon are subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of Mass Audubon as of June 30, 2016 and 2015, or on its results of operations for the years then ended. As of June 30, 2016, two government agencies represent 32% of accounts receivable. As of June 30, 2015, one government agency represents 11% of accounts receivable.

Approximately 28% of gross pledges receivable at June 30, 2016, was due from two donors. Approximately 18% of gross pledges receivable at June 30, 2015, was due from one donor.

12. TRANSFERS

Mass Audubon engages donors in various capital campaigns in support of its wildlife sanctuaries. Upon completion of a capital campaign, any unexpended amounts are transferred to the endowment or used for operations.

13. 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. The present value of the annuity payments under these agreements is included in split-interest liabilities in the accompanying statements of financial position and totaled \$1,596,962 and \$1,828,866, respectively at June 30, 2016 and 2015. 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 (1.80% and 2.00% at June 30, 2016 and 2015, respectively).

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2016 and 2015

13. SPLIT INTEREST AGREEMENTS (Continued)

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 the unrestricted net assets of Mass Audubon, unless the donor has designated these funds for a permanently restricted purpose. The pooled income funds are included in temporarily restricted net assets at June 30, 2016 and 2015. These funds have been discounted to their net present value based upon the donor’s expected life and a rate of (1.49% and 2.35% at June 30, 2016 and 2015, respectively).

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 present value of the payments under these agreements is included in the accompanying statements of financial position as split-interest liabilities and totaled \$2,067,246 and \$2,955,360 at June 30, 2016 and 2015, respectively. 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 (1.80% and 2.00% at June 30, 2016 and 2015, respectively).

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

	2016			
	<u>Charitable Gift Annuities</u>	<u>Pooled Income Funds</u>	<u>Charitable Remainder Trusts</u>	<u>Total</u>
Asset	\$ 2,376,098	\$ 1,209,785	\$ 4,142,166	\$ 7,728,049
Obligations	<u>1,596,962</u>	<u>85,455</u>	<u>2,067,246</u>	<u>3,749,663</u>
Total net assets	<u>\$ 779,136</u>	<u>\$ 1,124,330</u>	<u>\$ 2,074,920</u>	<u>\$ 3,978,386</u>
	2015			
	<u>Charitable Gift Annuities</u>	<u>Pooled Income Funds</u>	<u>Charitable Remainder Trusts</u>	<u>Total</u>
Asset	\$ 2,631,415	\$ 1,207,281	\$ 5,137,349	\$ 8,976,045
Obligations	<u>1,828,866</u>	<u>122,496</u>	<u>2,955,360</u>	<u>4,906,722</u>
Total net assets	<u>\$ 802,549</u>	<u>\$ 1,084,785</u>	<u>\$ 2,181,989</u>	<u>\$ 4,069,323</u>

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2016 and 2015

13. 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>2016</u>	<u>2015</u>
Beginning Balance	\$ 4,906,722	\$ 4,301,883
Payments	(387,004)	(503,627)
Change in value	(389,118)	1,114,510
Releases due to death of beneficiary	<u>(380,937)</u>	<u>(6,044)</u>
Ending Balance	<u>\$ 3,749,663</u>	<u>\$ 4,906,722</u>

14. SUBSEQUENT EVENT

In August 2016, Mass Audubon entered into an agreement with a seller for \$25,000 to acquire the option to purchase the Tidmarsh Farms property located in Plymouth, Massachusetts for \$2,300,000. The option expires in January 2018. Mass Audubon intends at the present time to purchase the property contingent upon receiving certain grant commitments.

15. RECLASSIFICATIONS

Certain amounts in the June 30, 2015 financial statements have been reclassified to conform to the June 30, 2016 combined presentation.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Combining Statement of Financial Position
June 30, 2018

Assets	Massachusetts Audubon Society, Inc.			Whetstone Wood Trust Fund			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current Assets:							
Cash and cash equivalents	\$ 6,455,572	\$ 4,827,303	\$ -	\$ 11,282,875	\$ 146,738	\$ -	\$ 11,429,613
Accounts receivable	1,276,584	-	-	1,276,584	-	-	1,276,584
Current portion of pledges receivable, net of allowance	84,045	322,563	-	406,608	-	-	406,608
Inventory	211,874	-	-	211,874	-	-	211,874
Prepaid expenses	426,528	-	-	426,528	-	-	426,528
Total current assets	8,454,603	5,149,866	-	13,604,469	146,738	-	13,751,207
Investments	4,395,417	49,520,821	69,771,077	123,687,315	90,685	611,890	124,369,090
Pledges receivable, net of current portion, allowance and discount	26,109	163,713	3,105	192,927	-	-	192,927
Due to (from) Other funds	(757,092)	927,961	(170,869)	-	-	-	-
Due to (from) Affiliate	-	-	(543,453)	(543,453)	-	543,453	-
Fine Arts Collection	1,368,422	-	25,000	1,393,422	-	-	1,393,422
Property and Equipment:							
Land	10,464,407	-	45,384,721	55,849,128	-	1,139,514	56,988,642
Buildings and improvements	49,202,223	-	-	49,202,223	29,701	-	49,231,924
Capital assets in progress	16,495,645	-	-	16,495,645	-	-	16,495,645
Office furniture and computer equipment	2,950,198	-	-	2,950,198	-	-	2,950,198
Motor vehicles	2,449,497	-	-	2,449,497	-	-	2,449,497
Maintenance and program equipment	1,100,171	-	-	1,100,171	-	-	1,100,171
Less - accumulated depreciation	(82,662,141)	-	(45,384,721)	(128,046,862)	(29,701)	(1,139,514)	(129,216,077)
Net property and equipment	26,466,631	-	-	26,466,631	(29,701)	-	26,436,930
Total assets	\$ 69,654,969	\$ 55,762,361	\$ 114,469,581	\$ 239,886,911	\$ 237,623	\$ 611,890	\$ 242,419,391
Liabilities and Net Assets							
Current Liabilities:							
Accounts payable and accrued expenses	\$ 1,994,730	\$ -	\$ -	\$ 1,994,730	\$ 63,627	\$ -	\$ 2,058,357
Amount received in advance for future services	4,174,139	-	-	4,174,139	-	-	4,174,139
Current portion of split-interest liabilities	387,004	-	-	387,004	13,230	-	400,234
Total current liabilities	6,555,873	-	-	6,555,873	76,857	-	6,632,730
Split-Interest Liabilities, net of current portion	3,271,774	-	-	3,271,774	77,655	-	3,349,429
Total liabilities	9,827,647	-	-	9,827,647	154,512	-	9,982,159
Net Assets:							
Unrestricted:							
Operating, property, equipment and fine arts	45,882,656	-	-	45,882,656	83,111	-	45,965,767
Board designated:							
Funds functioning as endowment	6,034,758	-	-	6,034,758	-	-	6,034,758
Other	8,914,625	-	-	8,914,625	-	-	8,914,625
Endowment funds with deficiencies	(1,004,717)	-	-	(1,004,717)	-	-	(1,004,717)
Total unrestricted	59,827,322	-	-	59,827,322	83,111	-	59,910,433
Temporarily restricted	-	55,762,361	-	55,762,361	-	611,890	56,374,251
Permanently restricted	-	114,469,581	-	114,469,581	-	1,682,967	116,152,548
Total net assets	59,827,322	55,762,361	114,469,581	230,059,264	83,111	1,682,967	232,437,232
Total liabilities and net assets	\$ 69,654,969	\$ 55,762,361	\$ 114,469,581	\$ 239,886,911	\$ 237,623	\$ 1,682,967	\$ 242,419,391

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHEATSTONE WOOD TRUST FUND

Combining Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2015

	Massachusetts Audubon Society, Inc.					Wheatstone Wood Trust Fund					Eliminations	Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total		Unrestricted	Temporarily Restricted	Permanently Restricted	Total				
Public Support:													
Investment return designated for current operations	\$ 5,390,233	\$ -	\$ -	\$ 5,390,233		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,390,233
Gifts, grants and budgeted bequests	3,653,551	270,378	-	3,923,929		-	-	-	-	-	-	-	3,923,929
Government grants	1,864,492	-	-	1,864,492		-	-	-	-	-	-	-	1,864,492
Contributed services	289,859	-	-	289,859		-	-	-	-	-	-	-	289,859
Net assets released from program restrictions	689,768	(689,768)	-	-		-	-	-	-	-	-	-	-
Total public support	11,887,903	(419,390)	-	11,468,513		-	-	-	-	-	-	-	11,468,513
Earned Revenue:													
Program income	9,775,600	-	-	9,775,600		-	-	-	-	-	-	-	9,775,600
Membership dues	3,582,643	-	-	3,582,643		-	-	-	-	-	-	-	3,582,643
Other revenue	70,837	-	-	70,837		827	-	-	827	-	-	-	71,664
Total earned revenue	13,429,080	-	-	13,429,080		827	-	-	827	-	-	-	13,429,907
Total public support and earned revenue	25,316,983	(419,390)	-	24,897,593		827	-	-	827	-	-	-	24,898,420
Operating Expenses:													
Program services	22,396,588	-	-	22,396,588		2,073	-	-	2,073	-	-	-	22,398,661
Administration and general	3,481,803	-	-	3,481,803		39	-	-	39	-	-	-	3,481,842
Development	1,747,665	-	-	1,747,665		2,112	-	-	2,112	-	-	-	1,747,665
Total operating expenses	27,626,056	-	-	27,626,056		2,112	-	-	2,112	-	-	-	27,628,168
Changes in net assets from operations	(2,309,073)	(419,390)	-	(2,728,463)		(1,285)	-	-	(1,285)	-	-	-	(2,729,748)
Non-Operating Revenue (Expense):													
Legacies and bequests	3,435,484	-	1,506,609	4,942,093		147,788	497,231	543,453	1,188,472	-	-	-	6,130,565
Capital grants	-	3,175,385	-	3,175,385		-	-	-	-	-	-	-	3,175,385
Change in value of split interest agreements	-	2,467,222	-	2,467,222		-	-	-	-	-	-	-	2,467,222
Contributions to endowment	-	-	502,378	502,378		-	-	-	-	-	-	-	502,378
Contributed property	250,000	-	-	250,000		-	-	-	-	-	-	-	250,000
Forgiveness of debt	180,055	-	-	180,055		-	-	-	-	-	-	-	180,055
Net assets released from capital restrictions	3,562,864	(3,562,864)	-	-		-	-	-	-	-	-	-	-
Net assets released from trust time restrictions	-	(1,219,278)	1,219,278	-		-	-	-	-	-	-	-	-
Cancellation of grant	-	-	(67,814)	(67,814)		-	-	-	-	-	-	-	(67,814)
Investment return	842,521	(4,143,984)	-	(3,374,592)		235	9,725	-	9,960	-	-	-	(3,364,632)
Investment return designated for current operations	(1,101,877)	(4,288,356)	-	(5,390,233)		-	-	-	-	-	-	-	(5,390,233)
Total non-operating revenue (expense)	7,160,047	(7,571,875)	3,087,322	2,684,494		148,023	506,956	543,453	1,198,432	-	-	-	3,882,926
Changes in net assets	4,859,974	(7,991,265)	3,087,322	(43,969)		146,738	506,956	543,453	1,197,147	-	-	-	1,153,178
Net Assets, beginning of year	56,332,020	63,934,442	111,017,592	231,284,054		-	-	-	-	-	-	-	231,284,054
Transfer of funds designated for special projects	(183,851)	(180,816)	364,667	-		-	-	-	-	-	-	-	-
Transfer of net assets	(1,180,821)	-	-	(1,180,821)		(63,627)	104,934	1,139,514	1,180,821	-	-	-	-
Net Assets, end of year	\$ 59,827,322	\$ 55,762,361	\$ 114,469,581	\$ 230,058,264		\$ 83,111	\$ 611,890	\$ 1,682,967	\$ 2,377,968	\$ -	\$ -	\$ -	\$ 233,437,232