



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

**COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

Contents  
June 30, 2019 and 2018

---

	<u>Pages</u>
<b>Independent Auditor’s Report</b> .....	1 - 1A
<b>Combined Financial Statements:</b>	
Combined Statements of Financial Position .....	2
Combined Statements of Activities and Changes in Net Assets .....	3
Combined Statements of Cash Flows .....	4
Combined Statements of Functional Expenses .....	5
Notes to Combined Financial Statements .....	6 - 22



50 Washington Street  
Westborough, MA 01581  
508.366.9100  
aafcpcpa.com

## Independent Auditor's Report

To the Board of Directors and Audit Committee of  
Massachusetts Audubon Society, Inc. and  
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 statements of financial position as of June 30, 2019 and 2018, and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

### ***Management's Responsibility for the Combined Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the combined financial statements referred to on page one present fairly, in all material respects, the combined financial position of Massachusetts Audubon Society, Inc. and Whetstone Wood Trust Fund as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

As disclosed in Note 2 to the combined financial statements, during fiscal year 2019, Mass Audubon changed the manner in which it accounts for donor-restricted endowment funds with deficiencies and the contributions received to acquire long-lived assets as a result of the adoption of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.



Westborough, Massachusetts  
November 4, 2019

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Combined Statements of Financial Position  
June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Assets</b>						
Current Assets:						
Cash and cash equivalents	\$ 14,480,394	\$ 6,105,455	\$ 20,585,849	\$ 1,566,258	\$ 6,154,708	\$ 7,720,966
Accounts receivable	1,324,857	-	1,324,857	1,061,374	-	1,061,374
Current portion of pledges receivable, net of allowance	33,367	957,972	991,339	23,430	211,723	235,153
Inventory	230,538	-	230,538	205,674	-	205,674
Prepaid expenses	259,344	-	259,344	300,665	-	300,665
Total current assets	16,328,500	7,063,427	23,391,927	3,157,401	6,366,431	9,523,832
Investments	14,892,478	149,723,997	164,616,475	18,350,192	132,147,373	150,497,565
Pledges Receivable, net of current portion, allowance and discount	35,067	1,150,645	1,185,712	-	142,323	142,323
Due to (from) Other Funds	-	-	-	128,797	(128,797)	-
Fine Arts Collection	1,366,422	25,000	1,391,422	1,366,422	25,000	1,391,422
Land	16,321,050	46,526,368	62,847,418	16,321,050	46,526,368	62,847,418
Property and Equipment, net	42,747,805	-	42,747,805	42,989,994	-	42,989,994
Total assets	<u>\$ 91,691,322</u>	<u>\$ 204,489,437</u>	<u>\$ 296,180,759</u>	<u>\$ 82,313,856</u>	<u>\$ 185,078,698</u>	<u>\$ 267,392,554</u>
<b>Liabilities and Net Assets</b>						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 2,231,914	\$ -	\$ 2,231,914	\$ 2,080,595	\$ -	\$ 2,080,595
Deferred revenue - carbon credits	7,048,236	-	7,048,236	-	-	-
Amount received in advance for future services	4,697,959	-	4,697,959	4,438,629	-	4,438,629
Current portion of split-interest agreement liabilities	408,624	-	408,624	393,691	-	393,691
Total current liabilities	14,386,733	-	14,386,733	6,912,915	-	6,912,915
Split-Interest Agreement Liabilities, net of current portion	3,712,191	-	3,712,191	3,550,658	-	3,550,658
Total liabilities	18,098,924	-	18,098,924	10,463,573	-	10,463,573
Net Assets:						
Without donor restrictions						
Operating, property, equipment and fine arts	52,795,822	-	52,795,822	51,442,500	-	51,442,500
Board designated	20,796,576	-	20,796,576	20,407,783	-	20,407,783
Total without donor restrictions	73,592,398	-	73,592,398	71,850,283	-	71,850,283
With donor restrictions	-	204,489,437	204,489,437	-	185,078,698	185,078,698
Total net assets	73,592,398	204,489,437	278,081,835	71,850,283	185,078,698	256,928,981
Total liabilities and net assets	<u>\$ 91,691,322</u>	<u>\$ 204,489,437</u>	<u>\$ 296,180,759</u>	<u>\$ 82,313,856</u>	<u>\$ 185,078,698</u>	<u>\$ 267,392,554</u>

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

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

 Combined Statements of Activities and Changes in Net Assets  
 For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support:</b>						
Gifts, grants and budgeted bequests	\$ 5,470,931	\$ 3,257,940	\$ 8,728,871	\$ 5,367,839	\$ 1,220,832	\$ 6,588,671
Investment return designated for current operations	5,915,790	-	5,915,790	5,700,762	-	5,700,762
Government grants	1,223,186	-	1,223,186	2,903,114	-	2,903,114
Bequests and legacies	1,568,508	-	1,568,508	1,045,759	424,835	1,470,594
Contributed services	288,772	-	288,772	289,645	-	289,645
Net assets released from program restrictions	406,945	(406,945)	-	284,002	(284,002)	-
Total public support	<u>14,874,132</u>	<u>2,850,995</u>	<u>17,725,127</u>	<u>15,591,121</u>	<u>1,361,665</u>	<u>16,952,786</u>
<b>Earned Revenue:</b>						
Program income	12,283,382	-	12,283,382	11,387,269	-	11,387,269
Membership dues	3,811,200	-	3,811,200	3,783,370	-	3,783,370
Other revenue	540,356	-	540,356	194,810	-	194,810
Total earned revenue	<u>16,634,938</u>	<u>-</u>	<u>16,634,938</u>	<u>15,365,449</u>	<u>-</u>	<u>15,365,449</u>
Total public support and earned revenue	<u>31,509,070</u>	<u>2,850,995</u>	<u>34,360,065</u>	<u>30,956,570</u>	<u>1,361,665</u>	<u>32,318,235</u>
<b>Operating Expenses:</b>						
Program services	23,344,794	-	23,344,794	21,608,949	-	21,608,949
Administration and general	3,657,896	-	3,657,896	2,712,215	-	2,712,215
Development	3,326,396	-	3,326,396	3,101,803	-	3,101,803
Total operating expenses	<u>30,329,086</u>	<u>-</u>	<u>30,329,086</u>	<u>27,422,967</u>	<u>-</u>	<u>27,422,967</u>
Changes in net assets from operations before depreciation	1,179,984	2,850,995	4,030,979	3,533,603	1,361,665	4,895,268
Depreciation	<u>2,458,176</u>	<u>-</u>	<u>2,458,176</u>	<u>2,736,181</u>	<u>-</u>	<u>2,736,181</u>
Changes in net assets from operations	<u>(1,278,192)</u>	<u>2,850,995</u>	<u>1,572,803</u>	<u>797,422</u>	<u>1,361,665</u>	<u>2,159,087</u>
<b>Non-Operating Revenue (Expenses):</b>						
Investment return	1,404,099	7,961,322	9,365,421	1,279,573	10,199,151	11,478,724
Capital grants	-	5,074,495	5,074,495	-	2,905,400	2,905,400
Contributions to endowment	-	10,447,175	10,447,175	-	467,726	467,726
Net assets released from capital restrictions	3,097,878	(3,097,878)	-	4,247,979	(4,247,979)	-
Legacies and bequests restricted for endowment	-	776,397	776,397	-	-	-
Net assets released from trust time restrictions	-	-	-	24,414	(24,414)	-
Cancellation of grant	-	(56,275)	(56,275)	-	-	-
Change in value of split interest agreements	-	(111,372)	(111,372)	-	345,516	345,516
Investment return designated for current operations	(1,481,670)	(4,434,120)	(5,915,790)	(1,349,517)	(4,351,245)	(5,700,762)
Total non-operating revenue (expenses)	<u>3,020,307</u>	<u>16,559,744</u>	<u>19,580,051</u>	<u>4,202,449</u>	<u>5,294,155</u>	<u>9,496,604</u>
Changes in net assets	1,742,115	19,410,739	21,152,854	4,999,871	6,655,820	11,655,691
<b>Net Assets, beginning of year, as restated</b>	<u>71,850,283</u>	<u>185,078,698</u>	<u>256,928,981</u>	<u>66,850,412</u>	<u>178,422,878</u>	<u>245,273,290</u>
<b>Net Assets, end of year</b>	<u>\$ 73,592,398</u>	<u>\$ 204,489,437</u>	<u>\$ 278,081,835</u>	<u>\$ 71,850,283</u>	<u>\$ 185,078,698</u>	<u>\$ 256,928,981</u>

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

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

Combined Statements of Cash Flows  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 21,152,854	\$ 11,655,691
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,458,176	2,736,181
Cancellation of grant	56,275	-
Bad debt (recovery) expense - uncollectible pledges	47,330	(951)
Unrealized and realized gains on investments	(8,041,416)	(10,675,940)
Change in discount on pledge receivables	121,109	4,399
Capital grants	(5,074,495)	(2,905,400)
Government grants used for land acquisition	-	(949,000)
Endowment contributions	(10,450,675)	(471,226)
Changes in split-interest agreements	570,023	465,109
Changes in operating assets and liabilities:		
Accounts receivable	(263,483)	32,159
Pledges receivable	(2,024,289)	406,170
Inventory	(24,864)	(7,818)
Prepaid expenses	41,321	(9,181)
Accounts payable and accrued expenses	151,319	(183,829)
Deferred revenue - carbon credits	7,048,236	-
Amounts received in advance for future services	259,330	266,702
	<u>6,026,751</u>	<u>363,066</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment and land	(2,215,987)	(7,937,349)
Disposition of fine arts collection	-	2,000
Proceeds from sale of investments	40,021,861	33,243,119
Purchase of investments	(46,099,355)	(33,184,422)
Gift annuity contributions	15,067	139,135
Payments to annuitants	(408,624)	(393,691)
	<u>(8,687,038)</u>	<u>(8,131,208)</u>
<b>Cash Flows from Financing Activities:</b>		
Capital grants	5,074,495	2,905,400
Government grants used for land acquisition	-	949,000
Endowment contributions	10,450,675	471,226
	<u>15,525,170</u>	<u>4,325,626</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>12,864,883</b>	<b>(3,442,516)</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>7,720,966</u>	<u>11,163,482</u>
End of year	<u><u>\$ 20,585,849</u></u>	<u><u>\$ 7,720,966</u></u>

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

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Statements of Functional Expenses  
For the Years Ended June 30, 2019 and 2018

	2019				2018			
	Program Services	Administration and General	Development	Total	Program Services	Administration and General	Development	Total
<b>Personnel and Related Costs:</b>								
Salary and wages	\$ 14,890,112	\$ 1,516,075	\$ 1,722,284	\$ 18,128,471	\$ 13,764,279	\$ 1,461,376	\$ 1,682,658	\$ 16,908,313
Fringe benefits	3,630,571	431,706	480,550	4,542,827	3,319,198	485,825	482,808	4,287,831
Total personnel and related costs	<u>18,520,683</u>	<u>1,947,781</u>	<u>2,202,834</u>	<u>22,671,298</u>	<u>17,083,477</u>	<u>1,947,201</u>	<u>2,165,466</u>	<u>21,196,144</u>
<b>Other:</b>								
Professional and consultant fees	507,794	1,023,475	407,121	1,938,390	496,363	195,387	271,710	963,460
Supplies and equipment	1,015,729	46,537	68,922	1,131,188	1,029,600	20,287	70,204	1,120,091
Printing and photocopying	335,476	210,150	253,810	799,436	329,991	113,103	240,607	683,701
Utilities	508,447	21,273	18,735	548,455	435,899	29,137	10,156	475,192
Vehicles and travel	520,547	14,607	6,919	542,073	452,228	22,329	5,366	479,923
Postage and express	132,646	12,344	284,895	429,885	155,696	19,860	271,882	447,438
Insurance	317,388	39,932	8,000	365,320	296,959	38,747	8,000	343,706
Service contracts	246,401	66,203	27,324	339,928	232,636	55,013	21,029	308,678
Food	247,548	28,128	36,192	311,868	250,910	24,738	27,461	303,109
Miscellaneous	281,383	15,038	3,978	300,399	154,806	13,610	2,434	170,850
Contributed services	288,772	-	-	288,772	289,645	-	-	289,645
Awards, gifts and scholarships	238,751	33,204	1,454	273,409	219,819	14,199	986	235,004
Advertising and promotion	-	181,644	-	181,644	-	207,766	-	207,766
Facility and equipment rental	133,693	6,004	4,320	144,017	140,412	4,844	4,999	150,255
Meetings, conference and training	49,536	11,576	1,892	63,004	40,508	5,994	1,503	48,005
Total other	<u>4,824,111</u>	<u>1,710,115</u>	<u>1,123,562</u>	<u>7,657,788</u>	<u>4,525,472</u>	<u>765,014</u>	<u>936,337</u>	<u>6,226,823</u>
Total Expenses before Depreciation	23,344,794	3,657,896	3,326,396	30,329,086	21,608,949	2,712,215	3,101,803	27,422,967
<b>Depreciation</b>	<u>2,352,514</u>	<u>100,761</u>	<u>4,901</u>	<u>2,458,176</u>	<u>2,581,259</u>	<u>106,895</u>	<u>48,027</u>	<u>2,736,181</u>
Total Expenses	<u>\$ 25,697,308</u>	<u>\$ 3,758,657</u>	<u>\$ 3,331,297</u>	<u>\$ 32,787,262</u>	<u>\$ 24,190,208</u>	<u>\$ 2,819,110</u>	<u>\$ 3,149,830</u>	<u>\$ 30,159,148</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, 2019 and 2018

---

### 1. OPERATIONS AND NONPROFIT STATUS

#### Operations

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

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

#### Nonprofit Status

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

#### Recently Adopted Accounting Pronouncement

In fiscal year 2019, Mass Audubon adopted FASB's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. Mass Audubon has adjusted the presentation of these statements accordingly. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources for the fiscal year 2018 financial statements. The adoption of this ASU resulted in the following changes to Mass Audubon's net asset classes as of July 1, 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Unrestricted	\$ 66,581,512	\$ -	\$ 66,581,512
Temporarily restricted	-	59,846,259	59,846,259
Permanently restricted	-	118,845,519	118,845,519
Total net assets, as previously stated	66,581,512	178,691,778	245,273,290
Adjustments required by ASU 2016-14:			
Endowment funds with deficiencies (Note 6)	<u>268,900</u>	<u>(268,900)</u>	<u>-</u>
Total net assets, restated	<u>\$ 66,850,412</u>	<u>\$ 178,422,878</u>	<u>\$ 245,273,290</u>

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

Notes to Combined Financial Statements  
June 30, 2019 and 2018

---

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 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.

#### Revenue Recognition

Gifts and grants without donor restrictions are recorded as revenue when received or unconditionally committed. Restricted gifts and grants are recorded as net assets with donor restrictions if they are received with donor-imposed stipulations that limit their use. Transfers are made to net assets without donor restrictions as costs are incurred or as time restrictions or program restrictions have lapsed. Donor restricted gifts received and satisfied in the same period are included in net assets without donor restrictions.

Program income, including camp fees, is 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 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.

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

All other revenue is recognized when earned.

#### Expense Allocation

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

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

#### Cash and Cash Equivalents

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

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

Notes to Combined Financial Statements  
June 30, 2019 and 2018

---

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Net Assets

##### *Net Assets Without Donor Restrictions*

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

***Operating, property, equipment and fine arts*** - consists of amounts relating to program and other operating activities that are currently available for operations and the activities relating to the property, 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. These funds may only be used with the approval of the Board of Directors (see Note 6).

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

##### *Net Assets With Donor Restrictions*

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

Net assets with donor restrictions also include endowment funds (see Note 6) accumulated from donor-restricted gifts. Earnings from these gifts may be used for operations unless the gift instrument requires them to be retained as endowment. In accordance with Massachusetts law, all earnings, including interest and dividends, and appreciation of a donor-restricted endowment are restricted until appropriated by the Board of Directors, and are released to net assets without donor restrictions based on Mass Audubon's spending policy.

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

Notes to Combined Financial Statements  
June 30, 2019 and 2018

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets (Continued)

The detail of Mass Audubon's net asset categories at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Without donor restrictions:		
Undesignated	\$ 52,795,822	\$ 51,442,500
Board designated:		
Funds functioning as endowment	8,988,515	8,760,012
Other	<u>11,808,061</u>	<u>11,647,771</u>
Total without donor restrictions	<u>73,592,398</u>	<u>71,850,283</u>
With donor restrictions:		
Purpose restricted:		
Appreciation on donor restricted endowment	54,700,790	51,975,824
Capital projects	8,226,525	3,826,217
Program activities	5,033,841	3,816,589
Charitable gift annuities	1,242,693	1,292,929
Pooled income funds	1,050,429	1,001,524
Charitable remainder trusts	<u>2,345,546</u>	<u>2,499,574</u>
Total purpose restricted	72,599,824	64,412,657
Perpetual in nature	<u>131,889,613</u>	<u>120,666,041</u>
Total with donor restrictions	<u>204,489,437</u>	<u>185,078,698</u>
Total net assets	<u>\$ 278,081,835</u>	<u>\$ 256,928,981</u>

#### Fair Value Measurements

Mass Audubon follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that Mass Audubon would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

Mass Audubon uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of Mass Audubon. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

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

Notes to Combined Financial Statements  
June 30, 2019 and 2018

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurements (Continued)

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

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

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

#### *Investments*

Mass Audubon records investments (see Note 5) at fair value. Marketable securities are recorded at fair values as derived directly from quotations on major trading exchanges. Split-interest planned giving instruments (see Note 12) are stated at fair value of the underlying investments. Alternative investments are generally non-marketable interests in limited partnerships or similar entities that hold marketable and non-marketable securities, real estate and other assets. In some cases, Mass Audubon has committed to make specified capital contributions and may be obligated to maintain its interests for specified terms. Asset valuations of alternative investments are 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*

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

#### *All Other Assets and Liabilities*

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

#### **Investment Return**

Interest, dividends and mutual fund distributions are recorded when earned. Gains and losses are recognized as incurred upon sale or based on fair value changes during the period (see Note 5). Unless otherwise restricted by the donor, investment return is available for operations and is included in operating net assets without donor restrictions in the accompanying combined financial statements. Mass Audubon's investment policy sets forth guidelines for prudent investment of funds, taking into account liquidity, risk and return characteristics appropriate for different categories of Mass Audubon's holdings.

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

Notes to Combined Financial Statements  
June 30, 2019 and 2018

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Split-Interest Agreements

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

#### 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, 2019 and 2018.

#### Pledges Receivable and Allowance for Uncollectible Pledges

Pledges receivable (see Note 3) at June 30, 2019 and 2018, consist of contributions committed to the annual fund and other initiatives. Pledges are discounted to their net present value when unconditionally committed. The allowance for uncollectible pledges is based on past collection experience together with a review of the current status of the existing pledges. Pledge balances are charged off against the allowance when it is probable the pledge will not be recovered.

#### Inventory

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

#### Fine Arts Collection

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. The fine arts collection is not depreciated.

#### Property and Equipment and Depreciation

Property and equipment (see Note 13) having a value of \$2,000 or more and a useful life of at least three years is capitalized. Property and equipment is recorded at cost when purchased or constructed and at fair value when donated. Depreciation is computed using the straight-line method over the following estimated useful lives:

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

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

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

Notes to Combined Financial Statements  
June 30, 2019 and 2018

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property and Equipment and Depreciation (Continued)

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 land it has acquired. Land, whether purchased or donated, is not depreciated.

#### Advertising Costs

Mass Audubon expenses advertising costs as they are incurred. Total advertising costs for the years ended June 30, 2019 and 2018, were \$181,644 and \$207,766, 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.

#### 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 4, 2019, 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.

#### 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, 2019 and 2018. Mass Audubon's information returns are subject to examination by the federal and state jurisdictions.

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

Notes to Combined Financial Statements  
June 30, 2019 and 2018

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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, and investment activity.

### 3. PLEDGES RECEIVABLE

Mass Audubon has pledges receivable as follows at June 30:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 1,025,054	\$ 259,258
Due in one to five years	<u>1,368,425</u>	<u>166,207</u>
	2,393,479	425,465
Less - discount to net present value at pledge date	149,184	28,075
Less - allowance for uncollectible pledges	<u>67,244</u>	<u>19,914</u>
	<u>\$ 2,177,051</u>	<u>\$ 377,476</u>

Pledges receivable are primarily from foundations, corporations, and individuals located throughout Massachusetts. Pledges with restrictions to be held in perpetuity have been included in long-term pledges in the accompanying combined statements of financial position as of June 30, 2019 and 2018, regardless of the expected collection date. Long-term pledges have been discounted using a discount factor of 3% at June 30, 2019 and 2018. The allowance for uncollectible pledges is calculated as 3% of the net present value of pledges at June 30, 2019 and 2018.

### 4. INVENTORY

Inventory consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Retail merchandise at Lincoln gift shop	\$ 150,361	\$ 145,757
Other retail merchandise	76,100	52,819
Publications	<u>4,077</u>	<u>7,098</u>
	<u>\$ 230,538</u>	<u>\$ 205,674</u>



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

Notes to Combined Financial Statements  
June 30, 2019 and 2018

**5. INVESTMENTS**

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

	<b>2019</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Mutual funds:				
Large cap	\$ 25,242,947	\$ -	\$ -	\$ 25,242,947
International	13,042,843	-	-	13,042,843
All cap	6,414,493	-	-	6,414,493
Fixed income	2,555,614	-	-	2,555,614
Money market funds	791,807	-	-	791,807
Alternative investments:				
Commingled trust funds *	-	-	-	29,328,949
Limited partnerships *	-	-	-	29,425,468
Fund of funds *	-	-	-	19,632,286
Direct hedge funds *	-	-	-	29,418,585
Other investments:				
Planned giving assets	<u>8,763,483</u>	<u>-</u>	<u>-</u>	<u>8,763,483</u>
	<u>\$ 56,811,187</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,616,475</u>
	<b>2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds:				
Large cap	\$ 21,726,869	\$ -	\$ -	\$ 21,726,869
International	18,904,441	-	-	18,904,441
All cap	5,618,787	-	-	5,618,787
Fixed income	2,433,918	-	-	2,433,918
Money market funds	740,807	-	-	740,807
Alternative investments:				
Commingled trust funds *	-	-	-	30,356,524
Limited partnerships *	-	-	-	25,098,144
Fund of funds *	-	-	-	18,960,184
Direct hedge funds *	-	-	-	17,919,515
Other investments:				
Planned giving assets	<u>8,738,376</u>	<u>-</u>	<u>-</u>	<u>8,738,376</u>
	<u>\$ 58,163,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,497,565</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 FUND**Notes to Combined Financial Statements  
June 30, 2019 and 2018

---

**5. INVESTMENTS (Continued)**

Planned giving assets consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Charitable remainder trusts	\$ 4,628,460	\$ 4,598,545
Gift annuities	2,947,124	2,937,314
Life income funds	<u>1,187,899</u>	<u>1,202,517</u>
	<u>\$ 8,763,483</u>	<u>\$ 8,738,376</u>

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

During fiscal year 2018, an investment in a privately held company acquired as part of a bequest was repurchased by the privately held company. The realized gain from this transaction was \$643,934, which was included in investment return in the accompanying combined statement of activities and changes in net assets for the year ended June 30, 2018.

A reconciliation of the Level 3 investment activity was as follows for the year ended June 30, 2018:

Beginning balance	\$ 838,639
Redemptions	(1,482,573)
Realized gain on investments	<u>643,934</u>
Ending balance	<u>\$ -</u>

As of June 30, 2019 and 2018, Mass Audubon was committed to contribute approximately \$4,200,000 and \$4,600,000, respectively, 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 for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Unrealized gains on investments	\$ 5,408,839	\$ 6,829,009
Realized gains on investments	2,632,577	3,846,931
Interest and dividends, net of fees	<u>1,324,005</u>	<u>802,784</u>
	<u>\$ 9,365,421</u>	<u>\$ 11,478,724</u>

Investment management fees have been netted against the return on certain investments. Investments are not insured and are subject to ongoing market fluctuations.

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

Notes to Combined Financial Statements  
June 30, 2019 and 2018

---

### 6. ENDOWMENT

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

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

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

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

#### **Investment Return Objectives, Risk Parameters and Strategies**

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

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

The Investment Committee has established an asset allocation policy, investment guidelines and performance standards for the investment of the Fund's assets, in order to control risk and monitor investment performance. In recognition of the prudence required of fiduciaries, reasonable diversification is sought where possible. Experience has shown that financial markets and inflation rates are cyclical, and therefore, control of volatility is most likely to be achieved through diversification of asset classes, and, where appropriate, selection of managers of diverse investment styles. In addition, when possible, 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  
June 30, 2019 and 2018**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 the Fund (less outstanding loans and deferred contributions) at December 31<sup>st</sup> 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 31<sup>st</sup> 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 Activity**

Changes in endowment net assets as of June 30, 2019, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, June 30, 2017	\$ 8,145,313	\$ 119,681,079	\$ 127,826,391
Contributions	1,057,239	890,428	1,947,667
Investment return, net	769,820	9,600,008	10,369,828
Amounts appropriated for expenditure	<u>(1,212,360)</u>	<u>(4,209,464)</u>	<u>(5,421,824)</u>
Endowment net assets, June 30, 2018	8,760,012	125,962,051	134,722,062
Contributions	1,568,508	10,948,086	12,516,594
Investment return, net	381,752	7,282,241	7,244,178
Amounts appropriated for expenditure	<u>(1,721,757)</u>	<u>(4,154,285)</u>	<u>(5,876,042)</u>
Endowment net assets, June 30, 2019	<u>\$ 8,988,515</u>	<u>\$ 140,038,093</u>	<u>\$ 148,606,792</u>

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

Notes to Combined Financial Statements  
June 30, 2019 and 2018

---

### 6. ENDOWMENT (Continued)

#### Endowment Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the donor restricted contributions. Deficiencies of this nature exist in eleven and eighteen donor restricted endowment funds for the years ended June 30, 2019 and 2018, respectively, as follows:

	<u>2019</u>	<u>2018</u>
Current fair value	\$ 2,605,495	\$ 3,245,838
Original gift value	<u>2,720,095</u>	<u>3,374,284</u>
Deficiency	<u>\$ (114,600)</u>	<u>\$ (128,446)</u>

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

### 7. LINE OF CREDIT

At June 30, 2019 and 2018, Mass Audubon has available up to \$100,000 on an unsecured line of credit agreement with a bank which expires on May 29, 2020, and is renewable annually. Borrowings under the line of credit bear interest at the London Interbank Offered Rate (LIBOR) Advantage Rate (2.40% and 2.07% at June 30, 2019 and 2018, respectively), plus 2%. This agreement contains certain financial and non-financial covenants with which Mass Audubon must comply. Mass Audubon is in compliance with the covenants as of June 30, 2019 and 2018. At June 30, 2019 and 2018, 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 matching contributions are subject to IRS limitations. For the years ended June 30, 2019 and 2018, Mass Audubon contributions to the plan totaled approximately \$913,000 and \$878,000, respectively.

### 9. CONTRIBUTED SERVICES

The value of eligible contributed services (see Note 2) is recognized as both revenue and expense in the accompanying combined statements of activities and changes in net assets. These volunteer hours at sanctuaries were valued at \$288,772 and \$289,645 for the years ended June 30, 2019 and 2018, respectively.

In addition, each year more than thirteen thousand volunteers donate a total of more than 160,000 hours of time to Mass Audubon 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 12).

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

Notes to Combined Financial Statements  
June 30, 2019 and 2018

---

### 10. COMMITMENTS

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

### 11. CONCENTRATIONS

#### Credit Risk

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

#### Funding

Mass Audubon receives funding under state and federal contracts, which is subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, would not have a material effect on the combined financial position of Mass Audubon as of June 30, 2019 and 2018, or on its results of operations for the years then ended. As of June 30, 2019 and 2018, four government agencies represent 43% and 31% of accounts receivable, respectively.

Approximately 26% of gross pledges receivable at June 30, 2019, was due from two donors. Approximately 72% of gross pledges receivable at June 30, 2018, was due from three donors.

Mass Audubon received 32% of total revenue from one donor for the year ended June 30, 2019.

### 12. SPLIT-INTEREST AGREEMENTS

Mass Audubon is the beneficiary of various split-interest planned giving arrangements. These gifts are classified within the following categories:

**Charitable gift annuities** – A donor transfers assets to Mass Audubon in return for a promise to pay a specific annuity to a designated beneficiary for their lifetime. Under this arrangement, the obligation to make annuity payments is guaranteed by all assets of Mass Audubon. Upon the beneficiary's death, the annuity payment obligation ceases and the remaining balance is recorded as a gift. These funds have been discounted to their net present value based upon the donor's expected life and the IRS Federal rate for determining the present value of an annuity (2.6% and 3.4% at June 30, 2019 and 2018, 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, 2019 and 2018. These funds have been discounted to their net present value based upon the donor's expected life and a rate of (2.6% and 3.4% at June 30, 2019 and 2018, respectively).

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

Notes to Combined Financial Statements  
June 30, 2019 and 2018

**12. SPLIT-INTEREST AGREEMENTS (Continued)**

**Charitable remainder trusts** – Charitable remainder trusts were given to Mass Audubon on the condition that Mass Audubon bind itself to make periodic stipulated payments to the donor or other designated individuals at a stated percentage of the fair value of the trust. Upon the beneficiary’s death, the stipulated payment obligation ceases. These funds have been discounted to their net present value based upon the donor’s expected life and the IRS Federal rate for determining the present value of an annuity (2.6% and 3.4% at June 30, 2019 and 2018, respectively).

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

	<b>2019</b>			
	<b>Charitable Gift Annuities</b>	<b>Pooled Income Funds</b>	<b>Charitable Remainder Trusts</b>	<b>Total</b>
Asset	\$ 2,947,124	\$ 1,187,899	\$ 4,628,460	\$ 8,763,483
Obligations	<u>1,704,431</u>	<u>133,470</u>	<u>2,282,914</u>	<u>4,120,815</u>
Total net assets	<u>\$ 1,242,693</u>	<u>\$ 1,054,429</u>	<u>\$ 2,345,546</u>	<u>\$ 4,642,668</u>
	<b>2018</b>			
	<b>Charitable Gift Annuities</b>	<b>Pooled Income Funds</b>	<b>Charitable Remainder Trusts</b>	<b>Total</b>
Asset	\$ 2,937,314	\$ 1,202,517	\$ 4,598,545	\$ 8,738,376
Obligations	<u>1,644,385</u>	<u>200,993</u>	<u>2,098,971</u>	<u>3,944,349</u>
Total net assets	<u>\$ 1,292,929</u>	<u>\$ 1,001,524</u>	<u>\$ 2,499,574</u>	<u>\$ 4,794,027</u>

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:

	<b>2019</b>	<b>2018</b>
Beginning Balance	\$ 3,944,349	\$ 3,872,931
Payments	(408,624)	(393,691)
Change in value	592,586	487,346
Releases due to death of beneficiary	<u>(7,496)</u>	<u>(22,237)</u>
Ending Balance	<u>\$ 4,120,815</u>	<u>\$ 3,944,349</u>

**MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND**Notes to Combined Financial Statements  
June 30, 2019 and 2018

---

**13. PROPERTY AND EQUIPMENT**

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

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 50,321,416	\$ 48,398,027
Capital assets in progress	9,970,992	10,091,115
Office furniture and computer equipment	697,953	680,358
Motor vehicles	1,453,963	1,249,831
Maintenance and program equipment	<u>846,863</u>	<u>655,869</u>
	63,291,187	61,075,200
Less - accumulated depreciation	<u>20,543,382</u>	<u>18,085,206</u>
Net property and equipment	<u>\$ 42,747,805</u>	<u>\$ 42,989,994</u>

**14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

As of June 30, 2019, the financial assets available to Mass Audubon within one year for general operating expenses are reported on the combined statement of financial position as follows:

Cash and cash equivalents	\$ 20,585,849
Accounts receivable	1,324,857
Current portion of pledges receivable, net	<u>991,339</u>
	22,902,045
Less: Cash and cash equivalents with donor restrictions	(6,105,455)
Less: Current pledge receivable with donor restrictions	(957,972)
Less: Board designated net assets included in cash	(11,740,609)
Less: Deferred revenue – carbon credits (see Note 15)	(7,048,236)
Plus: Estimated investment return designated for 2020 operations	<u>6,077,382</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,127,155</u>

Mass Audubon structures its financial assets to be available as its general expenditures, liabilities and other obligations come due, and it places cash in excess of daily requirements in short-term investments. At June 30, 2019, Mass Audubon has a line of credit for \$100,000 (see Note 7) available to address unanticipated liquidity needs. In addition, there is a fund established by the governing board, included in investments, that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities (see Note 6). The balance of the investments without donor restrictions was \$14,892,478 at June 30, 2019. Mass Audubon is not including the deferred revenue for carbon credits in available assets as of June 30, 2019 because the invalidation period for the credits does not end until February 2020 (see Note 15).



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

Notes to Combined Financial Statements  
June 30, 2019 and 2018

---

### 15. CARBON CREDIT PROJECT

During fiscal year 2018, Mass Audubon entered into an agreement to sell Carbon Credit Offsets (carbon credits) from approximately 9,700 acres of its forest land in central and western Massachusetts. Under this agreement, Mass Audubon is required to minimize any forestry operations on these lands for 100 years and is subject to audits of inventory counts of carbon stored in the forest during that timeframe. These carbon credits, which have been contingently certified by the California Air Resources Board (CARB), were sold under this agreement to a broker which will re-sell them to a buyer which needs to meet its compliance obligations in the CARB carbon cap and trade program. During the year ended June 30, 2019, Mass Audubon received \$7,048,236 for these carbon credits, which is reflected as deferred revenue on the 2019 combined statement of financial position. These carbon credits are subject to additional review and potential invalidation until February 2020, when final certification is expected to be received. Mass Audubon will recognize these funds as revenue in fiscal year 2020.