



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

**COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

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June 30, 2020 and 2019

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50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

Independent Auditor's Report

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

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Massachusetts Audubon Society, Inc. (MAS) (a Massachusetts corporation, not for profit) and Whetstone Wood Trust Fund (WWTF) (a Massachusetts inter vivos trust, not for profit) (collectively, Mass Audubon) which comprise the combined statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, 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.

AAFCPA, Inc.

Westborough, Massachusetts
December 2, 2020

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Combined Statements of Financial Position
June 30, 2020 and 2019

Assets	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets:						
Cash and cash equivalents	\$ 14,348,945	\$ 2,423,516	\$ 16,772,461	\$ 14,480,394	\$ 6,105,455	\$ 20,585,849
Accounts receivable	1,163,951	-	1,163,951	1,324,857	-	1,324,857
Current portion of pledges receivable, net of allowance	33,562	732,406	765,968	33,367	957,972	991,339
Inventory	240,480	-	240,480	230,538	-	230,538
Prepaid expenses	263,720	-	263,720	259,344	-	259,344
Total current assets	16,050,658	3,155,922	19,206,580	16,328,500	7,063,427	23,391,927
Investments	9,926,252	152,972,365	162,898,617	14,892,478	149,723,997	164,616,475
Pledges Receivable, net of current portion, allowance and discount	3,189	748,965	752,154	35,067	1,150,645	1,185,712
Fine Arts Collection	1,366,422	25,000	1,391,422	1,366,422	25,000	1,391,422
Land	18,218,837	46,526,368	64,745,205	16,321,050	46,526,368	62,847,418
Property and Equipment, net	44,118,631	-	44,118,631	42,747,805	-	42,747,805
Total assets	<u>\$ 89,783,989</u>	<u>\$ 203,328,620</u>	<u>\$ 293,112,609</u>	<u>\$ 91,691,322</u>	<u>\$ 204,489,437</u>	<u>\$ 296,180,759</u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 2,313,006	\$ -	\$ 2,313,006	\$ 2,231,914	\$ -	\$ 2,231,914
Deferred revenue - carbon credits	-	-	-	7,048,236	-	7,048,236
Amount received in advance for future services	1,574,174	-	1,574,174	4,697,959	-	4,697,959
Current portion of split-interest agreement liabilities	436,982	-	436,982	408,624	-	408,624
Total current liabilities	4,324,162	-	4,324,162	14,386,733	-	14,386,733
Split-Interest Agreement Liabilities, net of current portion	4,022,222	-	4,022,222	3,712,191	-	3,712,191
Total liabilities	8,346,384	-	8,346,384	18,098,924	-	18,098,924
Net Assets:						
Without donor restrictions						
Operating, property, equipment and fine arts	60,873,164	-	60,873,164	52,795,822	-	52,795,822
Board designated	20,564,441	-	20,564,441	20,796,576	-	20,796,576
Total without donor restrictions	81,437,605	-	81,437,605	73,592,398	-	73,592,398
With donor restrictions	-	203,328,620	203,328,620	-	204,489,437	204,489,437
Total net assets	81,437,605	203,328,620	284,766,225	73,592,398	204,489,437	278,081,835
Total liabilities and net assets	<u>\$ 89,783,989</u>	<u>\$ 203,328,620</u>	<u>\$ 293,112,609</u>	<u>\$ 91,691,322</u>	<u>\$ 204,489,437</u>	<u>\$ 296,180,759</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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support:						
Gifts, grants and budgeted bequests	\$ 6,314,194	\$ 667,249	\$ 6,981,443	\$ 5,470,931	\$ 3,257,940	\$ 8,728,871
Investment return designated for current operations	5,728,413	-	5,728,413	5,915,790	-	5,915,790
Government grants	1,691,494	-	1,691,494	1,223,186	-	1,223,186
Bequests and legacies	1,115,903	144,687	1,260,590	1,568,508	-	1,568,508
Contributed services	288,772	-	288,772	288,772	-	288,772
Net assets released from program restrictions	394,231	(394,231)	-	406,945	(406,945)	-
Total public support	<u>15,533,007</u>	<u>417,705</u>	<u>15,950,712</u>	<u>14,874,132</u>	<u>2,850,995</u>	<u>17,725,127</u>
Earned Revenue:						
Program income	9,008,257	-	9,008,257	12,283,382	-	12,283,382
Membership dues	3,568,771	-	3,568,771	3,811,200	-	3,811,200
Other revenue	371,632	-	371,632	540,356	-	540,356
Total earned revenue	<u>12,948,660</u>	<u>-</u>	<u>12,948,660</u>	<u>16,634,938</u>	<u>-</u>	<u>16,634,938</u>
Total public support and earned revenue	<u>28,481,667</u>	<u>417,705</u>	<u>28,899,372</u>	<u>31,509,070</u>	<u>2,850,995</u>	<u>34,360,065</u>
Operating Expenses:						
Program services	23,379,859	-	23,379,859	23,344,794	-	23,344,794
Administration and general	3,265,410	-	3,265,410	3,657,896	-	3,657,896
Development	3,311,250	-	3,311,250	3,326,396	-	3,326,396
Total operating expenses	<u>29,956,519</u>	<u>-</u>	<u>29,956,519</u>	<u>30,329,086</u>	<u>-</u>	<u>30,329,086</u>
Changes in net assets from operations before depreciation	(1,474,852)	417,705	(1,057,147)	1,179,984	2,850,995	4,030,979
Depreciation	<u>2,436,361</u>	<u>-</u>	<u>2,436,361</u>	<u>2,458,176</u>	<u>-</u>	<u>2,458,176</u>
Changes in net assets from operations	<u>(3,911,213)</u>	<u>417,705</u>	<u>(3,493,508)</u>	<u>(1,278,192)</u>	<u>2,850,995</u>	<u>1,572,803</u>
Non-Operating Revenue (Expenses):						
Proceeds from sale of carbon credits	7,048,236	-	7,048,236	-	-	-
Capital grants	-	4,355,468	4,355,468	-	5,074,495	5,074,495
Investment return	1,350,773	2,482,190	3,832,963	1,404,099	7,961,322	9,365,421
Legacies and bequests restricted for endowment	-	785,951	785,951	-	776,397	776,397
Contributions to endowment	-	1,034,900	1,034,900	-	10,447,175	10,447,175
Cancellation of grant	-	-	-	-	(56,275)	(56,275)
Change in value of split interest agreements	(10,504)	(1,140,703)	(1,151,207)	-	(111,372)	(111,372)
Investment return designated for current operations	(1,511,683)	(4,216,730)	(5,728,413)	(1,481,670)	(4,434,120)	(5,915,790)
Net assets released from capital restrictions	4,879,598	(4,879,598)	-	3,097,878	(3,097,878)	-
Total non-operating revenue (expenses)	<u>11,756,420</u>	<u>(1,578,522)</u>	<u>10,177,898</u>	<u>3,020,307</u>	<u>16,559,744</u>	<u>19,580,051</u>
Changes in net assets	7,845,207	(1,160,817)	6,684,390	1,742,115	19,410,739	21,152,854
Net Assets, beginning of year	<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>
Net Assets, end of year	<u>\$ 81,437,605</u>	<u>\$ 203,328,620</u>	<u>\$ 284,766,225</u>	<u>\$ 73,592,398</u>	<u>\$ 204,489,437</u>	<u>\$ 278,081,835</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 6,684,390	\$ 21,152,854
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,436,361	2,458,176
Cancellation of grant	-	56,275
Bad debt (recovery) - uncollectible pledges	(15,652)	47,330
Net unrealized and realized gains on investments	(2,155,475)	(8,041,416)
Change in discount on pledges receivable	(48,904)	121,109
Capital grants	(4,355,468)	(5,074,495)
Loss on disposal of property and equipment	88,498	-
Endowment contributions	(1,824,965)	(11,223,572)
Changes in split-interest agreements	712,094	570,023
Changes in operating assets and liabilities:		
Accounts receivable	160,906	(263,483)
Pledges receivable	723,485	(2,024,289)
Inventory	(9,942)	(24,864)
Prepaid expenses	(4,376)	41,321
Accounts payable and accrued expenses	81,092	151,319
Deferred revenue - carbon credits	(7,048,236)	7,048,236
Amounts received in advance for future services	(3,123,785)	259,330
	<u>(7,699,977)</u>	<u>5,253,854</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment and land	(5,793,472)	(2,215,987)
Proceeds from sale of investments	28,686,285	40,021,861
Purchase of investments	(24,812,952)	(46,099,355)
Gift annuity contributions	63,276	15,067
Payments to annuitants	(436,981)	(408,624)
	<u>(2,293,844)</u>	<u>(8,687,038)</u>
Cash Flows from Financing Activities:		
Capital grants	4,355,468	5,074,495
Endowment contributions	1,824,965	11,223,572
	<u>6,180,433</u>	<u>16,298,067</u>
Net Change in Cash and Cash Equivalents	(3,813,388)	12,864,883
Cash and Cash Equivalents:		
Beginning of year	<u>20,585,849</u>	<u>7,720,966</u>
End of year	<u>\$ 16,772,461</u>	<u>\$ 20,585,849</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, 2020 and 2019

	2020				2019			
	Program Services	Administration and General	Development	Total	Program Services	Administration and General	Development	Total
Personnel and Related Costs:								
Salary and wages	\$ 14,810,469	\$ 1,594,119	\$ 1,748,964	\$ 18,153,552	\$ 14,890,112	\$ 1,516,075	\$ 1,722,284	\$ 18,128,471
Fringe benefits	3,758,286	486,305	521,517	4,766,108	3,630,571	431,706	480,550	4,542,827
Total personnel and related costs	<u>18,568,755</u>	<u>2,080,424</u>	<u>2,270,481</u>	<u>22,919,660</u>	<u>18,520,683</u>	<u>1,947,781</u>	<u>2,202,834</u>	<u>22,671,298</u>
Other:								
Professional and consultant fees	859,673	290,676	198,012	1,348,361	507,794	1,023,475	407,121	1,938,390
Supplies and equipment	1,240,587	13,157	72,153	1,325,897	1,015,729	46,537	68,922	1,131,188
Printing and photocopying	88,645	502,303	175,071	766,019	335,476	210,150	253,810	799,436
Service contracts	211,111	94,907	324,572	630,590	246,401	66,203	27,324	339,928
Vehicles and travel	430,354	22,898	3,873	457,125	520,547	14,607	6,919	542,073
Utilities	420,291	16,297	12,433	449,021	508,447	21,273	18,735	548,455
Insurance	344,897	43,891	-	388,788	317,388	39,932	8,000	365,320
Postage and express	114,724	20,425	222,837	357,986	132,646	12,344	284,895	429,885
Contributed services	288,772	-	-	288,772	288,772	-	-	288,772
Food	230,920	31,914	20,635	283,469	247,548	28,128	36,192	311,868
Awards, gifts and scholarships	218,473	9,513	1,111	229,097	238,751	33,204	1,454	273,409
Miscellaneous	196,616	5,778	3,808	206,202	281,383	15,038	3,978	300,399
Facility and equipment rental	109,928	10,974	4,257	125,159	133,693	6,004	4,320	144,017
Advertising and promotion	-	120,906	-	120,906	-	181,644	-	181,644
Meetings, conference and training	56,113	1,347	2,007	59,467	49,536	11,576	1,892	63,004
Total other	<u>4,811,104</u>	<u>1,184,986</u>	<u>1,040,769</u>	<u>7,036,859</u>	<u>4,824,111</u>	<u>1,710,115</u>	<u>1,123,562</u>	<u>7,657,788</u>
Total Expenses before Depreciation	23,379,859	3,265,410	3,311,250	29,956,519	23,344,794	3,657,896	3,326,396	30,329,086
Depreciation	<u>2,349,238</u>	<u>84,696</u>	<u>2,427</u>	<u>2,436,361</u>	<u>2,352,514</u>	<u>100,761</u>	<u>4,901</u>	<u>2,458,176</u>
Total Expenses	<u>\$ 25,729,097</u>	<u>\$ 3,350,106</u>	<u>\$ 3,313,677</u>	<u>\$ 32,392,880</u>	<u>\$ 25,697,308</u>	<u>\$ 3,758,657</u>	<u>\$ 3,331,297</u>	<u>\$ 32,787,262</u>

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2020 and 2019

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

During fiscal year 2020, Mass Audubon adopted FASB's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. Mass Audubon adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the fiscal year 2019 combined financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019. There were no significant changes within the combined financial statements as a result of adopting ASU 2018-08.

Upcoming Accounting Pronouncement

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an organization providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the organization's contracts with customers. This standard will be effective for the fiscal year ending June 30, 2021. Mass Audubon is currently in the process of evaluating the impact of adoption of this ASU on its combined financial statements.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Combination

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

Revenue Recognition

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

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

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 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.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Net Assets

Net Assets Without Donor Restrictions

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

Operating, property, equipment and fine arts - consists of amounts relating to program and other operating activities that are currently available for operations and the activities relating to the property, 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, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

The detail of Mass Audubon's net asset categories at June 30, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Without donor restrictions:		
Undesignated	\$ 60,873,164	\$ 52,795,822
Board designated:		
Funds functioning as endowment	8,871,842	8,988,515
Other	<u>11,692,599</u>	<u>11,808,061</u>
Total without donor restrictions	<u>81,437,605</u>	<u>73,592,398</u>
With donor restrictions:		
Purpose restricted:		
Appreciation on donor restricted endowment	52,145,984	54,700,790
Capital projects	7,485,924	8,222,925
Program activities	6,222,091	5,033,841
Charitable gift annuities	1,015,655	1,242,693
Pooled income funds	963,319	1,054,029
Charitable remainder trusts	<u>1,784,569</u>	<u>2,345,546</u>
Total purpose restricted	69,617,542	72,599,824
Perpetual in nature	<u>133,711,078</u>	<u>131,889,613</u>
Total with donor restrictions	<u>203,328,620</u>	<u>204,489,437</u>
Total net assets	<u>\$ 284,766,225</u>	<u>\$ 278,081,835</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, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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

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

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

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

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

Investments

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

Split-Interest Agreements

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

All Other Assets and Liabilities

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

Investment Return

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

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019.

Pledges Receivable and Allowance for Uncollectible Pledges

Pledges receivable (see Note 3) at June 30, 2020 and 2019, 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, 2020 and 2019

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 Mass Audubon does not believe the cost and difficulties of obtaining appraisals would be beneficial, given that Mass Audubon generally does not sell land it has acquired. Land, whether purchased or donated, is not depreciated.

Advertising Costs

Mass Audubon expenses advertising costs as they are incurred. Total advertising costs for the years ended June 30, 2020 and 2019, were \$120,906 and \$181,644, 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 December 2, 2020, 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, 2020 and 2019. Mass Audubon's information returns are subject to examination by federal and state jurisdictions.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2020 and 2019

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 public support and earned revenue and operating expenses in the accompanying combined statements of activities and changes in net assets. Non-operating revenue (expenses) includes endowment, capital, and investment activity.

3. PLEDGES RECEIVABLE

Mass Audubon has pledges receivable as follows at June 30:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 794,354	\$ 1,025,054
Due in one to five years	<u>875,640</u>	<u>1,368,425</u>
	1,669,994	2,393,479
Less - discount to net present value at pledge date	100,280	149,184
Less - allowance for uncollectible pledges	<u>51,592</u>	<u>67,244</u>
	<u>\$ 1,518,122</u>	<u>\$ 2,177,051</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, 2020 and 2019, regardless of the expected collection date. Long-term pledges have been discounted using a discount factor of 3% at June 30, 2020 and 2019. The allowance for uncollectible pledges is calculated as 3% of the net present value of pledges at June 30, 2020 and 2019.

4. INVENTORY

Inventory consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Retail merchandise at Lincoln gift shop	\$ 173,184	\$ 150,361
Other retail merchandise	63,919	76,100
Publications	<u>3,377</u>	<u>4,077</u>
	<u>\$ 240,480</u>	<u>\$ 230,538</u>

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2020 and 2019

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:

	2020			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Large cap	\$ 25,226,972	\$ -	\$ -	\$ 25,226,972
Other	6,122,488	-	-	6,122,488
Fixed income	2,740,411	-	-	2,740,411
International	2,305,732	-	-	2,305,732
Money market funds	13,942,344	-	-	13,942,344
Alternative investments:				
Limited partnerships *	-	-	-	42,280,157
Direct hedge funds *	-	-	-	32,206,157
Commingled trust funds *	-	-	-	16,108,624
Fund of funds *	-	-	-	13,742,985
Other investments:				
Planned giving assets	<u>8,222,747</u>	<u>-</u>	<u>-</u>	<u>8,222,747</u>
	<u>\$ 58,560,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,898,617</u>
	2019			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Large cap	\$ 25,242,947	\$ -	\$ -	\$ 25,242,947
Other	6,414,493	-	-	6,414,493
Fixed income	2,555,614	-	-	2,555,614
International	13,042,843	-	-	13,042,843
Money market funds	791,807	-	-	791,807
Alternative investments:				
Limited partnerships *	-	-	-	29,425,468
Direct hedge funds *	-	-	-	29,418,585
Commingled trust funds *	-	-	-	29,328,949
Fund of funds *	-	-	-	19,632,286
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>

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

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2020 and 2019

5. INVESTMENTS (Continued)

Planned giving assets consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Charitable remainder trusts	\$ 4,476,168	\$ 4,628,460
Gift annuities	2,674,698	2,947,124
Life income funds	<u>1,071,881</u>	<u>1,187,899</u>
	<u>\$ 8,222,747</u>	<u>\$ 8,763,483</u>

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

As of June 30, 2020 and 2019, Mass Audubon was committed to contribute approximately \$6,100,000 and \$4,200,000, respectively, in additional capital to alternative investments throughout the terms of those investments, normally not to exceed fifteen years.

6. ENDOWMENT

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

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

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

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

6. ENDOWMENT (Continued)

Investment Return Objectives, Risk Parameters and Strategies

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

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

The Investment Committee has established an asset allocation policy, investment guidelines and performance standards for the investment of the Fund's assets, in order to control risk and monitor investment performance. In recognition of the prudence required of fiduciaries, reasonable diversification is sought where possible. Experience has shown that financial markets and inflation rates are cyclical, and therefore, control of volatility is most likely to be achieved through diversification of asset classes, and, where appropriate, selection of managers of diverse investment styles. In addition, when possible, Mass Audubon attempts to meet its stated investment objectives by making investments that are consistent with its environmental mission.

Spending Policy

Spending from every donor-restricted endowment fund is governed by the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA). In January of each year, Mass Audubon's Investment Committee reviews information showing the fair value for the Fund (less outstanding loans and deferred contributions) at December 31st of the preceding year and for the three preceding calendar quarters and also reviews the amount of spending from the Fund in the current fiscal year. The spending amount for the next fiscal year is calculated by: 1) multiplying the current fiscal year spending amount from the Fund by one plus the percentage increase in the Consumer Price Index (CPI-U) for the then-ended calendar year and then by seventy percent and 2) by adding to this amount a second amount which is determined by multiplying a trailing average of the market value of the Fund at December 31st and the preceding three calendar quarters by a spending rate determined by the Investment Committee and then by thirty percent. In computing the average of the Fund to be used for the spending rate decision, net endowment additions for each of the four preceding calendar quarters will be added back. The Investment Committee recommends the amount so calculated for the next fiscal year to the Board of Directors, which then determines the spending rate. The Investment Committee determines the details of this policy and monitors its implementation.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2020 and 2019

6. ENDOWMENT (Continued)

Endowment Activity

Changes in endowment net assets as of June 30, 2020 and 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, 2018	\$ 8,760,012	\$ 125,962,051	\$ 134,722,063
Contributions	1,318,508	10,948,086	12,266,594
Investment return, net	381,752	7,282,241	7,663,993
Amounts appropriated for expenditure	<u>(1,471,757)</u>	<u>(4,154,285)</u>	<u>(5,626,042)</u>
Endowment net assets, June 30, 2019	8,988,515	140,038,093	149,026,608
Contributions	1,115,903	1,820,851	2,936,754
Investment return, net	279,107	1,665,613	1,944,720
Amounts appropriated for expenditure	<u>(1,511,683)</u>	<u>(4,216,730)</u>	<u>(5,728,413)</u>
Endowment net assets, June 30, 2020	<u>\$ 8,871,842</u>	<u>\$ 139,307,827</u>	<u>\$ 148,179,669</u>

Excluded from the endowment schedule above is approximately \$46,550,000 of land and fine art assets, which is restricted in nature (see Note 2).

Endowment Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the donor restricted contributions. Deficiencies of this nature exist in twenty-two and eleven donor restricted endowment funds for the years ended June 30, 2020 and 2019, respectively, as follows:

	<u>2020</u>	<u>2019</u>
Current fair value	\$ 4,183,332	\$ 2,605,495
Original gift value	<u>4,347,922</u>	<u>2,720,095</u>
Deficiency	<u>\$ (164,590)</u>	<u>\$ (114,600)</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.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2020 and 2019

7. LINE OF CREDIT

At June 30, 2020 and 2019, Mass Audubon has available up to \$100,000 on an unsecured line of credit agreement with a bank which expires on May 29, 2021, and is renewable annually. Borrowings under the line of credit bear interest at the London Interbank Offered Rate (LIBOR) Advantage Rate (0.18% and 2.40% at June 30, 2020 and 2019, 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, 2020 and 2019. At June 30, 2020 and 2019, 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, 2020 and 2019, Mass Audubon contributions to the plan totaled approximately \$921,000 and \$913,000, respectively.

9. CONTRIBUTED SERVICES

The value of eligible contributed services (see Note 2) is recognized as both revenue and expense in the accompanying combined statements of activities and changes in net assets. These volunteer hours at sanctuaries were valued at approximately \$289,000 for each of the years ended June 30, 2020 and 2019.

In addition, each year more than eleven thousand volunteers donate a total of more than 126,000 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 Note 2).

10. COMMITMENTS

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

11. CONCENTRATIONS

Credit Risk

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

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2020 and 2019

11. CONCENTRATIONS (Continued)

Funding

Mass Audubon receives funding under state and federal contracts, which is subject to audit by the appropriate government agency. In the opinion of Mass Audubon, the results of such audits, if any, would not have a material effect on the combined financial position of Mass Audubon as of June 30, 2020 and 2019, or on its results of operations for the years then ended. As of June 30, 2020 and 2019, three and four government agencies represent 44% and 43% of accounts receivable, respectively.

Approximately 26% of gross pledges receivable at June 30, 2020 and 2019 were due from two 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 (2.2% and 2.6% at June 30, 2020 and 2019, 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, 2020 and 2019. These funds have been discounted to their net present value based upon the donor's expected life and a rate of 2.2% and 2.6% at June 30, 2020 and 2019, 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. These funds have been discounted to their net present value based upon the donor's expected life and the IRS Federal rate for determining the present value of an annuity (2.2% and 2.6% at June 30, 2020 and 2019, respectively).

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2020 and 2019

12. SPLIT-INTEREST AGREEMENTS (Continued)

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

	2020			
	Charitable Gift Annuities	Pooled Income Funds	Charitable Remainder Trusts	Total
Asset	\$ 2,674,698	\$ 1,071,881	\$ 4,476,168	\$ 8,222,747
Obligations	<u>1,659,043</u>	<u>108,562</u>	<u>2,691,599</u>	<u>4,459,204</u>
Total net assets	<u>\$ 1,015,655</u>	<u>\$ 963,319</u>	<u>\$ 1,784,569</u>	<u>\$ 3,763,543</u>

	2019			
	Charitable Gift Annuities	Pooled Income Funds	Charitable Remainder Trusts	Total
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>

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:

	2020	2019
Beginning Balance	\$ 4,120,815	\$ 3,944,349
Payments	(436,981)	(408,624)
Change in value	775,370	592,586
Releases due to death of beneficiary	<u>-</u>	<u>(7,496)</u>
Ending Balance	<u>\$ 4,459,204</u>	<u>\$ 4,120,815</u>

13. PROPERTY AND EQUIPMENT

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

	2020	2019
Buildings and improvements	\$ 51,833,831	\$ 50,321,416
Capital assets in progress	12,008,751	9,970,992
Office furniture and computer equipment	645,124	697,953
Motor vehicles	1,658,871	1,453,963
Maintenance and program equipment	<u>884,160</u>	<u>846,863</u>
	67,030,737	63,291,187
Less - accumulated depreciation	<u>22,912,106</u>	<u>20,543,382</u>
Net property and equipment	<u>\$ 44,118,631</u>	<u>\$ 42,747,805</u>

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUNDNotes to Combined Financial Statements
June 30, 2020 and 2019**14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

As of June 30, 2020 and 2019, the financial assets available to Mass Audubon within one year for general operating expenses are reported on the combined statements of financial position as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 16,772,461	\$ 20,585,849
Accounts receivable	1,163,951	1,324,857
Current portion of pledges receivable, net	<u>765,968</u>	<u>991,339</u>
	18,702,380	22,902,045
Less: Cash and cash equivalents with donor restrictions	(2,423,516)	(6,105,455)
Less: Current pledge receivable with donor restrictions	(732,406)	(957,972)
Less: Board designated net assets included in cash and cash equivalents	(11,692,599)	(11,740,609)
Less: Deferred revenue – carbon credits (see Note 15)	-	(7,048,236)
Plus: Estimated investment return designated for next year's operations	<u>6,796,038</u>	<u>6,077,382</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,649,897</u>	<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, 2020 and 2019, Mass Audubon has a line of credit for \$100,000 (see Note 7) available to address unanticipated liquidity needs. In addition, the Board of Directors established a fund, included in investments, that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities (see Note 6). The balance of the investments without donor restrictions was \$9,926,252 and \$14,892,478 at June 30, 2020 and 2019, respectively. Mass Audubon did not include the deferred revenue for carbon credits in available assets as of June 30, 2019, because the invalidation period for the credits did not end until February 2020 (see Note 15).

15. CARBON CREDIT PROJECT

In fiscal year 2017, Mass Audubon entered into an agreement to sell Carbon Credit Offsets (carbon credits), under a program established by the California Air Resources Board (CARB), from approximately 9,700 acres of its forest land in central and western Massachusetts. Under this agreement, Mass Audubon is required to minimize any forestry operations on these lands for 100 years and is subject to periodic audits of the inventory of the carbon stored in the forest during that timeframe. During the fiscal year ended June 30, 2019, following preliminary certification by CARB, Mass Audubon received \$7,048,236 for these carbon credits, which is reflected in deferred revenue in the 2019 combined statement of financial position. In February 2020, final certification was received from CARB, and Mass Audubon recognized these funds as revenue. It is reflected as proceeds from the sale of carbon credits in the combined statement of activities and changes in net assets for the year ended June 30, 2020.

MASSACHUSETTS AUDUBON SOCIETY, INC. AND WHETSTONE WOOD TRUST FUND

Notes to Combined Financial Statements
June 30, 2020 and 2019

16. CONTINGENCIES

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

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