

THE WALDEN WOODS PROJECT

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

THE WALDEN WOODS PROJECT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Walden Woods Project
Lincoln, Massachusetts

We have audited the accompanying financial statements of The Walden Woods Project (a non-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statement of activities for the year ended December 31, 2018 and the statements of functional expenses and cash flows for the years ended December 31, 2018 and 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project's preparation and fair presentation of the 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 Project'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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Walden Woods Project as of December 31, 2018 and 2017, the changes in its net assets for the year ended December 31, 2018 and its cash flows for the years ended December 31, 2018 and 2017, in accordance with U.S. generally accepted accounting principles.

tonneson & co
Certified Public Accountants & Consultants

Report on Summarized Comparative Information

We have previously audited The Walden Woods Project's December 31, 2017 financial statements and our report dated June 6, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wakefield, Massachusetts
July 26, 2019

THE WALDEN WOODS PROJECT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash and cash equivalents	\$ 50,339	\$ 428,472
Investments	7,571,992	7,642,433
Contributions receivable, net	683,262	646,719
Prepaid expenses	12,409	18,331
Buildings, equipment, and endangered land held for preservation, net	16,811,775	16,945,787
Conservation restrictions	2,206,339	2,206,339
Collections items	715,262	715,262
Film production costs, net of accumulated amortization of \$41,708 and \$5,958 in 2018 and 2017, respectively	137,042	172,792
Other assets	15,500	15,500
TOTAL ASSETS	\$ <u>28,203,920</u>	\$ <u>28,791,635</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Note payable, bank	\$ 220,000	\$ -
Accounts payable and accrued expenses	124,544	87,013
Total liabilities	<u>344,544</u>	<u>87,013</u>
NET ASSETS:		
Without donor restrictions	16,284,073	16,768,514
With donor restrictions	11,575,303	11,936,108
Total net assets	<u>27,859,376</u>	<u>28,704,622</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>28,203,920</u>	\$ <u>28,791,635</u>

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2018</u> <u>Total</u>	<u>2017</u> <u>Total</u>
REVENUES:				
Contributions	\$ 789,045	\$ 338,953	\$ 1,127,998	\$ 1,226,509
Grants	5,350	-	5,350	-
Special event revenue	32,662	-	32,662	597,013
Merchandise sales	74,561	-	74,561	88,286
Investment income	91,574	158	91,732	82,779
Net realized and unrealized gain (loss) on investments	237,455	(448,940)	(211,485)	1,001,292
Net assets released from restrictions: Satisfaction of program and donor restrictions	<u>250,976</u>	<u>(250,976)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,481,623</u>	<u>(360,805)</u>	<u>1,120,818</u>	<u>2,995,879</u>
EXPENSES:				
Program service expenses	1,452,220	-	1,452,220	1,544,947
Management and general expenses	414,120	-	414,120	440,866
Fundraising expenses	<u>99,724</u>	<u>-</u>	<u>99,724</u>	<u>70,245</u>
Total expenses	<u>1,966,064</u>	<u>-</u>	<u>1,966,064</u>	<u>2,056,058</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(484,441)</u>	<u>(360,805)</u>	<u>(845,246)</u>	<u>939,821</u>
NET ASSETS, BEGINNING OF YEAR	<u>16,768,514</u>	<u>11,936,108</u>	<u>28,704,622</u>	<u>27,764,801</u>
NET ASSETS, END OF YEAR	<u>\$ 16,284,073</u>	<u>\$ 11,575,303</u>	<u>\$ 27,859,376</u>	<u>\$ 28,704,622</u>

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>	<u>Program Services</u>	<u>Management and General</u>
Grants	\$ 12,100	\$ -	\$ -	\$ 12,100	\$ 4,850	\$ -
Salaries and wages	433,964	127,740	73,500	635,204	451,635	111,64
Retirement contributions	15,537	4,064	2,632	22,233	15,190	3,75
Payroll Taxes	35,267	9,225	5,973	50,465	2,691	45,93
Professional fees	-	90,537	-	90,537	-	46,80
Advertising and promotion	-	-	-	-	-	1,98
Travel	1,027	1,798	-	2,825	7,130	6,55
Conferences and meetings	252	6	-	258	210	-
Interest	4,386	1,221	1,221	6,828	7,483	2,12
Depreciation and amortization	404,841	11,999	-	416,840	365,982	15,58
Insurance	124,151	69,911	16,398	210,460	140,170	64,88
Repairs and maintenance	255,258	6,884	-	262,142	314,201	5,66
Utilities	94,271	-	-	94,271	80,194	-
Supplies	30,889	14,563	-	45,452	39,201	63,73
Services	27,342	40,204	-	67,546	104,956	40,10
Office & miscellaneous expenses	12,935	35,968	-	48,903	11,054	32,09
Total expenses	\$ <u>1,452,220</u>	\$ <u>414,120</u>	\$ <u>99,724</u>	\$ <u>1,966,064</u>	\$ <u>1,544,947</u>	\$ <u>440,86</u>

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (845,278)	\$ 939,821
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	381,090	375,607
Amortization	35,750	5,958
Net realized and unrealized (gains) losses on investments	211,485	(1,001,292)
Donated marketable securities	(25,305)	(202,689)
Bad debt expense	150,000	-
Changes in operating assets and liabilities:		
Contributions receivable	(186,543)	217,360
Prepaid expenses	5,922	(3,613)
Accounts payable and accrued expenses	37,531	(128,060)
Net cash provided by (used in) operating activities	<u>(235,348)</u>	<u>203,092</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of buildings, equipment and endangered land	(247,046)	(20,200)
Collections	-	(5,938)
Film production costs	-	(64,350)
Proceeds from sale of investments	1,407,404	2,578,218
Purchase of investments	<u>(1,523,143)</u>	<u>(2,356,766)</u>
Net cash provided by (used in) investing activities	<u>(362,785)</u>	<u>130,964</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayments of) note payable, bank	<u>220,000</u>	<u>(220,000)</u>
Net cash provided by (used in) financing activities	<u>220,000</u>	<u>(220,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(378,133)	114,056
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>428,472</u>	<u>314,416</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 50,339</u>	<u>\$ 428,472</u>

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 1 - Summary of Significant Accounting Policies

Organization - The Walden Woods Project (the "Project") was founded by Donald Henley, a Director of the Project, and incorporated in the State of California as a public benefit corporation in October 1990. The Project's purpose is to preserve real properties in ecologically important areas. Additionally, the Project operates The Thoreau Institute at Walden Woods. The Thoreau Institute supports research and education related to Henry David Thoreau. Resources are raised through contributions from individuals, foundations and corporations, private and government grants and other fund-raising activities.

Basis of Presentation - The financial statements are prepared in accordance with U.S. generally accepted accounting principles. U.S. generally accepted accounting principles establish standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions. The two net asset categories are as follows:

Net Assets Without Donor Restrictions include net assets that are available for use in general operations and not subject to donor (or certain grantor) imposed stipulations.

Net Assets With Donor Restrictions include some net assets that are temporary in nature, which are subject to donor (or certain grantor) imposed stipulations, that may or will be met by actions of the Project and/or the passage of time. Other donor (or certain grantor) imposed restrictions are perpetual in nature, whereas the donor stipulates that these resources be maintained in perpetuity. Generally, the donors of these assets permit the Project to use all or part of the income earned on related investments for general or specific purposes. Donor (or grantor) imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions are then reclassified to net assets without donor restrictions in the statements of activities.

Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Project's financial statements for the year ended December 31, 2017 from which the summarized information was derived.

Cash Equivalents - The Project considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash equivalents consist of money market accounts.

Investments - Investments are reported at fair market value. The fair value of investments is based on the underlying investments valued at quoted market prices. Purchases and sales of investments are recorded on the trade date. The gain or loss on the sale of investments is determined using average cost. Unrealized gains and losses are included in the statements of activities.

Contributions and Grants - In accordance with U.S. generally accepted accounting principles, contributions and grants received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor or grantor restrictions. Support that is restricted by the donor or grantor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period. All other donor and grantor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Contributions and Grants (Continued) - Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable values. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

Contributions Receivable - Management has reviewed all contributions receivable and determined that an allowance for doubtful accounts in the amount of \$150,000 is required as of December 31, 2018. At December 31, 2017, management determined that an allowance for doubtful accounts was not deemed necessary.

Buildings, Equipment and Endangered Land Held for Preservation - Buildings, equipment and endangered land held for preservation are stated at cost or fair value at date of the gift, net of accumulated depreciation. Depreciation expense is computed on a straight-line basis over the estimated useful lives of the assets:

	Estimated useful lives
Buildings and improvements	25 years
Land improvements	10 years
Equipment	3-10 years

Conservation Restrictions - Donated conservation restrictions, held in perpetuity, are carried at appraised value at time of donation. Appraised value is based on the difference of the estimated value of the related conservation land before and after the restriction is granted. The Project holds other conservation restrictions which are not recorded in the financial statements because there is no reasonable estimate of their value.

Collection Items - The Project capitalizes collection items at cost or if donated to the Project, at an appraised value at time of the donation. The Project's collection items are artifacts of historical significance which are catalogued and preserved for educational, research and scientific purposes.

Film Costs - The Project capitalized film costs related to its conservation and educational effort centered on Walden Pond and the works of Henry David Thoreau. Total amounts capitalized upon completion of the short film in 2017 amounted to approximately \$178,000 and are being amortized over a period of sixty months, which is based upon management's estimate of the period the short film will be utilized by the Project.

Functional Allocation of Expenses - Direct costs associated with carrying out the Project's organizational mission are recorded on the statements of activities and the statements of functional expenses as program service expenses. Other supporting costs associated with the operations of the Project have been allocated to management and general and fundraising expenses accordingly.

Donated Services - Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Taxes - The Project is a non-profit corporation organized under the laws of Massachusetts and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes. This determination has been reviewed according to guidance in a Financial Accounting Standards Board pronouncement related to accounting for uncertainty in income taxes. In determining the recognition of uncertain tax positions, the Project applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions by considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities. As of December 31, 2018, the Project has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Project is generally subject to potential examination by taxing jurisdictions for the prior three years.

The Project is potentially subject to Unrelated Business Income Tax (UBIT) relating to the sale of produce at a farm stand, which is not related to the Project's primary purposes of preserving conservation land or the promotion and education related to the works of Henry David Thoreau. For the years ended December 31, 2018 and 2017, the Project did not incur any UBIT related to its farm stand operation.

Concentrations of Credit Risk - The Project is not aware of any concentrations of credit risk beyond those disclosed with regards to investments (see Note 3) and certain concentrations related contributions and related contributions receivable (see Note 10). The Project's bank offers supplemental deposit insurance in addition to FDIC insurance which insures all deposits in excess of FDIC insurance levels.

Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates included in the financial statements.

Donated Assets - Non-cash donations are recorded as contributions at their estimated fair values at the date of donation. For the years ended December 31, 2018 and 2017, donated assets received by the Project amounted \$25,305 and \$202,689, respectively.

Recent Accounting Pronouncements - In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in the financial statements and notes about liquidity, financial performance and cash flows. The new guidance (i) revises the net asset classification scheme to two classes instead of the previous three, (ii) enhances disclosures for self-imposed limits on the use of resources without donor-imposed restrictions and the composition of net assets with donor restrictions, (iii) updates the accounting and disclosure requirements for underwater endowment funds, (iv) requires the net presentation of investment expenses against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted (v) requires the presentation of expenses by nature as well as function, (vi) requires qualitative disclosures on how a not-for-profit manages its available liquid resources, (vii) requires quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date, and (viii) allows for a choice between the direct and indirect method of reporting operating cash flows.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued) - ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. During the year ended December 31, 2018, the Project has implemented ASU 2016-14 and adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events - The date to which events occurring after December 31, 2018 have been evaluated for possible adjustment to the financial statements or disclosure is the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Note 2 - Availability and Liquidity

The following table reflects the Project's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date. Amounts not available include net assets with donor restrictions as well as endowment related net assets subject to long-term investment

	<u>2018</u>
Cash and cash equivalents	\$ 50,339
Investments	7,571,992
Contributions receivable, net	<u>683,262</u>
Total financial assets	<u>8,305,593</u>
Less Amounts not Available to be Used Within One Year:	
Restricted by donor with time or purpose restrictions	889,951
Subject to endowment spending policy and appropriation	<u>4,772,127</u>
	<u>5,662,078</u>
Financial assets available to meet general expenditures within one year	\$ <u><u>2,643,515</u></u>

The Project is substantially supported by contributions with and without donor restrictions. When a donor's restriction requires resources to be used in a particular manner or in a future period, the Project maintains the resources necessary to meet the restricted purposes. Thus, financial assets equal to restricted amounts are not available for general expenditure. As part of its liquidity management, the Project structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. If needed to meet unforeseen obligations, the Project also has available a \$2,000,000 line of credit (as further discussed in Note 8).

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 3 - Investments

Accounting principles generally accepted in the United States of America defines fair value as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants. Further, accounting principles generally accepted in the United States of America require the Project to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy the details of such fair value measurements. Accounting principles generally accepted in the United States of America specify a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Project's market assumptions. This hierarchy requires the use of observable market data when available.

These inputs have created the following fair value hierarchy:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than those included in Level 1. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets.

Level 3 - Unobservable inputs reflecting management's own assumptions about the inputs used in estimating the value of the asset.

The following is the Project's methodology for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Common stocks - Certain common stocks are valued at the closing price reported in the active market in which the individual securities are traded. Investments in corporate stocks are classified as Level 1 of the valuation hierarchy.

Mutual funds - Mutual funds and exchange traded funds are valued using the Net Asset Value ("NAV") provided by the administrator of the fund and calculated at the close of business on the NYSE. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. Investments in mutual funds and exchange traded funds are classified within Level 1 of the valuation hierarchy.

Corporate and U.S. Government bonds - Corporate and U.S. Government bonds are valued at the closing price reported in the active market in which the bond is traded. Plan investments in corporate bonds are classified as Level 1 of the valuation hierarchy as all are available to be traded in an active market.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 3 - Investments (Continued)

The following table summarizes the Project's financial assets measured at fair value on a recurring basis in accordance with U.S. generally accepted accounting principles as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Level 1:		
Common stocks:		
Consumer goods	\$ 1,134,202	\$ 1,208,697
Financial	757,401	943,725
Healthcare	822,141	763,233
Industrial goods	742,008	786,077
Real estate	84,557	161,590
Telecommunications services	421,650	57,154
Technology	1,158,790	1,519,728
Corporate bonds	812,020	849,130
U.S. Government bonds	1,230,291	876,736
U.S. Government money market funds	369,977	432,194
Mutual funds:		
Income funds	10,773	11,458
Value funds	8,846	10,798
Growth funds	10,404	11,228
International/global funds	8,932	10,685
Total Level 1 Investments	<u>\$ 7,571,992</u>	<u>\$ 7,642,433</u>

Investment income for the years ended December 31, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 146,156	\$ 131,954
Net realized and unrealized gains on investments	(211,485)	1,001,292
Investment management fees	(54,424)	(49,175)
	<u>\$ (119,753)</u>	<u>\$ 1,084,071</u>

The Project invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported on the statements of financial position.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 4 - Contributions Receivable

Contributions receivable scheduled to be received over future period consist of the following amounts as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
One to five years	\$ 852,000	\$ 652,000
Less: allowance for doubtful accounts	(150,000)	-
Less: present value discount	<u>(18,738)</u>	<u>(5,281)</u>
	<u>\$ 683,262</u>	<u>\$ 646,719</u>

At December 31, 2018 and 2017, contributions receivable consist of amounts designated for the following:

	<u>2018</u>	<u>2017</u>
Donor restricted for endowment	\$ 197,359	\$ 394,719
Unrestricted for future operations	<u>485,903</u>	<u>252,000</u>
	<u>\$ 683,262</u>	<u>\$ 646,719</u>

Note 5 - Buildings, Equipment and Endangered Land Held for Preservation

Buildings, equipment and land held for preservation consists of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Buildings, improvements and equipment	\$ 9,718,566	\$ 9,574,432
Equipment	636,035	636,035
Less accumulated depreciation	<u>(7,430,358)</u>	<u>(7,049,267)</u>
	2,924,243	3,161,200
Walden Woods Endangered Land:		
Fairhaven Road	1,247,986	1,247,986
Concord Commons	2,195,688	2,195,688
Brister's Hill	2,522,111	2,522,111
Baker Farm Road	556,857	556,857
Fairhaven Hill	704,286	704,286
Sudbury Road	1,800,000	1,800,000
Baker Farm Road (Adams property)	1,477,945	1,375,000
The Farm at Walden Woods	2,703,538	2,703,538
Concord Turnpike	<u>679,121</u>	<u>679,121</u>
	<u>\$ 16,811,775</u>	<u>\$ 16,945,787</u>

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 6 - Net Assets with Donor Restrictions

At December 31, 2018 and 2017, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Ecological restoration and interpretative trails	\$ 371,038	\$ 371,913
Conservation restriction related expenses	76,751	76,751
Other	8,900	8,900
	<u>456,689</u>	<u>457,564</u>
Subject to passage of time:		
Contributions receivable	485,903	252,000
Contribution receivable - restricted for endowment	197,359	394,719
	<u>683,262</u>	<u>646,719</u>
Subject to endowment spending policy and appropriation:		
Cumulative gains on investments	1,185,485	1,631,959
Restricted in perpetuity		
Conservation restrictions and protected land	5,663,225	5,663,225
Endowment	3,586,642	3,536,641
	<u>10,435,352</u>	<u>10,831,825</u>
	<u>\$ 11,575,303</u>	<u>\$ 11,936,108</u>

Note 7 - Endowment

The Project's endowment consists of donor restricted funds established for a variety of purposes. As required by U.S. generally accepted accounting principles, 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.

The Project has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Project classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Project.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 7 - Endowment (Continued)

In accordance with UPMIFA, the Project 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 the Project 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 the Project
7. The investment policies of the Project

Investment Return Objectives, Risk Parameters and Strategies - The Project's policy is to invest the endowment in a socially responsible manner, as determined by the Project's Board of Directors. The investment objective is to preserve and grow the value of the investments. To this end, the investments are managed using a Balanced Capital Growth strategy that works towards preserving and growing principal on a risk-adjusted basis over time.

Spending Policy - The Project's policy is to delay spending of investment income earned on the Project Endowment unless necessary to support the activities and operations of the Project.

The endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>
Donor restricted endowment funds	\$ -	\$ 4,772,127
	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>
Endowment Net Assets		
Beginning of Year	\$ -	\$ 5,168,600
Contributions	-	5,000
Contribution receivable payment	-	50,000
Investment loss	-	(451,473)
End of Year	\$ -	\$ 4,772,127

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 7 - Endowment (Continued)

The endowment net asset composition by type of fund as of December 31, 2017 is as follows:

	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>
Donor restricted endowment funds	\$ -	\$ 5,168,600
	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>
Endowment Net Assets		
Beginning of Year	\$ -	\$ 4,639,307
Investment gain	-	529,293
End of Year	\$ -	\$ 5,168,600

Note 8 - Note Payable, Bank

The Project has a line of credit agreement, which is subject to renewal on July 31, 2019. In July 2019, the agreement was extended, under the same terms, through July 31, 2021. The maximum borrowings available under the agreement are \$2,000,000, payable on demand and bear interest at the bank's prime rate (5.50% at December 31, 2018). The agreement is collateralized by a security interest in substantially all of the Project's marketable securities. The primary purpose of the line of credit is to fund working capital requirements. The agreement contains certain financial and non-financial covenant requirements. Management is not aware of any violations of the covenants as of December 31, 2018. At December 31, 2018, borrowings outstanding under the line of credit agreement amounted to \$220,000. At December 31, 2017, there were no borrowings outstanding under the line credit agreement.

Note 9 - Contributed Services

The Project has recognized contribution revenue (and corresponding expenses) for contributed professional services based upon compensation that would have been paid for such services. For the years ended December 31, 2018 and 2017, the Project recorded approximately \$67,000 and \$22,000 in contributed services related to legal expenses, respectively.

A substantial number of volunteers have made significant contributions of their time to develop the Project's programs, principally the Thoreau Institute. The value of this contributed time is not reflected in these statements as no objective basis is available to measure the value of such services.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 10 - Significant Donors

During the year ended December 31, 2018, contributions from one foundation represented 66% of contribution revenue, respectively. During the year ended December 31, 2017, contributions from one individual and one foundation represented 53% of contribution revenue.

Additionally, Contributions receivable at December 31, 2018 and 2017 include \$683,262 and \$646,719 from two donors, respectively.

Note 11 - Retirement Plan

The Project has established a 403(b) defined contribution retirement plan in which eligible employees can elect to defer a percentage of their compensation. The Project also contributes 5% of an employee's salary for eligible employees. All employee deferrals are subject to IRS limitations. Contributions of \$22,233 and \$26,436 were made during the years ended December 31, 2018 and 2017, respectively.

While the Project expects to continue the plan indefinitely, it has reserved the right to modify, amend or terminate the plan. In the event of termination, the entire amount contributed under the plan must be applied to the payments of benefits to the participants or their beneficiaries.

Note 12 - Interest Expense

Interest expense incurred by the Project for the years ended December 31, 2018 and 2017 was \$6,828 and \$11,736, respectively and is allocated amongst program service, management and general and fundraising expenses in the accompanying Statements of Activities.

Note 13 - Amortization of Film Production Costs

As stated in Note 1, the Project amortizes film production costs using the straight-line method over a period of five years.

The following is a schedule of expected amortization expense the Project will incur for the four years subsequent to December 31, 2018:

<u>Years</u>	
2019	35,750
2020	35,750
2021	35,750
2022	29,792

Note 14 - Statements of Cash Flows Supplemental Notes

Cash paid for interest during the years ended December 31, 2018 and 2017 amounted to \$6,828 and \$11,736, respectively.