

THE WALDEN WOODS PROJECT

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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Certified Public Accountants & Consultants

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, 2019 and 2018, and the related statement of activities for the year ended December 31, 2019 and the statements of functional expenses and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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Report on Summarized Comparative Information

We have previously audited The Walden Woods Project's December 31, 2018 financial statements and our report dated July 26, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tonnerson & Company, PC

Wakefield, Massachusetts
December 3, 2020

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THE WALDEN WOODS PROJECT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash and cash equivalents	\$ 518,239	\$ 50,339
Investments	9,526,375	7,571,992
Contributions receivable, net	252,000	683,262
Prepaid expenses	17,115	12,409
Buildings, equipment, and endangered land held for preservation, net	16,467,420	16,811,775
Conservation restrictions	2,206,339	2,206,339
Collections items	715,262	715,262
Film production costs, net of accumulated amortization of \$77,458 and \$41,708 in 2019 and 2018, respectively	101,292	137,042
Other assets	-	15,500
	<hr/>	<hr/>
TOTAL ASSETS	\$ <u>29,804,042</u>	\$ <u>28,203,920</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Note payable, bank	\$ 100,000	\$ 220,000
Accounts payable and accrued expenses	<u>61,276</u>	<u>124,544</u>
	<hr/>	<hr/>
Total liabilities	<u>161,276</u>	<u>344,544</u>
	<hr/>	<hr/>
NET ASSETS:		
Without donor restrictions	16,355,509	16,284,073
With donor restrictions	<u>13,287,257</u>	<u>11,575,303</u>
	<hr/>	<hr/>
Total net assets	<u>29,642,766</u>	<u>27,859,376</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>29,804,042</u>	\$ <u>28,203,920</u>

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2018)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2019</u> <u>Total</u>	<u>2018</u> <u>Total</u>
REVENUES:				
Contributions	\$ 2,190,061	\$ 258,825	\$ 2,448,886	\$ 1,127,998
Grants	61,684	-	61,684	5,350
Special event revenue, net	857,006	-	857,006	32,662
Merchandise sales	67,931	-	67,931	74,561
Investment income	116,973	6,353	123,326	91,732
Net realized and unrealized gain (loss) on investments	106,825	1,722,848	1,829,673	(211,485)
Net assets released from restrictions:				
Satisfaction of program and donor restrictions	276,072	(276,072)	-	-
Total revenues	<u>3,676,552</u>	<u>1,711,954</u>	<u>5,388,506</u>	<u>1,120,818</u>
EXPENSES:				
Program service expenses	3,113,548	-	3,113,548	1,452,220
Management and general expenses	383,692	-	383,692	414,120
Fundraising expenses	107,876	-	107,876	99,724
Total expenses	<u>3,605,116</u>	<u>-</u>	<u>3,605,116</u>	<u>1,966,064</u>
INCREASE (DECREASE) IN NET ASSETS	71,436	1,711,954	1,783,390	(845,246)
NET ASSETS, BEGINNING OF YEAR	<u>16,284,073</u>	<u>11,575,303</u>	<u>27,859,376</u>	<u>28,704,622</u>
NET ASSETS, END OF YEAR	<u>\$ 16,355,509</u>	<u>\$ 13,287,257</u>	<u>\$ 29,642,766</u>	<u>\$ 27,859,376</u>

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	Program Services	Management and General	Fundraising	2019 Total	Program Services	Management and General	Fundraising	2018 Total
Grants	\$ 1,786,434	\$ -	\$ -	\$ 1,786,434	\$ 12,100	\$ -	\$ -	\$ 12,100
Salaries and wages	475,664	117,484	73,400	666,548	433,964	127,740	73,500	635,204
Retirement contributions	16,977	3,691	2,620	23,288	15,537	4,064	2,632	22,233
Payroll Taxes	40,142	8,726	6,194	55,062	35,267	9,225	5,973	50,465
Professional fees	-	57,396	-	57,396	-	90,537	-	90,537
Travel	1,782	1,549	-	3,331	1,027	1,798	-	2,825
Conferences and meetings	-	65	-	65	252	6	-	258
Interest	5,219	1,106	1,107	7,432	4,386	1,221	1,221	6,828
Depreciation and amortization	380,836	10,366	-	391,202	404,841	11,999	-	416,840
Insurance	128,988	64,762	15,968	209,718	124,151	69,911	16,398	210,460
Repairs and maintenance	85,177	28,404	-	113,581	255,258	6,884	-	262,142
Utilities	76,350	-	-	76,350	94,271	-	-	94,271
Supplies	29,103	17,573	-	46,676	30,889	14,563	-	45,452
Services	54,854	44,995	-	99,849	27,342	40,204	-	67,546
Office & miscellaneous expenses	32,022	27,575	8,587	68,184	12,935	35,968	-	48,903
Total expenses	\$ 3,113,548	\$ 383,692	\$ 107,876	\$ 3,605,116	\$ 1,452,220	\$ 414,120	\$ 99,724	\$ 1,966,064

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 1,783,390	\$ (845,246)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	355,452	381,090
Amortization	35,750	35,750
Net realized and unrealized (gains) losses on investments	(1,829,673)	211,485
Donated marketable securities	(24,848)	(25,305)
Bad debt expense	197,359	150,000
Changes in operating assets and liabilities:		
Contributions receivable	233,903	(186,543)
Prepaid expenses	(4,706)	5,922
Other assets	15,500	-
Accounts payable and accrued expenses	(63,268)	37,531
Net cash provided by (used in) operating activities	<u>671,824</u>	<u>(235,316)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of buildings, equipment and endangered land	(11,097)	(247,046)
Proceeds from sale of investments	1,838,989	1,407,372
Purchase of investments	<u>(1,938,851)</u>	<u>(1,523,143)</u>
Net cash used in investing activities	<u>(110,959)</u>	<u>(362,817)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayments of) note payable, bank	<u>(120,000)</u>	<u>220,000</u>
Net cash provided by (used in) financing activities	<u>(120,000)</u>	<u>220,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	440,865	(378,133)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>50,339</u>	<u>428,472</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 491,204</u>	<u>\$ 50,339</u>

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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 statement 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, 2018 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 statement 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, 2019 AND 2018

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 – Contributions receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and an increase to a valuation allowance based upon its assessment of the current status of the individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction of contributions receivable. At December 31, 2018, management determined that an allowance for doubtful accounts in the amount of \$150,000 was required. During year ended December 31, 2019, management wrote off a contribution receivable, net of the established allowance, of approximately \$197,000. Management has reviewed all contributions receivable and determined that an allowance for doubtful accounts is not required as of December 31, 2019.

Buildings, Equipment and Endangered Land Held for Preservation - Buildings, equipment and land improvements are stated at cost or fair value at date of the gift, net of accumulated depreciation. Endangered land held for preservation is stated at cost or fair value at date of the gift. 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 Production 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.

Revenue Recognition - Under FASB ASC Topic 606, *Revenue from Contracts with Customers* (Topic 606), revenue is recognized when a customer obtains control of promised goods or services (the performance obligation) in an amount that reflects the consideration expected to be received in exchange for those goods or services (the transaction price).

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued) - Revenue from performance obligations satisfied at a point in time consists of special events revenue in which tickets to the Project's fundraising events are sold. Such revenue is recognized at the time that the event takes place. For the year ended December 31, 2019, such revenue included in special event revenue from performance obligations satisfied at a point in time amounted to approximately \$418,000. For the year ended December 31, 2019, special event revenue also includes amounts classified as contributions in the amount of approximately \$683,000.

Functional Allocation of Expenses - The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting service category when identifiable. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of time and effort.

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 (See Note 9).

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, 2019, 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, 2019 and 2018, 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 to 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, 2019 and 2018, donated assets received by the Project amounted \$24,848 and \$25,305, respectively.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncement - In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is generally effective for annual reporting periods of nonpublic entities beginning after December 15, 2019 unless financial statements which adopted ASC 606 were issued prior to June 3, 2020. Early adoption is permitted. The Project adopted ASC 606 effective January 1, 2019.

The Project applied ASC 606 using the modified retrospective method, which requires recognizing the cumulative effect of initially applying the new guidance as an adjustment, if any, to the opening balance of net assets at January 1, 2019. The details of the significant and quantitative impact of the changes are discussed below.

As part of the adoption of ASC 606, the Project elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption resulted in no changes in the current year and the Project expects the impact of the adoption of the new standard to be immaterial to its increase in net assets on an ongoing basis.

Subsequent Events - The date to which events occurring after December 31, 2019 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 Project regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Project has various sources of liquidity at its disposal, including cash and cash equivalents and contributions receivable and investments. To help manage unanticipated liquidity needs, the Project has a line of credit with available borrowings of \$2,000,000 which it could draw upon. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Project considers all expenditures related to program services, management and general, and fundraising to be general expenditures. The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses (approximately \$1,975,000).

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 2 - Availability and Liquidity (Continued)

The following table reflects the Project's financial assets as of December 31, 2019, 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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 518,239	\$ 50,339
Investments	9,526,375	7,571,992
Contributions receivable, net	<u>252,000</u>	<u>683,262</u>
Total financial assets	<u>10,296,614</u>	<u>8,305,593</u>
Less Amounts not Available to be Used Within One Year:		
Restricted by donor with time or purpose restrictions	870,702	456,689
Subject to endowment spending policy and appropriation	<u>6,501,330</u>	<u>4,772,127</u>
	<u>7,372,032</u>	<u>5,228,816</u>
Financial assets available to meet general expenditures	2,924,582	3,076,777
Liquidity resources - available line of credit borrowings	<u>1,900,000</u>	<u>1,780,000</u>
Total financial assets and liquidity resources available to meet general expenditures over the next twelve months	<u>\$ 4,824,582</u>	<u>\$ 4,856,777</u>

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.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 3 - Investments (Continued)

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, 2019 and 2018.

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 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Level 1:		
Common stocks:		
Consumer goods	\$ 1,477,089	\$ 1,134,202
Financial	928,279	757,401
Healthcare	938,242	822,141
Industrial goods	799,424	742,008
Real estate	128,362	84,557
Telecommunications services	733,883	421,650
Technology	1,758,602	1,158,790
Corporate bonds	785,238	812,020
U.S. Government bonds	1,536,957	1,230,291
U.S. Government money market funds	393,328	369,977
Mutual funds:		
Income funds	11,433	10,773
Value funds	11,221	8,846
Growth funds	13,508	10,404
International/global funds	<u>10,809</u>	<u>8,932</u>
Total Level 1 Investments	<u>\$ 9,526,375</u>	<u>\$ 7,571,992</u>

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 3 - Investments (Continued)

Investment income (loss) for the years ended December 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 180,138	\$ 146,156
Net realized and unrealized gains (losses) on investments	1,829,673	(211,485)
Investment management fees	<u>(56,812)</u>	<u>(54,424)</u>
	<u>\$ 1,952,999</u>	<u>\$ (119,753)</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.

Note 4 - Contributions Receivable

Contributions receivable scheduled to be received over future periods consist of the following amounts as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
One to five years	\$ 252,000	\$ 852,000
Less: allowance for doubtful accounts	-	(150,000)
Less: present value discount	<u>-</u>	<u>(18,738)</u>
	<u>\$ 252,000</u>	<u>\$ 683,262</u>

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Buildings, equipment and land held for preservation consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 9,729,661	\$ 9,718,566
Equipment	636,035	636,035
Less accumulated depreciation	<u>(7,785,808)</u>	<u>(7,430,358)</u>
	2,579,888	2,924,243
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	1,477,945
The Farm at Walden Woods	2,703,538	2,703,538
Concord Turnpike	<u>679,121</u>	<u>679,121</u>
	<u>\$ 16,467,420</u>	<u>\$ 16,811,775</u>

Note 6 - Net Assets with Donor Restrictions

At December 31, 2019 and 2018, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Ecological restoration and interpretative trails	\$ 361,853	\$ 371,038
Future conservation land acquisition	400,000	-
Conservation restriction related expenses	76,751	76,751
Other	<u>32,098</u>	<u>8,900</u>
	870,702	456,689
Subject to passage of time:		
Contributions receivable	252,000	485,903
Contribution receivable - restricted for endowment	<u>-</u>	<u>197,359</u>
	252,000	683,262
Subject to endowment spending policy and appropriation:		
Cumulative gains on investments	2,914,688	1,185,485
Restricted in perpetuity		
Conservation restrictions and protected land	5,663,225	5,663,225
Endowment	<u>3,586,642</u>	<u>3,586,642</u>
	12,164,555	10,435,352
	<u>\$ 13,287,257</u>	<u>\$ 11,575,303</u>

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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 restricted net assets until those amounts are appropriated for expenditure by the Project.

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 WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 7 - Endowment (Continued)

The endowment net asset composition by type of fund as of December 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>
Donor restricted endowment funds	\$ <u>-</u>	\$ <u>6,501,330</u>
	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>
Endowment Net Assets		
Beginning of Year	\$ -	\$ 4,772,127
Investment gain, net	<u>-</u>	<u>1,729,203</u>
End of Year	\$ <u>-</u>	\$ <u>6,501,330</u>

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	\$ <u>-</u>	\$ <u>4,772,127</u>
	<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, net	<u>-</u>	<u>(451,473)</u>
End of Year	\$ <u>-</u>	\$ <u>4,772,127</u>

Note 8 - Note Payable, Bank

The Project has a line of credit agreement, which is subject to renewal on 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 (4.75% at December 31, 2019). 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, 2019. For the years ended December 31, 2019 and 2018, borrowings outstanding under the line of credit agreement amounted to \$100,000 and \$220,000, respectively.

THE WALDEN WOODS PROJECT
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, the Project recorded approximately \$32,000 and \$67,000 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.

Note 10 - Significant Donors

During the year ended December 31, 2019, contributions from two individuals and two foundations represented 91% of contribution revenue.

During the year ended December 31, 2018, contributions from one foundation represented 66% of contribution revenue.

Additionally, Contributions receivable at December 31, 2019 includes \$250,000 from one donor. At December 31, 2018 Contributions receivable includes \$681,262 from two donors.

Note 11 - Significant Grant

During the year ended December 31, 2019, the Project made a grant in the amount of \$1,750,000 to a non-profit organization related to the production of a documentary on Henry David Thoreau. During the year ended December 31, 2018, the Project did not make any such grants to non-profit organizations.

Note 12 - 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 \$23,288 and \$22,233 were made during the years ended December 31, 2019 and 2018, 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 13 - Interest Expense

Interest expense incurred by the Project for the years ended December 31, 2019 and 2018 was \$7,432 and \$6,828, respectively and is allocated amongst program service, management and general and fundraising expenses in the accompanying Statement of Activities.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 14 - 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 years subsequent to December 31, 2019:

<u>Years</u>	<u>Amount</u>
2020	\$ 35,750
2021	35,750
2022	29,792

Note 15 - Statements of Cash Flows Supplemental Notes

Cash paid for interest during the years ended December 31, 2019 and 2018 amounted to \$7,432 and \$6,828, respectively.

Note 16 - Subsequent Events

Coronavirus - On March 11, 2020, the World Health Organization characterized coronavirus (COVID-19) as a pandemic, and on March 13, 2020, the President of the United States declared a national emergency relating to the disease. In addition to the President's declaration, state and local authorities have recommended social distancing and have imposed quarantine and isolation measures on large portions of the population, including mandatory business closures. These measures are designed to protect the overall public health, however, are expected to have material adverse impacts on domestic and foreign economies and may result in the United States entering a period of recession. Therefore, the Project anticipates that this matter may negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time

Payroll Protection Program Loan - Subsequent to December 31, 2019, the Organization applied for a Payroll Protection Program Loan as provided for in the Federal CARES Act. The Organization was approved and funded for an approximate \$125,000 loan via this program and further expects this loan amount to be forgiven as provided for in the legislation, based upon payment of qualified expenses and maintenance of certain employment levels during the twenty-four-week period following the loan funding.