

THE WALDEN WOODS PROJECT

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

tonneson + co

Certified Public Accountants & Consultants

THE WALDEN WOODS PROJECT

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019	3
STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)	4
STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED DECEMBER 31, 2020 AND 2019	5
STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019	6
NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019	7 - 19

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, 2020 and 2019, and the related statement of activities for the year ended December 31, 2020 and the statements of functional expenses and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 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.

tonneson + co

Certified Public Accountants & Consultants

401 Edgewater Place, Suite 300, Wakefield, MA 01880-6208 **t.** 781.245.9999 **f.** 781.245.8731 **www.tonneson.com**

Report on Summarized Comparative Information

We have previously audited The Walden Woods Project's December 31, 2019 financial statements and our report dated December 3, 2020 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tonneson & Company, PC

Wakefield, Massachusetts
June 24, 2021

THE WALDEN WOODS PROJECT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
ASSETS:		
Cash and cash equivalents	\$ 81,235	\$ 518,239
Investments	11,448,501	9,526,375
Contributions receivable, net	-	252,000
Prepaid expenses	17,900	17,115
Buildings, equipment, and endangered land held for preservation, net	16,610,027	16,467,420
Conservation restrictions	2,206,339	2,206,339
Collections items	715,262	715,262
Film production costs, net of accumulated amortization of \$113,208 and \$77,458 in 2020 and 2019, respectively	65,542	101,292
	<u>\$ 31,144,806</u>	<u>\$ 29,804,042</u>
TOTAL ASSETS	\$ 31,144,806	\$ 29,804,042

LIABILITIES AND NET ASSETS

LIABILITIES:		
Note payable, bank	\$ 90,000	\$ 100,000
Accounts payable and accrued expenses	58,632	61,276
	148,632	161,276
Total liabilities	148,632	161,276
NET ASSETS:		
Without donor restrictions	16,572,713	16,355,509
With donor restrictions	14,423,461	13,287,257
	30,996,174	29,642,766
Total net assets	30,996,174	29,642,766
TOTAL LIABILITIES AND NET ASSETS	\$ 31,144,806	\$ 29,804,042

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2019)

	<u>Without Donor</u>	<u>With Donor</u>	<u>2020</u>	<u>2019</u>
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>	<u>Total</u>
REVENUES:				
Contributions	\$ 691,098	\$ -	\$ 691,098	\$ 2,448,886
Grants	-	-	-	61,684
Conditional grant	125,000	-	125,000	-
Special event revenue, net	10,100	-	10,100	857,006
Merchandise sales	17,935	-	17,935	67,931
Investment income	100,847	176	101,023	123,326
Net realized and unrealized gain on investments	504,045	1,316,731	1,820,776	1,829,673
Net assets released from restrictions:				
Satisfaction of program and donor restrictions	180,703	(180,703)	-	-
	<u>1,629,728</u>	<u>1,136,204</u>	<u>2,765,932</u>	<u>5,388,506</u>
Total revenues				
EXPENSES:				
Program service expenses	1,058,973	-	1,058,973	3,113,548
Management and general expenses	289,551	-	289,551	383,692
Fundraising expenses	64,000	-	64,000	107,876
	<u>1,412,524</u>	<u>-</u>	<u>1,412,524</u>	<u>3,605,116</u>
Total expenses				
INCREASE IN NET ASSETS	217,204	1,136,204	1,353,408	1,783,390
NET ASSETS, BEGINNING OF YEAR	<u>16,355,509</u>	<u>13,287,257</u>	<u>29,642,766</u>	<u>27,859,376</u>
NET ASSETS, END OF YEAR	<u>\$ 16,572,713</u>	<u>\$ 14,423,461</u>	<u>\$ 30,996,174</u>	<u>\$ 29,642,766</u>

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>Program</u>	<u>Management</u>		<u>2020</u>	<u>Program</u>	<u>Management</u>		<u>2019</u>
	<u>Services</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Services</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 6,500	\$ -	\$ -	\$ 6,500	\$ 1,786,434	\$ -	\$ -	\$ 1,786,434
Salaries and wages	390,535	80,862	45,320	516,717	475,664	117,484	73,400	666,548
Retirement contributions	12,897	3,891	1,497	18,285	16,977	3,691	2,620	23,288
Payroll taxes	32,908	6,533	3,819	43,260	40,142	8,726	6,194	55,062
Professional fees	-	50,185	-	50,185	-	57,396	-	57,396
Travel	49	477	-	526	1,782	1,549	-	3,331
Conferences and meetings	-	-	-	-	-	65	-	65
Interest	6,850	1,472	1,471	9,793	5,219	1,106	1,107	7,432
Depreciation and amortization	356,054	8,386	-	364,440	380,836	10,366	-	391,202
Insurance	103,617	59,733	8,745	172,095	128,988	64,762	15,968	209,718
Repairs and maintenance	41,358	6,037	-	47,395	85,177	28,404	-	113,581
Utilities	55,864	-	-	55,864	76,350	-	-	76,350
Supplies	15,806	9,191	-	24,997	29,103	17,573	-	46,676
Services	23,925	38,690	-	62,615	54,854	44,995	-	99,849
Office & miscellaneous expenses	12,610	24,094	3,148	39,852	32,022	27,575	8,587	68,184
Total expenses	<u>\$ 1,058,973</u>	<u>\$ 289,551</u>	<u>\$ 64,000</u>	<u>\$ 1,412,524</u>	<u>\$ 3,113,548</u>	<u>\$ 383,692</u>	<u>\$ 107,876</u>	<u>\$ 3,605,116</u>

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,353,408	\$ 1,783,390
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	328,690	355,452
Amortization	35,750	35,750
Net realized and unrealized gains on investments	(1,820,776)	(1,829,673)
Donated marketable securities	(35,805)	(24,848)
Bad debt expense	-	197,359
Changes in operating assets and liabilities:		
Contributions receivable	252,000	233,903
Prepaid expenses	(785)	(4,706)
Other assets	-	15,500
Accounts payable and accrued expenses	(2,644)	(63,268)
Net cash provided by operating activities	<u>109,838</u>	<u>698,859</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of buildings, equipment and endangered land	(471,297)	(11,097)
Proceeds from sale of investments	4,132,050	1,838,989
Purchase of investments	(4,197,595)	(1,938,851)
Net cash used in investing activities	<u>(536,842)</u>	<u>(110,959)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of note payable, bank	(10,000)	(120,000)
Net cash used in financing activities	<u>(10,000)</u>	<u>(120,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(437,004)	467,900
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>518,239</u>	<u>50,339</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 81,235</u>	<u>\$ 518,239</u>

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2019 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, 2020 AND 2019

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 receivable 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. During year ended December 31, 2019, management wrote off a contribution receivable, net of the established allowance, of approximately \$197,000.

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, 2020 AND 2019

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. For the year ended December 31, 2020, special event revenue includes amounts classified as contributions in the amount of \$10,100. There was no such revenue included in special events revenue from performance obligations satisfied at a point in time for the year ended December 31, 2020.

Conditional Contributions - Contributions that are conditional in nature are accounted for under ASC Topic 958-605, Revenue Recognition. Such contributions are recognized as certain conditions of the contribution are substantially met by the Project or explicitly waived by the donor. The original contribution is recorded as a refundable advance and amounts are recognized and applied against the refundable advance as the conditions of release are substantially met.

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 10).

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, 2020, 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, 2020 and 2019, 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 11). The Project's bank offers supplemental deposit insurance in addition to FDIC insurance which insures all deposits in excess of FDIC insurance levels.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

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, 2020 and 2019, donated assets received by the Project amounted to \$35,805 and \$24,848, respectively.

Subsequent Events - The date to which events occurring after December 31, 2020 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 \$800,000).

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 2 - Availability and Liquidity (Continued)

The following table reflects the Project's financial assets as of December 31, 2020 and 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 81,235	\$ 518,239
Investments	11,448,501	9,526,375
Contributions receivable, net	-	252,000
	<hr/>	<hr/>
Total financial assets	11,529,736	10,296,614
	<hr/>	<hr/>
Less Amounts not Available to be Used Within One Year:		
Restricted by donor with time or purpose restrictions	470,702	870,702
Subject to endowment spending policy and appropriation	7,818,237	6,501,330
	<hr/>	<hr/>
	8,288,939	7,372,032
	<hr/>	<hr/>
Financial assets available to meet general expenditures	3,240,797	2,924,582
Liquidity resources - available line of credit borrowings	1,910,000	1,900,000
	<hr/>	<hr/>
Total financial assets and liquidity resources available to meet general expenditures over the next twelve months	\$ 5,150,797	\$ 4,824,582
	<hr/>	<hr/>

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, 2020 AND 2019

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, 2020 and 2019.

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Level 1:		
Common stocks:		
Consumer goods	\$ 1,531,870	\$ 1,477,089
Financial	957,865	928,279
Healthcare	1,057,384	938,242
Industrial goods	849,597	799,424
Real estate	125,073	128,362
Telecommunications services	898,551	733,883
Technology	2,439,438	1,758,602
Corporate bonds	1,544,326	785,238
U.S. Government bonds	1,408,630	1,536,957
U.S. Government money market funds	582,538	393,328
Mutual funds:		
Income funds	11,983	11,433
Value funds	13,009	11,221
Growth funds	18,240	13,508
International/global funds	9,997	10,809
Total Level 1 Investments	<u>\$ 11,448,501</u>	<u>\$ 9,526,375</u>

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 3 - Investments (Continued)

Investment income for the years ended December 31, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 169,218	\$ 180,138
Net realized and unrealized gains on investments	1,820,776	1,829,673
Investment management fees	<u>(68,195)</u>	<u>(56,812)</u>
	<u>\$ 1,921,799</u>	<u>\$ 1,952,999</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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
One to five years	\$ -	\$ 252,000

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Buildings, equipment and land held for preservation consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 9,729,661	\$ 9,729,661
Equipment	636,035	636,035
Less accumulated depreciation	<u>8,114,499</u>	<u>7,785,808</u>
	2,251,197	2,579,888
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)	1,949,243	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>\$ 16,610,027</u>	<u>\$ 16,467,420</u>

Note 6 - Net Assets with Donor Restrictions

At December 31, 2020 and 2019, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Ecological restoration and interpretive trails	\$ 361,853	\$ 361,853
Future conservation land acquisition	-	400,000
Conservation restriction related expenses	76,751	76,751
Other	<u>32,098</u>	<u>32,098</u>
	470,702	870,702
Subject to passage of time:		
Contributions receivable	-	252,000
	-	<u>252,000</u>
Subject to endowment spending policy and appropriation:		
Cumulative gains on investments	4,231,595	2,914,688
Restricted in perpetuity		
Conservation restrictions and protected land	6,134,522	5,663,225
Endowment	<u>3,586,642</u>	<u>3,586,642</u>
	13,952,759	12,164,555
	<u>\$ 14,423,461</u>	<u>\$ 13,287,257</u>

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 AND 2019

Note 7 - Endowment (Continued)

The endowment net asset composition by type of fund as of December 31, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>
Donor restricted endowment funds	\$ <u>-</u>	\$ <u>7,818,237</u>
	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>
Endowment Net Assets		
Beginning of Year	\$ -	\$ 6,501,330
Investment gain, net	<u>-</u>	<u>1,316,907</u>
End of Year	\$ <u>-</u>	\$ <u>7,818,237</u>

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>

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 (3.25% at December 31, 2020). 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, 2020. For the years ended December 31, 2020 and 2019, borrowings outstanding under the line of credit agreement amounted to \$90,000 and \$100,000, respectively.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 9 - Conditional Government Contribution

During April 2020 the Project received a conditional contribution from Middlesex Savings Bank through the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") in the amount of \$125,000. The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve full or partial forgiveness of the loan, the Project must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing and wage related conditions over a defined time period. The Project has elected to account for the PPP loan as a conditional contribution in accordance with ASC Topic 958-605, Revenue Recognition. During the year ended December 31, 2020 management believes the Project has met the substantial requirements for forgiveness of the loan and as such, has recorded a contribution in the amount of \$125,000. Management deems the forgiveness application and approval process to be an administrative matter and not a significant condition to the recognition of the contribution. Final determination with regards to forgiveness of the conditional contribution will be made by the SBA with any unallowed amounts required to be repaid. On November 20, 2020, the Project received forgiveness from the SBA in the full principal amount of \$125,000 plus interest of \$681.

Note 10 - 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, 2020 and 2019, the Project recorded approximately \$12,000 and \$32,000 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 11 - Significant Donors

During the year ended December 31, 2020, contributions from three foundations represented 49% of contribution revenue.

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

Additionally, Contributions receivable at December 31, 2019 includes \$250,000 from one donor. There were no amounts included in Contributions receivable related to significant donors at December 31, 2020.

Note 12 - 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, 2020, the Project did not make any such grants to non-profit organizations.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 13 - 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 \$18,285 and \$23,288 were made during the years ended December 31, 2020 and 2019, 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 14 - Interest Expense

Interest expense incurred by the Project for the years ended December 31, 2020 and 2019 was \$9,793 and \$7,432, respectively and is allocated amongst program service, management and general and fundraising expenses in the accompanying Statement of Activities.

Note 15 - 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, 2020:

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

Note 16 - Statements of Cash Flows Supplemental Notes

Cash paid for interest during the years ended December 31, 2020 and 2019 amounted to \$9,793 and \$7,432, respectively.

Note 17 - COVID-19

The COVID-19 outbreak in the United States, which began affecting the operations of the Project in March 2020, continues to cause business disruption throughout the country. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. Therefore, the Project is uncertain if this matter will negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 18 - Subsequent Event

In January 2021, the Project obtained a second Paycheck Protection Program conditional grant from Middlesex Savings Bank in the amount of \$164,600 pursuant to the Federal Consolidated Appropriations Act signed in December 2020. The funding is structured as an unsecured forgivable loan, guaranteed by the U.S. Small Business Administration (“SBA”). In order to qualify for forgiveness, funds from the grant may only be used for eligible payroll costs, employee benefits, rent, utilities, and certain other covered expenses as defined in the Act, and certain wage and employment levels need to be maintained. The Project expects to meet the conditions for a majority of the grant funds in the elected “covered period” following grant funding. However, final determination of any forgiveness will be determined by the SBA. Any amounts not forgiven by the SBA will then be required to be repaid in installments plus 1% interest per annum over a term ending January 2026.