

THE WALDEN WOODS PROJECT

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

tonneson + co

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

Opinion

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, 2022 and 2021, and the related statement of activities for the year ended December 31, 2022 and the statements of functional expenses and cash flows for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets, functional expenses and its cash flows for the years ended December 31, 2022 and 2021 in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Walden Woods Project and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Walden Woods Project’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Walden Woods Project's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Walden Woods Project's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Walden Woods Project's December 31, 2021 financial statements and our report dated June 6, 2022 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tonneson & Company, PC

Wakefield, Massachusetts
July 10, 2023

THE WALDEN WOODS PROJECT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
ASSETS:		
Cash and cash equivalents	\$ 248,855	\$ 652,403
Investments	10,894,537	13,768,516
Contributions receivable	89,979	60,613
Conditional government contribution receivable	164,409	-
Prepaid expenses	25,984	20,846
Buildings, equipment, and endangered land held for preservation, net	17,306,699	17,554,662
Conservation restrictions	2,206,339	2,206,339
Collections items	827,262	815,262
Film production costs, net of accumulated amortization of \$178,750 in 2022 and \$148,958 in 2021	-	29,792
TOTAL ASSETS	\$ <u>31,764,064</u>	\$ <u>35,108,433</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Note payable, bank	\$ 126,323	\$ -
Note payable, other	33,334	66,667
Accounts payable and accrued expenses	71,355	83,163
Total liabilities	<u>231,012</u>	<u>149,830</u>
NET ASSETS:		
Without donor restrictions	19,473,480	19,775,624
With donor restrictions	12,059,572	15,182,979
Total net assets	<u>31,533,052</u>	<u>34,958,603</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>31,764,064</u>	\$ <u>35,108,433</u>

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022 **(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED** **DECEMBER 31, 2021)**

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2022</u> <u>Total</u>	<u>2021</u> <u>Total</u>
REVENUES:				
Contributions	\$ 744,261	\$ 83,456	\$ 827,717	\$ 3,446,741
Conditional government contribution	164,409	-	164,409	164,600
Contributed services	2,713	-	2,713	21,175
Contributed assets - non-financial	54,557	-	54,557	-
Grants	5,050	-	5,050	-
Merchandise sales	66,528	-	66,528	50,884
Investment income	109,686	1,761	111,447	82,718
Gain on sale of asset	3,500	-	3,500	-
Net realized and unrealized gain (loss) on investments	211,267	(3,050,738)	(2,839,471)	1,815,426
Net assets released from restrictions:				
Satisfaction of program and donor restrictions	<u>157,886</u>	<u>(157,886)</u>	<u>-</u>	<u>-</u>
Total revenues (loss)	<u>1,519,857</u>	<u>(3,123,407)</u>	<u>(1,603,550)</u>	<u>5,581,544</u>
EXPENSES:				
Program service expenses	1,483,156	-	1,483,156	1,296,434
Management and general expenses	223,765	-	223,765	251,579
Fundraising expenses	<u>115,080</u>	<u>-</u>	<u>115,080</u>	<u>71,102</u>
Total expenses	<u>1,822,001</u>	<u>-</u>	<u>1,822,001</u>	<u>1,619,115</u>
INCREASE (DECREASE) IN NET ASSETS	(302,144)	(3,123,407)	(3,425,551)	3,962,429
NET ASSETS, BEGINNING OF YEAR	<u>19,775,624</u>	<u>15,182,979</u>	<u>34,958,603</u>	<u>30,996,174</u>
NET ASSETS, END OF YEAR	<u>\$ 19,473,480</u>	<u>\$ 12,059,572</u>	<u>\$ 31,533,052</u>	<u>\$ 34,958,603</u>

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021 Total</u>
Grants	\$ 6,200	\$ -	\$ -	\$ 6,200	\$ -	\$ -	\$ -	\$ -
Salaries and wages	476,757	81,987	76,352	635,096	441,105	89,156	47,767	578,028
Retirement contributions	18,152	3,176	2,907	24,235	15,723	4,127	1,703	21,553
Payroll taxes	40,325	4,462	6,458	51,245	38,418	6,708	4,160	49,286
Professional fees	-	39,010	-	39,010	-	45,317	-	45,317
Travel	1,927	537	-	2,464	220	378	100	698
Conferences and meetings	-	-	-	-	695	-	-	695
Interest	3,618	623	580	4,821	10,089	2,250	2,250	14,589
Depreciation and amortization	432,739	-	-	432,739	352,982	2,356	-	355,338
Insurance	109,496	63,027	12,362	184,885	106,468	61,147	8,242	175,857
Repairs and maintenance	174,868	-	-	174,868	159,420	642	-	160,062
Utilities	90,751	-	-	90,751	69,470	-	-	69,470
Supplies	33,171	6,158	1,840	41,169	28,193	10,994	-	39,187
Services	64,492	4,817	-	69,309	49,325	6,140	-	55,465
Office & miscellaneous expenses	30,660	19,968	14,581	65,209	24,326	22,364	6,880	53,570
Total expenses	\$ <u>1,483,156</u>	\$ <u>223,765</u>	\$ <u>115,080</u>	\$ <u>1,822,001</u>	\$ <u>1,296,434</u>	\$ <u>251,579</u>	\$ <u>71,102</u>	\$ <u>1,619,115</u>

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (3,425,551)	\$ 3,962,429
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	402,947	319,588
Gain on sale of other asset	(3,500)	-
Amortization	29,792	35,750
Net realized and unrealized (gains) losses on investments	2,839,471	(1,815,426)
Donated marketable securities	(30,561)	(1,173,948)
Contributed collection items	(12,000)	-
Contributed equipment	(42,557)	-
Changes in operating assets and liabilities:		
Contributions receivable	(29,366)	(60,613)
Conditional government contribution receivable	(164,409)	-
Prepaid expenses	(5,138)	(2,946)
Other assets	-	-
Accounts payable and accrued expenses	<u>(11,808)</u>	<u>24,531</u>
Net cash provided by (used in) operating activities	<u>(452,680)</u>	<u>1,289,365</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of buildings, equipment and endangered land	(112,427)	(1,264,223)
Proceeds from sale of equipment	3,500	-
Proceeds from sale of investments	2,026,817	2,388,054
Purchase of investments	<u>(1,961,748)</u>	<u>(1,718,695)</u>
Net cash used in investing activities	<u>(43,858)</u>	<u>(594,864)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayments on) note payable, bank	126,323	(90,000)
Repayments on note payable	<u>(33,333)</u>	<u>(33,333)</u>
Net cash provided by (used in) financing activities	<u>92,990</u>	<u>(123,333)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(403,548)	571,168
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>652,403</u>	<u>81,235</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 248,855</u>	<u>\$ 652,403</u>

See Notes to Financial Statements.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2021 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, 2022 AND 2021

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. Management has reviewed contributions receivable as of December 31, 2022, and considers all such contributions receivable to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

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. As of December 31, 2022, capitalized film costs have been fully amortized 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, 2022 AND 2021

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 years ended December 31, 2022 and 2021, there was no such special event revenue. For the years ended December 31, 2022 and 2021, there was no special event revenue received in excess of the value of consideration received by the donor, required to be classified as contributions.

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.

Recently Adopted Accounting Pronouncements - During the year ended December 31, 2022, the Project adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets. The standard also increases disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the consolidated financial statements, with the exception of increased disclosure.

Financial Statement Presentation - Certain reclassifications have been made to the 2021 financial statements to conform to the presentation of the 2022 financial statements. The reclassification was to separately state contributed services of \$21,175 for 2021 in the accompanying statements of activities. As a result of the reclassification, contributions were decreased from \$3,467,916 to \$3,446,741.

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

Non-financial Contributions - The Project reports the fair value of contributed services that require specialized skills and that would otherwise be purchased by the Project as contributions without donor restriction and simultaneously as expense, based on the estimated fair value at the time the services are donated. The Project did not monetize any donated services. Substantial numbers of volunteers have also donated significant amounts of their time and energy to the Project. No amounts have been recognized in the accompanying consolidated financial statements for those services since they do not meet the criteria for recognition under U.S. generally accepted accounting principles.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Non-financial Contributions (Continued) - Contributed services for the years ended December 31, 2022 and 2021, included in the statement of activities, were as follows:

<u>Non-financial Contribution</u>	<u>Type of Contribution</u>	<u>Valuation</u>	<u>2022</u>	<u>2021</u>
Contributed services	Pro-bono legal services	Standard industry pricing	\$ <u>2,713</u>	\$ <u>21,175</u>

The Project reports the fair value of non-financial assets as contributions with or without donor restrictions, dependent up on the donor stipulations. Such contributions are based on an assessed fair market value as determined by a third party appraisal when possible or by management based on comparable assets. The Project did not monetize any non-financial contributed assets in 2022 or 2021. Donated collection items are intended to be maintained as part of the Project's collection and are not held for sale by the Project unless otherwise stipulated by the donor.

Contributed non-financial assets for the years ended December 31, 2022 and 2021, included in the statement of activities, were as follows:

<u>Non-financial Contribution</u>	<u>Type of Contribution</u>	<u>Valuation</u>	<u>2022</u>	<u>2021</u>
Contributed asset	Motor vehicle	Third party assessment	\$ 42,557	\$ -
Contributed asset	Collection item	Third party assessment	<u>12,000</u>	<u>-</u>
			\$ <u>54,557</u>	\$ <u>-</u>

Donated Marketable Securities - Donated marketable securities are valued at the fair market value at the date of the contributions. For the years ended December 31, 2022 and 2021, donated marketable securities received by the Project amounted to \$30,561 and \$1,173,948, respectively. Such contributions are included in contributions in the statements of activities.

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, 2022, 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, 2022 and 2021, the Project did not incur any UBIT related to its farm stand operation.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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.

Subsequent Events - The date to which events occurring after December 31, 2022 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 \$925,000).

The following table reflects the Project's financial assets as of December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 248,855	\$ 652,403
Investments	10,894,537	13,768,516
Contributions receivable, net	89,979	60,613
Total financial assets	<u>11,397,780</u>	<u>14,481,532</u>
Less Amounts not Available to be Used Within One Year:		
Restricted by donor with time or purpose restrictions	396,272	470,702
Less estimated net assets with time restrictions to be met in less than a year	(20,000)	-
Subject to endowment spending policy and appropriation	5,528,778	8,577,755
	<u>5,905,050</u>	<u>9,048,457</u>
Financial assets available to meet general expenditures	5,492,730	5,433,075
Liquidity resources - available line of credit borrowings	<u>1,873,677</u>	<u>2,000,000</u>
Total financial assets and liquidity resources available to meet general expenditures over the next twelve months	\$ <u><u>7,366,407</u></u>	\$ <u><u>7,433,075</u></u>

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021.

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, 2022 AND 2021

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Level 1:		
Common stocks:		
Consumer goods	\$ 1,126,544	\$ 1,792,185
Energy	360,387	232,430
Financial	935,274	1,317,675
Healthcare	1,421,853	1,155,147
Industrial goods	646,285	1,040,643
Materials	119,178	32,649
Real estate	233,576	211,292
Telecommunications services	485,561	1,110,531
Technology	1,970,102	3,172,265
Mid Capitalization	6,939	21,344
Large Capitalization	-	17,273
Corporate bonds	1,657,728	1,687,671
U.S. Government bonds	1,172,858	1,394,628
U.S. Government money market funds	712,104	522,305
Mutual funds:		
Income funds	9,677	11,714
Value funds	13,825	16,555
Growth funds	18,073	20,765
International/global funds	4,573	11,444
Total Level 1 Investments	<u>\$ 10,894,537</u>	<u>\$ 13,768,516</u>

Investment income for the years ended December 31, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 181,645	\$ 161,924
Net realized and unrealized gains on investments	(2,839,471)	1,815,426
Investment management fees	<u>(70,198)</u>	<u>(79,206)</u>
	<u>\$ (2,728,024)</u>	<u>\$ 1,898,144</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, 2022 AND 2021

Note 4 - Contributions Receivable

Contributions receivable scheduled to be received over future periods consist of the following amounts as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Contributions receivable expected to be collected in:		
Less than one year	\$ 20,150	\$ 60,613
One to five years	80,000	-
	<u>100,150</u>	<u>60,613</u>
Less present value discount	10,171	-
	<u>89,979</u>	<u>60,613</u>
Contributions receivable, net	\$ <u>89,979</u>	\$ <u>60,613</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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 9,742,071	\$ 9,729,661
Equipment	758,698	636,035
Less accumulated depreciation	<u>(8,817,123)</u>	<u>(8,434,087)</u>
	1,683,646	1,931,609
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
Biladeau- Sudbury Road	1,264,223	1,264,223
Baker Farm Road (Adams property)	1,949,243	1,949,243
The Farm at Walden Woods	2,703,538	2,703,538
Concord Turnpike	679,121	679,121
	<u>\$ 17,306,699</u>	<u>\$ 17,554,662</u>

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Note 6 - Net Assets with Donor Restrictions

At December 31, 2022 and 2021, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Ecological restoration and interpretive trails	\$ 361,853	\$ 361,853
Conservation restriction related expenses	76,751	76,751
Other	32,098	32,098
	<u>470,702</u>	<u>470,702</u>
Subject to passage of time:		
Contributions receivable	(74,430)	-
	<u>(74,430)</u>	<u>-</u>
Subject to endowment spending policy and appropriation:		
Cumulative gains on investments	1,942,136	4,991,113
Restricted in perpetuity		
Conservation restrictions and protected land	6,134,522	6,134,522
Endowment	3,586,642	3,586,642
	<u>11,663,300</u>	<u>14,712,277</u>
	<u>\$ 12,059,572</u>	<u>\$ 15,182,979</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 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, 2022 AND 2021

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, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>
Donor restricted endowment funds	\$ <u>-</u>	\$ <u>5,528,778</u>
	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>
Endowment Net Assets		
Beginning of Year	\$ -	\$ 8,577,755
Investment gain, net	<u>-</u>	<u>(3,048,977)</u>
End of Year	\$ <u>-</u>	\$ <u>5,528,778</u>

The endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>
Donor restricted endowment funds	\$ <u>-</u>	\$ <u>8,577,755</u>
	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>
Endowment Net Assets		
Beginning of Year	\$ -	\$ 7,818,237
Investment gain, net	<u>-</u>	<u>759,518</u>
End of Year	\$ <u>-</u>	\$ <u>8,577,755</u>

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Note 8 - Note Payable, Bank

The Project has a line of credit agreement, which is subject to renewal on July 31, 2023. The maximum borrowings available under the agreement are \$2,000,000, payable on demand and bear interest at the bank's prime rate (7.00% at December 31, 2022). 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, 2022. As of December 31, 2022, borrowings outstanding under the line of credit agreement amounted to \$126,323. There were no borrowings outstanding under the line of credit agreement as of December 31, 2021.

Note 9 - Note Payable, Other

Note payable consists of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Non-interest bearing note payable, collateralized by collection items, payable in three annual principal payments of \$33,333 beginning in 2021	<u>33,334</u>	<u>66,667</u>
	33,334	66,667
Less amount due within one year	<u>33,334</u>	<u>33,333</u>
Long-term portion	<u>\$ -</u>	<u>\$ 33,334</u>

Future annual principal payments for each of the years succeeding December 31, 2022 are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2023	\$ 33,334

Note 10 - Conditional Government Contributions

During the year ended December 31, 2022, the Project, after consulting with its payroll provider, received employee retention credits as provided for under the Federal CARES Act and subsequent modifications. The employee retention credits are refundable tax credits against certain employment taxes equal to 70% of qualified wages paid to employees during a quarter, with a limit of \$10,000 per employee. The Project has accounted for these credits as a conditional grant in accordance with ASC Topic 958-605, *Revenue Recognition*. During the year ended December 31, 2022, management believes the Project has met the requirements to claim the credit and as such, has recorded grant income in the amount of \$169,459. Employee Retention Credits claimed are subject to audit by the Internal Revenue Service. The IRS has five years, instead of the standard three years to audit ERC claims after filing. Any amounts disallowed upon audit would be required to be repaid. The employee retention credit program was terminated as of September 30, 2021. All amounts outstanding at December 31, 2022 were received by the Project in June 2023.

THE WALDEN WOODS PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Note 10 - Conditional Government Contribution (Continued)

During January 2021 the Project received a conditional contribution from Middlesex Savings Bank through the Small Business Administration's ("SBA") second draw Paycheck Protection Program ("PPP") in the amount of \$164,600. The second draw 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 second draw PPP loan as a conditional contribution in accordance with ASC Topic 958-605, Revenue Recognition. During the year ended December 31, 2021 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 \$164,600.

Management deems the forgiveness application and approval process to be an administrative matter and not a significant condition to the recognition of the contribution. On August 5, 2021, the Project received forgiveness from the SBA in the full principal amount of \$164,600 plus interest of \$837.

Note 11 - Significant Donors

During the year ended December 31, 2022, contributions from three foundations and one individual represented 50% of contribution revenue.

During the year ended December 31, 2021, contributions from two individuals and one foundation represented 66% of contribution revenue.

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. The Project's contributions to the Plan amounted to \$24,235 and \$21,553 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 was \$4,821 and \$14,589, 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, 2022 AND 2021

Note 15 - Statements of Cash Flows Supplemental Notes

Cash paid for interest during the years ended December 31, 2022 and 2021 amounted to \$4,821 and \$14,589, respectively.

Supplemental schedule for non-cash investing activities:

During the year ended December 31, 2021, the Project acquired a collection in exchange for a non-interest bearing note payable in the amount of \$100,000 to be paid in three annual installments beginning in 2021.