



Financial Statements

Manomet, Inc.

September 30, 2018 and 2017



MANOMET, INC.

Financial Statements

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Independent Auditors' Report

The Board of Trustees and the Audit Committee
Manomet, Inc.

We have audited the accompanying financial statements of Manomet, Inc. ("Manomet"), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, and cash flows for the years then ended, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Manomet, Inc. as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maye Heyman McCann P.C.

March 13, 2019
Providence, Rhode Island

MANOMET, INC.

Statements of Financial Position

	<i>September 30,</i>	
	<i>2018</i>	<i>2017</i>
Assets		
Cash and cash equivalents	\$ 2,689,720	\$ 2,659,819
Accounts receivable	546,773	874,058
Pledges receivable, net	460,200	389,803
Investments	23,084,819	22,416,041
Split interest agreements	69,794	62,695
Other assets	5,427	3,327
Property and equipment, net	<u>1,028,075</u>	<u>1,079,703</u>
Total assets	<u>\$ 27,884,808</u>	<u>\$ 27,485,446</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 355,427	\$ 626,210
Deferred revenue	<u>183,760</u>	<u>289,767</u>
Total liabilities	<u>539,187</u>	<u>915,977</u>
Net assets:		
Unrestricted:		
Operating funds	1,660,439	1,732,815
Gifts designated by the Board as unrestricted endowment	3,129,120	3,038,808
Plant	<u>1,028,075</u>	<u>1,079,703</u>
Total unrestricted	5,817,634	5,851,326
Temporarily restricted	5,456,158	4,648,914
Permanently restricted	<u>16,071,829</u>	<u>16,069,229</u>
Total net assets	<u>27,345,621</u>	<u>26,569,469</u>
Total liabilities and net assets	<u>\$ 27,884,808</u>	<u>\$ 27,485,446</u>

MANOMET, INC.

Statements of Activities

Years Ended September 30,

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenue and support:					
Grants and contracts	\$ 1,243,312	\$ -	\$ -	\$ 1,243,312	\$ 1,465,599
Contributions	788,257	-	-	788,257	825,788
Program fees	46,343	-	-	46,343	20,405
Interest	34,356	-	-	34,356	21,556
Amounts appropriated under endowment spending policy and spent for current operations	951,926	-	-	951,926	924,201
Net assets released from restrictions	1,649,687	-	-	1,649,687	1,643,866
Total operating revenue and support	4,713,881	-	-	4,713,881	4,901,415
Expenses:					
Programs	3,352,849	-	-	3,352,849	3,599,822
Administration	1,221,255	-	-	1,221,255	1,174,176
Fundraising	139,168	-	-	139,168	126,098
Total expenses	4,713,272	-	-	4,713,272	4,900,096
Change in net assets from operations	609	-	-	609	1,319
Nonoperating revenue and gains (losses):					
Amounts appropriated under endowment spending policy (spent) reserved for future periods	(128,525)	-	-	(128,525)	9,799
Investment return, net of spending policy	90,313	575,866	-	666,179	1,293,227
Gain on investments held in charitable remainder unitrusts	3,911	3,691	-	7,602	9,276
Contributions	-	1,945,600	2,600	1,948,200	1,678,916
Change in allowance and discount for pledges	-	(68,226)	-	(68,226)	6,674
Net assets released from restrictions	-	(1,649,687)	-	(1,649,687)	(1,643,866)
Total nonoperating revenue and gains (losses)	(34,301)	807,244	2,600	775,543	1,354,026
Change in net assets	(33,692)	807,244	2,600	776,152	1,355,345
Net assets, beginning	5,851,326	4,648,914	16,069,229	26,569,469	25,214,124
Net assets, ending	\$ 5,817,634	\$ 5,456,158	\$ 16,071,829	\$ 27,345,621	\$ 26,569,469

See accompanying notes to the financial statements.

MANOMET, INC.

Statement of Activities

Year Ended September 30, 2017

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Operating revenue and support:				
Grants and contracts	\$ 1,465,599	\$ -	\$ -	\$ 1,465,599
Contributions	825,788	-	-	825,788
Program fees	20,405	-	-	20,405
Interest	21,556	-	-	21,556
Amounts appropriated under endowment spending policy and spent for current operations	924,201	-	-	924,201
Net assets released from restrictions	1,643,866	-	-	1,643,866
Total operating revenue and support	4,901,415	-	-	4,901,415
Expenses:				
Programs	3,599,822	-	-	3,599,822
Administration	1,174,176	-	-	1,174,176
Fundraising	126,098	-	-	126,098
Total expenses	4,900,096	-	-	4,900,096
Change in net assets from operations	1,319	-	-	1,319
Nonoperating revenue and gains (losses):				
Amounts appropriated under endowment spending policy reserved for future periods	9,799	-	-	9,799
Investment return, net of spending policy	175,048	1,118,179	-	1,293,227
Gain (loss) on investments held in charitable remainder unitrusts	4,094	10,362	(5,180)	9,276
Contributions	97,000	1,484,848	97,068	1,678,916
Redesignation of net assets from donor	146,688	(125,334)	(21,354)	-
Change in allowance and discount for pledges	-	6,674	-	6,674
Net assets released from restrictions	125,605	(1,769,471)	-	(1,643,866)
Total nonoperating revenue and gains (losses)	558,234	725,258	70,534	1,354,026
Change in net assets	559,553	725,258	70,534	1,355,345
Net assets, beginning	5,291,773	3,923,656	15,998,695	25,214,124
Net assets, ending	\$ 5,851,326	\$ 4,648,914	\$ 16,069,229	\$ 26,569,469

See accompanying notes to the financial statements.

MANOMET, INC.

Statements of Cash Flows

	<i>Years Ended September 30,</i>	
	<i>2018</i>	<i>2017</i>
Cash flows from operating activities:		
Change in net assets	\$ 776,152	\$ 1,355,345
Adjustments to reconcile change in net assets to cash and cash equivalents provided by (used in) operating activities:		
Depreciation	90,078	78,706
Contributions restricted for long-term investment	(2,600)	(97,068)
Net realized and unrealized gains	(1,381,652)	(2,056,091)
Changes in:		
Accounts receivable	327,285	63,890
Pledges receivable	(70,397)	160,131
Beneficial interest in trust	-	169,923
Investments held in split interest agreements	(7,099)	141,589
Other assets	(2,100)	(330)
Accounts payable and accrued liabilities	(270,783)	202,086
Deferred revenue	(106,007)	(6,730)
	<u>(647,123)</u>	<u>11,451</u>
Net cash provided by (used in) operating activities	(647,123)	11,451
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	715,474	762,863
Purchase of investments	(2,600)	(417,533)
Purchase of property and equipment	(38,450)	(295,974)
	<u>674,424</u>	<u>49,356</u>
Net cash provided by investing activities	674,424	49,356
Cash flows from financing activities:		
Contributions restricted for long-term investment	2,600	97,068
	<u>2,600</u>	<u>97,068</u>
Net cash provided by financing activities	2,600	97,068
Change in cash and cash equivalents	29,901	157,875
Cash and cash equivalents, beginning	<u>2,659,819</u>	<u>2,501,944</u>
Cash and cash equivalents, ending	\$ <u>2,689,720</u>	\$ <u>2,659,819</u>

MANOMET, INC.

Notes to Financial Statements

Note 1 – Organization and Nature of Operations

Manomet, Inc. (“Manomet”) is a Massachusetts not-for-profit corporation established on September 13, 1968. Manomet’s mission is applying science and engaging people to sustain our world.

Manomet believes people can live and work today in ways that will enable our world to thrive and prosper tomorrow. As scientists, Manomet understands we must take action to sustain our world. Manomet is a leader in the path to sustainability—and we’re working with people in four critical systems to effect real change. By applying science and engaging people, Manomet provides practical ways to act—where people live and work. As Manomet approaches its sixth decade, we have achieved a great deal; yet there is still much work ahead. We are forging a pathway for our generation and those to come.

How we manage the critical systems that support life on earth will need to be transformed in the next two decades. Manomet works on four major life-supporting systems. Manomet focuses its work where it will have measurable impact and opportunity for scale:

NATURAL SYSTEM: As a result of human activities, the ecosystems supporting all life are stressed and species extinction rates are increasing. Manomet works on parts of the natural system that are declining dramatically—wetlands and shorebird species—and through landbird research and education creates opportunities that connect people to nature.

FOREST SYSTEM: As climate change advances, we rely on forests more than ever to safeguard clean air, water, biodiversity, and wood products. Manomet works on managed forest landscapes and coastal watersheds because they present a great opportunity for climate change adaptation and mitigation.

FOOD SYSTEM: To meet food demands by 2050, we must double production while significantly reducing environmental impacts and resource use. Manomet works on the parts of the food system that uses the most resources—grocery stores and agriculture—and on fisheries to create a more efficient food system.

ECONOMIC SYSTEM: For a sustainable future, we need a growing economy in balance with social and environmental needs. Manomet works on the parts of the economic system where small changes have a big impact, and therefore, present the greatest opportunity to enhance economic viability and reduce environmental footprints across all systems.

Manomet’s approach is different—we effect meaningful change by engaging the people who manage these systems.

We LISTEN—Manomet develops strong relationships with partners and stakeholders.

We UNDERSTAND—Manomet works closely with people to discover their needs.

We Are SCIENTISTS—Manomet conducts and applies science to inform change.

We Make Change POSSIBLE—Manomet provides practical solutions to complex problems.

Manomet’s revenues are derived primarily from charitable contributions, foundation and government grants, and investment returns from endowment. Federal funds are principally from the Department of the Interior.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Financial Statement Preparation

The accompanying financial statements have been prepared on the accrual basis and in accordance with the reporting principles of not-for-profit accounting. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of grantor or donor-imposed restrictions. Accordingly, net assets of Manomet and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to grantor or donor-imposed restrictions or for which restrictions have expired. Grants which are limited to the use of various Manomet programs are reflected as unrestricted revenue if these funds are received and spent during the same year and if they support the activities of Manomet. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees. Unrestricted net assets are comprised of the following:

Operating Funds

Represents the portion of the expendable funds that are available for support of operations.

Gifts Designated by the Board as Unrestricted Endowment

Represents gifts designated by the Board of Trustees as acting as endowment, which can be used with the approval of the Board of Trustees.

Plant

Represents funds invested in land, buildings and equipment.

Temporarily Restricted Net Assets

Net assets subject to explicit or implicit grantor or donor-imposed restrictions that may or will be met either by actions of Manomet and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Net assets subject to grantor or donor-imposed restrictions that they be maintained permanently, but may permit Manomet to use or expend part or all of the economic benefits derived from the donated assets.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid instruments with a maturity of three months or less at date of purchase.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Bad Debts

Included in accounts receivable at September 30, 2018 and 2017 is approximately \$362,000 and \$430,000 of unbilled amounts, respectively, which will be billed subsequent to year end. These amounts are predominantly Federal grants and contracts. Manomet uses the specific identification method for recognizing bad debts on accounts and pledges receivable. Manomet routinely assesses its accounts and pledges receivable and establishes an allowance for doubtful accounts based on historical losses, the existing economic conditions, and the financial stability of its customers and donors as well as the related government agencies. Manomet rarely has issues or problems with collection of amounts earned on grants and contracts given prior authorization of spending. There was no allowance for doubtful accounts receivable at September 30, 2018 and 2017 as Manomet believes that all receivables are collectible. Allowance for pledges receivable is approximately \$66,000 and \$12,000 at September 30, 2018 and 2017, respectively.

Investments

Manomet records investments at their fair value. Fair value is determined as per the fair value policies described later in this section. The resulting change in unrealized gains and losses on the investments is reported in the statements of activities under the unrestricted, temporarily restricted or permanently restricted net assets as applicable.

Contributions and Pledges Receivable

Contributions of assets, other than cash, are recorded at their estimated fair value at the date received. The initially recorded fair value is considered a Level 2 fair value approach. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. 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 a risk-free rate of return as a starting point and then increasing that rate to account for the inherent risk associated with the expected future cash flows of these unconditional promises to give. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Split Interest Agreements

Beneficial Interest in Trust

Manomet records its beneficial interest in trust at fair value when Manomet is notified of the existence of the instrument. On an ongoing basis, Manomet reports its interest at fair value based on its underlying share of assets and estimates the fair value of the remainder. The initially recorded fair value of the donated investment is determined based on the underlying nature of the investment received which has generally represented Level 3 measurements. During the year ended September 30, 2017, the trust was liquidated.

Charitable Gift Annuity

Manomet has a charitable gift annuity in which a donor contributed assets and received a promise of payments for life. The assets and obligations are initially recorded at fair value with the assets generally being at Level 1 and obligations measured at Level 2 per the fair value policy contained elsewhere in this section. The obligations are periodically updated to reflect changes in life expectancy using the same discount rate as when the gift was made and are included in accounts payable and accrued liabilities in the statements of financial position.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Split Interest Agreements (Continued)

Charitable Remainder Unitrust

Manomet holds an asset for a charitable remainder unitrust agreement. The assets are recorded at the present value of the anticipated residual interest in the unitrust, which is generally determined using Level 3 methods.

Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Fair value of donated property is effectively recorded using a Level 3 market approach. Expenditures that significantly add to the productivity or extend the economic life of the assets are capitalized. Other expenditures for repairs and maintenance are charged to operations in the year the costs are incurred.

Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis. A summary of depreciable lives follows:

Buildings and improvements	5 - 40 years
Equipment, furniture and fixtures	3 - 10 years

Deferred Revenue

Deferred revenue represents amounts received in advance of incurring expenses for particular exchange transaction activities involving research projects. Such amounts are recorded as revenue in the year expended by Manomet.

Operations

The statements of activities report the change in net assets from operating and nonoperating activities. Nonoperating activities consist of: amounts appropriated under endowment spending policy spent or reserved for future periods; investment return net of endowment spending; gains and losses on investments held in charitable remainder unitrusts; unrestricted contributions designated by the Board of Trustees as acting as endowment; temporarily and permanently restricted contributions; change in allowance and discount for pledges. In addition, net assets released from restrictions for capital outlays are reported in nonoperating activities at the time the assets are put into service. All other activities are reported as operating.

Manomet's endowment spending policy is described in Note 6. For unrestricted amounts allocated and not spent in a given year, Manomet accumulates for future periods. Accumulated amounts totaled approximately \$239,000 and \$349,000 at September 30, 2018 and 2017, respectively. In future years when amounts are spent from these balances, or when further amounts are reserved, they are reported as amounts appropriated under endowment spending policy (spent) reserved for future periods in nonoperating activities in the statements of activities.

Grants and Contracts

Manomet expends resources under government and private sector contracts and grants for specific purposes that are subject to review and audit by grantors or their representatives. Such audits could result in requests for reimbursement from the grantor if Manomet expenditures are disallowed. Management does not anticipate such an event. However, management believes that such requests for reimbursement, if made, would not have a significant impact on the financial position of Manomet. Revenue from cost reimbursement contracts and grants is recognized as related costs are incurred on the projects.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates and Assumptions

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 those estimates and assumptions. Significant management estimates included in the financial statements relate to the allowance for accounts receivable and pledges receivable, present value discount on pledges receivable, useful lives of depreciable assets, valuation of interests in and obligations under split interest agreements and validity and completeness of satisfaction of donor restrictions.

Fair Value Measurements

Manomet reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include Manomet's investment accounts. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require Manomet to classify financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of Manomet's financial instruments, see Note 5 – Investments and Fair Values of Financial Instruments.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Income Tax Status

Manomet, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from Massachusetts income tax. Accordingly, no provision for income taxes is made in the financial statements. Given the limited taxable activities of Manomet, management has concluded that disclosure relative to tax provisions is not necessary.

Uncertain Tax Positions

Manomet accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. Manomet has identified its tax status as a tax exempt entity its only significant tax position; however, Manomet has determined that such tax position does not result in an uncertainty requiring recognition. Manomet is not currently under examination by any taxing jurisdiction. Manomet’s Federal and state tax returns are generally open for examination for three years following the date filed.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated to fundraising based on relative effort exerted for the function.

Reclassifications

Certain amounts from the prior year’s financial statements were reclassified in order to conform to the current year’s financial statements.

Subsequent Events

Manomet has evaluated subsequent events through March 13, 2019, the date the financial statements were approved and authorized to be issued.

Note 3 – Pledges Receivable

Pledges receivable are comprised of the following at September 30:

	<i>2018</i>	<i>2017</i>
Amounts due in:		
One year or less	\$ 189,596	\$ 189,450
One to five years	<u>358,308</u>	<u>220,073</u>
Total due	547,904	409,523
Less: Present value discount	(21,925)	(7,664)
Allowance for doubtful accounts	<u>(65,779)</u>	<u>(12,056)</u>
Pledges receivable, net	\$ <u>460,200</u>	\$ <u>389,803</u>

MANOMET, INC.

Notes to Financial Statements

Note 4 – Property and Equipment

Property and equipment are comprised of the following at September 30:

	2018	2017
Land	\$ 375,113	\$ 375,113
Buildings and improvements	2,421,544	2,412,794
Equipment, furniture and fixtures	<u>591,268</u>	<u>561,568</u>
	3,387,925	3,349,475
Less accumulated depreciation	<u>(2,359,850)</u>	<u>(2,269,772)</u>
Property and equipment, net	\$ <u>1,028,075</u>	\$ <u>1,079,703</u>

Note 5 – Investments and Fair Values of Financial Instruments

The composition of investments, all of which are considered Level 1 using the fair value hierarchy, is as follows at September 30:

	2018	2017
Cash and cash equivalents	\$ <u>2,221,292</u>	\$ <u>2,012,843</u>
Equities:		
Domestic equities	10,980,804	10,523,754
International equities	<u>4,611,938</u>	<u>4,724,951</u>
Total equities	<u>15,592,742</u>	<u>15,248,705</u>
Fixed income funds:		
Intermediate funds	<u>3,733,473</u>	<u>3,221,558</u>
Other:		
Inflation-linked bond funds	<u>1,537,312</u>	<u>1,932,935</u>
Investments	\$ <u>23,084,819</u>	\$ <u>22,416,041</u>

MANOMET, INC.

Notes to Financial Statements

Note 5 – Investments and Fair Values of Financial Instruments (Continued)

Manomet engages four professional asset management firms to oversee its portfolio. All investments are in diversified mutual funds, fixed income mutual funds, or mutual fund-style investments. All of Manomet's investments are priced daily and offer daily liquidity.

Management fees totaled approximately \$58,000 and \$60,000 for the years ended September 30, 2018 and 2017, respectively. Expenses and fees associated with mutual funds are netted against the return of such funds.

The investments held in split interest agreements is considered Level 2 using the fair value hierarchy. The corresponding liability for the split interest agreements of \$23,849 and \$24,352 at September 30, 2018 and 2017, respectively, are also Level 2 and included in accounts payable and accrued liabilities in the statements of financial position.

Note 6 – Net Assets and Endowment Matters

Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following at September 30:

	<i>2018</i>	<i>2017</i>
Purpose restricted:		
Unitrust	\$ 21,853	\$ 18,162
Programs	1,546,499	1,318,812
Accumulated unspent investment income	<u>3,887,806</u>	<u>3,311,940</u>
Total	<u>\$ 5,456,158</u>	<u>\$ 4,648,914</u>

Permanently Restricted Net Assets

Permanently restricted net assets are comprised of the following at September 30:

	<i>2018</i>	<i>2017</i>
Research initiatives	\$ 15,074,973	\$ 15,072,373
General endowment	<u>996,856</u>	<u>996,856</u>
Total	<u>\$ 16,071,829</u>	<u>\$ 16,069,229</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted programs purpose.

MANOMET, INC.

Notes to Financial Statements

Note 6 – Net Assets and Endowment Matters (Continued)

Endowment Assets and Those Functioning as Endowment Assets

The following is the composition of endowment assets and those functioning as endowment assets by net asset class as of September 30, 2018:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 3,887,806	\$ 16,067,893	\$ 19,955,699
Board-designated endowment funds	<u>3,129,120</u>	<u>-</u>	<u>-</u>	<u>3,129,120</u>
	<u>\$ 3,129,120</u>	<u>\$ 3,887,806</u>	<u>\$ 16,067,893</u>	<u>\$ 23,084,819</u>

The following is the composition of endowment assets and those functioning as endowment assets by net asset class as of September 30, 2017:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 3,311,940	\$ 16,065,293	\$ 19,377,233
Board-designated endowment funds	<u>3,038,808</u>	<u>-</u>	<u>-</u>	<u>3,038,808</u>
	<u>\$ 3,038,808</u>	<u>\$ 3,311,940</u>	<u>\$ 16,065,293</u>	<u>\$ 22,416,041</u>

MANOMET, INC.

Notes to Financial Statements

Note 6 – Net Assets and Endowment Matters (Continued)

Endowment Assets and Those Functioning as Endowment Assets (Continued)

The following represents required disclosure relative to the composition of endowment assets and those functioning as endowment assets at September 30, 2018:

	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ 3,038,808	\$ 3,311,940	\$ 16,065,293	\$ 22,416,041
Gifts and additions	-	-	2,600	2,600
Investment returns:				
Interest and dividends, net of management fees	17,120	109,163	-	126,283
Net realized and unrealized gains	187,308	1,194,344	-	1,381,652
Total investment returns	204,428	1,303,507	-	1,507,935
Expenditures:				
Amounts appropriated under endowment spending policy and spent for current operations	(129,051)	(822,875)	-	(951,926)
Amounts appropriated under endowment spending policy and reserved for future operations	33,291	95,234	-	128,525
Total expenditures	(95,760)	(727,641)	-	(823,401)
Net investment returns and expenditures	108,668	575,866	-	684,534
Endowment assets and those functioning as endowment assets, end of year	\$ 3,147,476	\$ 3,887,806	\$ 16,067,893	\$ 23,103,175

MANOMET, INC.

Notes to Financial Statements

Note 6 – Net Assets and Endowment Matters (Continued)

Endowment Assets and Those Functioning as Endowment Assets (Continued)

The following represents required disclosure relative to the composition of endowment assets and those functioning as endowment assets at September 30, 2017:

	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ 2,863,760	\$ 2,193,761	\$ 15,651,695	\$ 20,709,216
Gifts and additions	-	-	97,068	97,068
Investment returns:				
Interest and dividends, net of management fees	23,165	147,971	-	171,136
Net realized and unrealized gains	278,307	1,777,784	-	2,056,091
Total investment returns	<u>301,472</u>	<u>1,925,755</u>	<u>-</u>	<u>2,227,227</u>
Expenditures:				
Amounts appropriated under endowment spending policy and spent for current operations	(125,098)	(799,103)	-	(924,201)
Amounts appropriated under endowment spending policy previously reserved and spent	(1,326)	(8,473)	-	(9,799)
Total expenditures	<u>(126,424)</u>	<u>(807,576)</u>	<u>-</u>	<u>(934,000)</u>
Net investment returns and expenditures	<u>175,048</u>	<u>1,118,179</u>	<u>-</u>	<u>1,293,227</u>
Redesignation of net assets from donor	-	-	320,466	320,466
Endowment assets and those functioning as endowment assets, end of year	<u>\$ 3,038,808</u>	<u>\$ 3,311,940</u>	<u>\$ 16,069,229</u>	<u>\$ 22,419,977</u>

Endowment

Manomet's endowment consists of 29 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Bequests over \$50,000 are added to Board-designated endowment funds. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

MANOMET, INC.

Notes to Financial Statements

Note 6 – Net Assets and Endowment Matters (Continued)

Interpretation of Relevant Law and Spending Policy

Manomet follows the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as adopted in Massachusetts. Accordingly, Manomet classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original gift value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Manomet in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Manomet 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 Manomet 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 Manomet
- (7) The investment policies of Manomet

The Board of Trustees has established a maximum spending rate of four and one half percent of the unrestricted, temporarily and permanently restricted endowment funds. The computation for spending is generally based on a twelve-quarter trailing market value unless donors provide for earlier inclusion of their gift in the spending computation. This policy is designed to preserve the principal of the endowment fund, allow for capital appreciation to meet or exceed inflation and to generate reasonable operating income.

In addition, the Board of Trustees may approve additional spending from unrestricted endowment funds to be used for certain program capacity building initiatives. No such amounts were expended for the years ended September 30, 2018 and 2017.

For the fiscal year ended 2018, the Board of Trustees has designated only a portion of the Manomet’s Board-designated endowment funds for support of current operations. The distributions from the individual Board-designated endowment funds and the individual donor-restricted endowment funds are budgeted to total approximately \$958,000 for the year ending September 30, 2019. However, the Board retains the discretion to modify its spending or transfer additional Board-designated endowment funds for other purposes beyond the originally budgeted amount of spending.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Manomet to retain as a fund of perpetual duration. In accordance with accounting standards, deficiencies of this nature are reported in unrestricted net assets. There were no funds with deficiencies at September 30, 2018 and 2017.

MANOMET, INC.

Notes to Financial Statements

Note 6 – Net Assets and Endowment Matters (Continued)

Return Objectives and Risk Parameters

Manomet's investment portfolio is managed to provide for the long-term support of Manomet. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed-upon levels of risk. It is the goal of the aggregate long-term investments to generate a long-term target rate of return of at least 7.5%.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Manomet relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Manomet targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, Manomet seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Note 7 – Retirement Plan

Manomet has a qualified 403(b) defined contribution retirement plan for all eligible employees. Employee participants may elect to defer a portion of their compensation subject to Internal Revenue Service limitations. Manomet contributes between four and six percent of current year salary for eligible employees. Additional contributions to the plan are at the discretion of the Board of Trustees but may not exceed the maximum amount permitted under the Internal Revenue Code. Manomet's contributions to the plan were \$112,540 and \$106,041 for the years ended September 30, 2018 and 2017, respectively.

Note 8 – Concentration of Credit Risk

Manomet maintains its cash and cash equivalents accounts at various financial institutions which may, at times, exceed federally insured limits. Manomet has not experienced any losses in such accounts. Financial instruments, which potentially subject Manomet to concentration of credit risk, consist principally of accounts receivable. Credit risk with receivables is concentrated among Federal agencies.

MANOMET, INC.

Notes to Financial Statements

Note 9 – Commitments

Manomet leases office space and equipment under several lease agreements, which expire at dates through September 2023. Minimum future rental payments under the non-cancelable operating leases for each of the remaining years and in the aggregate are:

<i>Year Ending September 30,</i>	
2019	\$ 48,398
2020	49,034
2021	39,626
2022	5,616
2023	<u>5,616</u>
Total minimum lease payments	\$ <u>148,290</u>

Rent expense was \$48,142 and \$43,917 for the years ended September 30, 2018 and 2017, respectively.

Note 10 – Volunteer Services

Many individuals volunteer their time and perform a variety of tasks that assist in Manomet's mission, but these services do not meet the criteria for recognition as contributed services. Manomet receives more than approximately 1,500 volunteer hours per year.