



Financial Statements

Manomet, Inc.

September 30, 2019 and 2018



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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2019, Manomet adopted Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Mayer Hayzman McCann P.C.

February 13, 2020
Providence, Rhode Island

MANOMET, INC.

Statements of Financial Position

	<i>September 30,</i>	
	<i>2019</i>	<i>2018</i>
Assets		
Cash and cash equivalents	\$ 2,032,202	\$ 2,689,720
Accounts receivable, net	1,052,518	546,773
Pledges receivable, net	336,780	460,200
Investments	23,505,920	23,084,819
Split interest agreements	68,411	69,794
Other assets	14,907	5,427
Property and equipment, net	<u>973,840</u>	<u>1,028,075</u>
Total assets	<u>\$ 27,984,578</u>	<u>\$ 27,884,808</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 273,789	\$ 355,427
Deferred revenue	<u>437,820</u>	<u>183,760</u>
Total liabilities	<u>711,609</u>	<u>539,187</u>
Net assets:		
Without donor restrictions	5,807,105	5,817,634
With donor restrictions	<u>21,465,864</u>	<u>21,527,987</u>
Total net assets	<u>27,272,969</u>	<u>27,345,621</u>
Total liabilities and net assets	<u>\$ 27,984,578</u>	<u>\$ 27,884,808</u>

MANOMET, INC.

Statement of Activities

***Year Ended September 30, 2019
(with comparative totals for 2018)***

	2019			2018
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Total</i>
Operating revenue and support:				
Grants and contracts	\$ 1,408,024	\$ -	\$ 1,408,024	\$ 1,243,312
Contributions	913,649	-	913,649	788,257
Program fees	10,469	-	10,469	46,343
Interest	31,562	-	31,562	34,356
Amounts appropriated under endowment spending policy and spent for current operations	936,104	-	936,104	713,232
Amounts appropriated under endowment spending policy in prior periods and spent for current operations	92,480	-	92,480	37,857
Amounts earmarked in prior periods and spent for current operations	39,223	-	39,223	200,837
Net assets released from restrictions	1,580,188	-	1,580,188	1,649,687
	5,011,699	-	5,011,699	4,713,881
Expenses:				
Programs	3,554,792	-	3,554,792	3,352,849
Administration	1,224,295	-	1,224,295	1,221,255
Fundraising	231,692	-	231,692	139,168
	5,010,779	-	5,010,779	4,713,272
Change in net assets from operations	920	-	920	609
Nonoperating activities:				
Amounts appropriated under endowment spending policy reserved for future periods	(33,052)	-	(33,052)	(13,654)
Amounts earmarked in current period reserved for future periods	(32,798)		(32,798)	(114,871)
Investment return, net of spending policy	57,080	364,021	421,101	666,179
Gain on investments held in charitable remainder unitrusts	111	974	1,085	7,602
Contributions	(2,790)	1,091,452	1,088,662	1,948,200
Change in allowance and discount for pledges	-	61,618	61,618	(68,226)
Net assets released from restrictions	-	(1,580,188)	(1,580,188)	(1,649,687)
	(11,449)	(62,123)	(73,572)	775,543
Change in net assets	(10,529)	(62,123)	(72,652)	776,152
Net assets, beginning	5,817,634	21,527,987	27,345,621	26,569,469
Net assets, ending	\$ 5,807,105	\$ 21,465,864	\$ 27,272,969	\$ 27,345,621

See accompanying notes to the financial statements.

MANOMET, INC.

Statement of Activities

Year Ended September 30, 2018

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Operating revenue and support:			
Grants and contracts	\$ 1,243,312	\$ -	\$ 1,243,312
Contributions	788,257	-	788,257
Program fees	46,343	-	46,343
Interest	34,356	-	34,356
Amounts appropriated under endowment spending policy and spent for current operations	713,232	-	713,232
Amounts appropriated under endowment spending policy in prior periods and spent for current operations	37,857	-	37,857
Amounts earmarked in prior periods and spent for current operations	200,837	-	200,837
Net assets released from restrictions	1,649,687	-	1,649,687
Total operating revenue and support	4,713,881	-	4,713,881
Expenses:			
Programs	3,352,849	-	3,352,849
Administration	1,221,255	-	1,221,255
Fundraising	139,168	-	139,168
Total expenses	4,713,272	-	4,713,272
Change in net assets from operations	609	-	609
Nonoperating activities:			
Amounts appropriated under endowment spending policy reserved for future periods	(13,654)	-	(13,654)
Amounts earmarked in current period reserved for future periods	(114,871)	-	(114,871)
Investment return, net of spending policy	90,313	575,866	666,179
Gain on investments held in charitable remainder unitrusts	3,911	3,691	7,602
Contributions	-	1,948,200	1,948,200
Change in allowance and discount for pledges	-	(68,226)	(68,226)
Net assets released from restrictions	-	(1,649,687)	(1,649,687)
Total nonoperating activities	(34,301)	809,844	775,543
Change in net assets	(33,692)	809,844	776,152
Net assets, beginning	5,851,326	20,718,143	26,569,469
Net assets, ending	\$ 5,817,634	\$ 21,527,987	\$ 27,345,621

MANOMET, INC.

Statements of Cash Flows

	<i>Years Ended September 30,</i>	
	<i>2019</i>	<i>2018</i>
Cash flows from operating activities:		
Change in net assets	\$ (72,652)	\$ 776,152
Adjustments to reconcile change in net assets to cash and cash equivalents used in operating activities:		
Depreciation	71,735	90,078
Contributions restricted for long-term investment	-	(2,600)
Net realized and unrealized gains	(1,267,733)	(1,381,652)
Changes in:		
Accounts receivable	(505,745)	327,285
Pledges receivable	123,420	(70,397)
Investments held in split interest agreements	1,383	(7,099)
Other assets	(9,480)	(2,100)
Accounts payable and accrued liabilities	(81,638)	(270,783)
Deferred revenue	254,060	(106,007)
	<u>(1,486,650)</u>	<u>(647,123)</u>
Net cash used in operating activities	(1,486,650)	(647,123)
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	846,632	715,474
Purchase of investments	-	(2,600)
Purchase of property and equipment	(17,500)	(38,450)
	<u>829,132</u>	<u>674,424</u>
Net cash provided by investing activities	829,132	674,424
Cash flows from financing activities:		
Contributions restricted for long-term investment	-	2,600
	<u>-</u>	<u>2,600</u>
Net cash provided by financing activities	-	2,600
Change in cash and cash equivalents	(657,518)	29,901
Cash and cash equivalents, beginning	<u>2,689,720</u>	<u>2,659,819</u>
Cash and cash equivalents, ending	\$ <u>2,032,202</u>	\$ <u>2,689,720</u>

MANOMET, INC.

Notes to Financial Statements

Note 1 – Organization

Manomet, Inc. (“Manomet”) is a Massachusetts not-for-profit corporation established on September 13, 1968. Manomet is forging a pathway for our generation and those to come.

As a science-driven sustainability organization, 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. By applying science and engaging people, Manomet provides practical ways to act—where people live and work.

Manomet’s portfolio of work continues its long tradition of avian research and conservation, complemented by a vibrant and growing body of work with the for-profit sector, especially those sectors that affect large ecosystems like forestry, fisheries, retail, and agriculture.

Our approach of building trust with people and organizations with different perspectives is the secret ingredient that makes Manomet effective at achieving our mission of ‘applying science and engaging people to sustain our world.’ Through these relationships and partnerships, Manomet is systematically, methodically, growing participation to create change.

Manomet understands that drawing on different worldviews is how we solve complex problems that impact the world around us. Our partners are leading change to create a more sustainable world in the systems they manage: protecting habitat for migrating birds, creating new sustainable agricultural practices, reducing greenhouse gas emissions, safeguarding our air and water, and teaching children how the natural world is changing around them.

This is how just one organization can have such a large impact in creating a more sustainable world.

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:

Net Assets without Donor Restrictions

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 revenue without donor restrictions if these funds are received and spent during the same year and if they support the activities of Manomet. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Preparation (Continued)

Net Assets with Donor Restrictions

Net assets subject to explicit or implicit grantor or donor-imposed restrictions. Some grantor or donor-imposed restrictions are temporary in nature that may or will be met either by actions of Manomet and/or the passage of time. Other grantor or donor-imposed restrictions are 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 represent highly liquid debt instruments, bank deposits and other such accounts with original maturities of three months or less. Such accounts are carried at cost plus accrued interest. Certain of these accounts have limited deposit insurance, while others may exceed or not have such insurance.

Accounts Receivable and Bad Debts

Included in accounts receivable at September 30, 2019 and 2018 is approximately \$536,000 and \$362,000 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, 2019 and 2018 as Manomet believes that all receivables are collectible. Allowance for pledges receivable is approximately \$61,000 and \$66,000 at September 30, 2019 and 2018, 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 net assets without donor restrictions or net assets with donor restrictions as applicable.

Pledges Receivable

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.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Split Interest Agreements

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.

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 recorded at cost when the useful life is over one year and when such amounts exceed a management established capitalization threshold. Donated property is recorded at fair value at the date of gift which would normally entail a Level 3 fair value assessment as per the fair value standards elsewhere in this section. 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 reserved for future periods; investment return net of endowment spending; gains and losses on investments held in charitable remainder unitrusts; contributions without donor restrictions designated by the Board of Trustees as acting as endowment; contributions with donor restrictions; 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, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions as follows, unless their use is limited by donor-imposed restrictions:

Manomet derives revenues primarily through grants, contracts and contributions. Federal funds are principally from the Department of the Interior.

Revenue earned on grants for research is recognized as related costs are incurred. Revenue on contracts is recognized as value is transferred to customers which generally is indicated via the incurring of allowable costs under the contract.

Contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purpose restriction has been satisfied. Gifts of property, plant and equipment are recorded as without donor restrictions unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Manomet reports expirations of donor restrictions when the donated or acquired long-lived asset is placed into service. Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers.

Investment returns are reported as revenue based on the fair value of such investments at year end. Such returns are allocated ratably based on the relative proportion of funds invested with donor restrictions and those without donor restrictions. Investment returns allocated to net assets with donor restrictions remain in such category until appropriated under the board approved spending policy unless otherwise required by the terms of the gift that they be added to the principal of the endowment.

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 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. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

The fair value standards require that for each item carried at fair value that such be disclosed in accordance with the valuation methods used which fall into three categories (but for those items valued at NAV) as follows:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that Manomet has the ability to access at measurement date.
- Level 2 – inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable.
- Level 3 – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market and significant professional judgment is required in determining the fair value assigned to such assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement in its entirety.

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 6 – 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.

Expenses are reported as decreases in net assets without donor restrictions. The statement of activities presents expenses by functional classification. Building operations and maintenance costs, including depreciation, are allocated based on square footage.

New Accounting Pronouncements

In 2019, Manomet adopted Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Manomet has adjusted the presentation to all periods presented, however such reclassification had no effect on changes in net assets.

Reclassifications

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

Subsequent Events

Manomet has evaluated subsequent events through February 13, 2020, the date the financial statements were approved and authorized to be issued.

MANOMET, INC.

Notes to Financial Statements

Note 3 – Liquidity and Availability

Manomet strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects Manomet's financial assets as of September 30, 2019 and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures. Amounts not available include certain board-designated funds that are intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

Financial assets at year end:	
Cash and cash equivalents	\$ 2,032,202
Accounts receivable, net	1,052,518
Pledge receivable, net	336,780
Investments	23,505,920
Split interest agreements	<u>68,411</u>
Total financial assets at year end	\$ <u><u>26,995,831</u></u>
Financial assets available to meet general expenditures over the next 12 months:	
Cash and cash equivalents	\$ 2,032,202
Accounts receivable due in one year or less	1,052,518
Pledges for general expenditure due in one year or less	216,179
Endowment appropriation	<u>998,000</u>
Total financial assets available to meet general expenditures over the next 12 months	\$ <u><u>4,298,899</u></u>

MANOMET, INC.

Notes to Financial Statements

Note 4 – Pledges Receivable

Pledges receivable are comprised of the following at September 30:

	2019	2018
Amounts due in:		
One year or less	\$ 222,865	\$ 189,596
One to five years	<u>130,000</u>	<u>358,308</u>
Total due	352,865	547,904
Less: Present value discount	(5,669)	(21,925)
Allowance for doubtful accounts	<u>(10,416)</u>	<u>(65,779)</u>
Pledges receivable, net	\$ <u>336,780</u>	\$ <u>460,200</u>

Pledges receivable are discounted at a rate of 4.56% and 4.58% in 2019 and 2018, respectively.

Note 5 – Property and Equipment

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

	2019	2018
Land	\$ 375,113	\$ 375,113
Buildings and improvements	2,439,044	2,421,544
Equipment, furniture and fixtures	<u>591,268</u>	<u>591,268</u>
	3,405,425	3,387,925
Less accumulated depreciation	<u>(2,431,585)</u>	<u>(2,359,850)</u>
Property and equipment, net	\$ <u>973,840</u>	\$ <u>1,028,075</u>

MANOMET, INC.

Notes to Financial Statements

Note 6 – 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:

	<i>2019</i>	<i>2018</i>
Cash and cash equivalents	\$ <u>1,690,649</u>	\$ <u>2,221,292</u>
Equities:		
Domestic equities	11,139,713	10,980,804
International equities	<u>4,873,624</u>	<u>4,611,938</u>
Total equities	<u>16,013,337</u>	<u>15,592,742</u>
Fixed income funds:		
Intermediate funds	<u>3,945,315</u>	<u>3,733,473</u>
Other:		
Diversifying strategies	<u>1,856,619</u>	<u>1,537,312</u>
Investments	\$ <u><u>23,505,920</u></u>	\$ <u><u>23,084,819</u></u>

Manomet engages four professional asset management firms to oversee its portfolio, and an independent Advisor to assist the Investment Committee in making manager selection and asset allocation decisions. 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 \$53,000 and \$58,000 for the years ended September 30, 2019 and 2018, respectively. Expenses and fees associated with mutual funds are netted against the return of such funds.

The investments held in split interest agreements of \$68,411 and \$69,794 at September 30, 2019 and 2018, respectively, are included in other assets in the statements of financial position. The corresponding liability for the split interest agreements of \$21,381 and \$23,849 at September 30, 2019 and 2018, respectively, are included in accounts payable and accrued liabilities in the statements of financial position. Both the asset and liability for split interest agreements are considered Level 2 per the fair value hierarchy.

MANOMET, INC.

Notes to Financial Statements

Note 7 – Net Assets and Endowment Matters

Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of the following at September 30:

	<i>2019</i>	<i>2018</i>
Purpose restricted of a temporary nature:		
Unitrust	\$ 22,827	\$ 21,853
Programs	1,119,381	1,546,499
Accumulated unspent investment income	4,251,827	3,887,806
Research initiatives	15,074,973	15,074,973
General endowment	<u>996,856</u>	<u>996,856</u>
Total	<u>\$ 21,465,864</u>	<u>\$ 21,527,987</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted programs purpose. All net assets released were for program purposes.

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, 2019:

	<i>Net Assets without Donor Restrictions</i>	<i>Net Assets with Donor Restrictions</i>	<i>Total</i>
Accumulated unspent investment income	\$ -	\$ 4,251,827	\$ 4,251,827
Donor-restricted endowment funds to be maintained in perpetuity	-	16,067,893	16,067,893
Board-designated endowment funds	<u>3,186,200</u>	<u>-</u>	<u>3,186,200</u>
	<u>\$ 3,186,200</u>	<u>\$ 20,319,720</u>	<u>\$ 23,505,920</u>

MANOMET, INC.

Notes to Financial Statements

Note 7 – Net Assets and Endowment Matters (Continued)

Endowment Assets and Those Functioning as Endowment Assets (Continued)

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

	<i>Net Assets without Donor Restrictions</i>	<i>Net Assets with Donor Restrictions</i>	<i>Total</i>
Accumulated unspent investment income	\$ -	\$ 3,887,806	\$ 3,887,806
Donor-restricted endowment funds to be maintained in perpetuity	-	16,067,893	16,067,893
Board-designated endowment funds	<u>3,129,120</u>	<u>-</u>	<u>3,129,120</u>
	<u>\$ 3,129,120</u>	<u>\$ 19,955,699</u>	<u>\$ 23,084,819</u>

The following represents required disclosure relative to the composition of endowment assets and those functioning as endowment assets at September 30, 2019:

	<i>Net Assets without Donor Restrictions</i>	<i>Net Assets with Donor Restrictions</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	<u>\$ 3,129,120</u>	<u>\$ 19,955,699</u>	<u>\$ 23,084,819</u>
Gifts and additions	<u>-</u>	<u>-</u>	<u>-</u>
Investment returns:			
Interest and dividends, net of management fees	21,054	134,271	155,325
Net realized and unrealized gains	<u>171,841</u>	<u>1,095,892</u>	<u>1,267,733</u>
Total investment returns	<u>192,895</u>	<u>1,230,163</u>	<u>1,423,058</u>
Expenditures:			
Amounts appropriated under endowment spending policy and spent for current operations	(126,889)	(809,215)	(936,104)
Amounts appropriated under endowment spending policy previously reserved and spent	(17,852)	(113,851)	(131,703)
Amounts appropriated under endowment spending policy and reserved for use in a future period	<u>8,926</u>	<u>56,924</u>	<u>65,850</u>
Total expenditures	<u>(135,815)</u>	<u>(866,142)</u>	<u>(1,001,957)</u>
Net investment returns and expenditures	<u>57,080</u>	<u>364,021</u>	<u>421,101</u>
Endowment assets and those functioning as endowment assets, end of year	<u>\$ 3,186,200</u>	<u>\$ 20,319,720</u>	<u>\$ 23,505,920</u>

MANOMET, INC.

Notes to Financial Statements

Note 7 – 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>Net Assets without Donor Restrictions</i>	<i>Net Assets with Donor Restrictions</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ 3,038,808	\$ 19,377,233	\$ 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	<u>204,428</u>	<u>1,303,507</u>	<u>1,507,935</u>
Expenditures:			
Amounts appropriated under endowment spending policy and spent for current operations	(96,692)	(616,540)	(713,232)
Amounts appropriated under endowment spending policy previously reserved and spent	(32,359)	(206,335)	(238,694)
Amounts appropriated under endowment spending policy and reserved for use in a future period	14,935	95,234	110,169
Total expenditures	<u>(114,116)</u>	<u>(727,641)</u>	<u>(841,757)</u>
Net investment returns and expenditures	<u>90,312</u>	<u>575,866</u>	<u>666,178</u>
Endowment assets and those functioning as endowment assets, end of year	<u>\$ 3,129,120</u>	<u>\$ 19,955,699</u>	<u>\$ 23,084,819</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 7 – 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 permanent endowment: (a) the original value of gifts donated, (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 with donor restrictions endowment fund that is not classified as such is classified as temporary endowment 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 net assets without donor restriction and net assets with donor restriction 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 net assets without donor restriction endowment funds to be used for certain program capacity building initiatives. No such amounts were expended for the years ended September 30, 2019 and 2018.

For the fiscal year ended 2019, the Board of Trustees has designated only a portion of 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 \$998,000 for the year ending September 30, 2020. 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.

Manomet has a policy whereby Board-designated endowment amounts that are appropriated under the spending policy, as described above, and not spent in the current year are carried forward to future years to be spent. These amounts are reported as nonoperating activities in the Statement of Activities and were \$33,052 and \$13,654 for the years ended September 30, 2019 and 2018, respectively. In future years when amounts are spent for current operations this activity is reported in operating revenue and support in the Statement of Activities and were \$92,480 and \$37,857 for the years ended September 30, 2019 and 2018, respectively.

MANOMET, INC.

Notes to Financial Statements

Note 7 – Net Assets and Endowment Matters (Continued)

Interpretation of Relevant Law and Spending Policy (Continued)

Manomet also has a policy whereby non-endowment related surpluses in net assets without donor restrictions are earmarked in the current period and reserved to be spent in future periods. These amounts are reported as nonoperating activities in the Statement of Activities and were \$32,798 and \$114,871 for the years ended September 31, 2019 and 2018, respectively. In future years when amounts are spent for current operations this activity is reported in operating revenue and support in the Statement of Activities and were \$39,223 and \$200,837 for the years ended September 30, 2019 and 2018, respectively.

Following is a summary of activity for the years ended September 30:

	<i>2019</i>	<i>2018</i>
Balance, beginning of year	\$ 239,071	\$ 349,240
New amounts		
Endowment funds	33,052	13,654
Board-designated non-endowment funds	32,798	114,871
Spent amounts		
Endowment funds	(92,480)	(37,857)
Board-designated non-endowment funds	<u>(39,223)</u>	<u>(200,837)</u>
Balance, end of year	<u>\$ 173,218</u>	<u>\$ 239,071</u>

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 net assets without donor restrictions. There were no funds with deficiencies at September 30, 2019 and 2018.

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.

MANOMET, INC.

Notes to Financial Statements

Note 8 – Natural Classification of Expenses

Expenses presented by natural classification and function are as follows for the years ended September 30:

	2019					
	<i>Conservation Programs</i>	<i>Sustainability Programs</i>	<i>Total Programs</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries and benefits	\$ 1,090,222	\$ 1,001,954	\$ 2,092,176	\$ 881,841	\$ 182,700	\$ 3,156,717
Contractual services	821,385	90,645	912,030	161,923	10,250	1,084,203
Travel and meetings	165,913	96,328	262,241	28,314	18,000	308,555
Printing and postage	15,098	9,717	24,815	5,800	9,960	40,575
Equipment and supplies	180,214	83,316	263,530	146,417	10,782	420,729
	\$ 2,272,832	\$ 1,281,960	\$ 3,554,792	\$ 1,224,295	\$ 231,692	\$ 5,010,779

	2018					
	<i>Conservation Programs</i>	<i>Sustainability Programs</i>	<i>Total Programs</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries and benefits	\$ 1,024,054	\$ 1,020,168	\$ 2,044,222	\$ 839,666	\$ 117,619	\$ 3,001,507
Contractual services	573,652	97,322	670,974	183,665	10,155	864,794
Travel and meetings	260,126	92,228	352,354	26,737	644	379,735
Printing and postage	13,844	9,588	23,432	4,189	6,914	34,535
Equipment and supplies	182,246	79,621	261,867	166,998	3,836	432,701
	\$ 2,053,922	\$ 1,298,927	\$ 3,352,849	\$ 1,221,255	\$ 139,168	\$ 4,713,272

Note 9 – 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 \$115,390 and \$112,540 for the years ended September 30, 2019 and 2018, respectively.

Note 10 – 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 11 – 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>	
2020	\$ 49,034
2021	39,626
2022	5,616
2023	<u>5,616</u>
Total minimum lease payments	\$ <u><u>99,892</u></u>

Rent expense was \$48,767 and \$48,142 for the years ended September 30, 2019 and 2018, respectively.

Note 12 – 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.